

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 8801 / May 9, 2007

ADMINISTRATIVE PROCEEDING
File No. 3-12631

In the Matter of

**Morgan Stanley & Co.,
Incorporated**

Respondent.

CORRECTED
ORDER UNDER RULE 602(e) OF
THE SECURITIES ACT OF 1933
GRANTING A WAIVER OF THE
DISQUALIFICATION PROVISION
OF RULE 602(c)(3)

I.

Morgan Stanley & Co., Incorporated ("MS & Co.") has submitted a letter, dated March 7, 2007, requesting a waiver of the Rule 602(c)(3) disqualification from the exemption from registration under Regulation E arising from MS & Co.'s settlement of an administrative proceeding commenced by the Commission.

II.

On May 9, 2007, pursuant to MS & Co.'s Offer of Settlement, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and Desist Order Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 against MS & Co. Under the Order, the Commission found that MS & Co. failed to seek to obtain best execution for certain orders for OTC securities placed by retail customers of MS & Co., MSDW and third party broker-dealers that routed orders to MS & Co. for execution. In the Order, the Commission ordered MS & Co. to cease-and-desist from committing or causing any violations and any future violations of Section 15(c)(1)(A) of the Securities Exchange Act of 1934 ("Exchange Act"). In the Order, the Commission also censured MS & Co. and ordered it to disgorge ill-gotten gains, pay a civil monetary penalty and comply with certain undertakings.

III.

The Regulation E exemption is unavailable for the securities of small business investment company issuers or business development company issuers if a principal

security holder, investment advisor or underwriter of the securities to be offered is subject to a Commission order pursuant to Section 15(b) of the Exchange Act. Rule 602(c)(3). Rule 602(e) of the Securities Act of 1933 ("Securities Act") provides, however, that disqualification "shall not apply . . . if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances, that the exception be denied." 17 C.F.R. § 230.602(e).

IV.

Based upon the representations set forth in MS & Co.'s request, the Commission has determined that pursuant to Rule 602(e) under the Securities Act a showing of good cause has been made that it is not necessary under the circumstances that the exemption be denied as a result of the Order.

Accordingly, **IT IS ORDERED**, pursuant to Rule 602(e) under the Securities Act, that a waiver from the application of the disqualification provisions of Rule 602(c)(3) under the Securities Act resulting from the entry of the Order, respectively, is hereby granted.

By the Commission.

Nancy M. Morris
Secretary