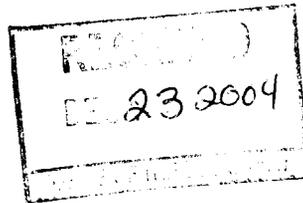


Morgan Stanley



1585 Broadway
New York, NY 10036

7

December 23, 2004

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: File No. SR-FICC-2004-15

Morgan Stanley & Co. Incorporated (“**Morgan Stanley**”) appreciates the opportunity to comment on the proposal by the Government Securities Division (“the **GSD**”) of the Fixed Income Clearing Corporation (“**FICC**”) to require the submission to FICC of eligible transactions conducted by certain affiliates of FICC members in order to clarify and reinforce prohibitions on various pre-netting practices that may occur in the U.S. Government Securities market (the “**FICC Rule Filing Proposal**”). Morgan Stanley supports all efforts to reduce risk and encourage sound risk management practices in this market. We believe the FICC Rule Filing Proposal is consistent with these ideals, and respectfully request that the Securities and Exchange Commission (the “**Commission**”) promptly approve the FICC Rule Filing Proposal.

We believe the FICC Rule Filing Proposal is crucial to preserving the integrity of FICC's netting and risk management processes. GSD netting members, such as Morgan Stanley, benefit from the protections offered by these processes when conducting U.S. Government securities activity. These processes, when operating in concert with each GSD netting member's individual risk management practices, form a powerful tool that enhances the safety and soundness of the U.S. Government securities market for all participants – buy-side and sell-side alike. By submitting the FICC Rule Filing Proposal, we believe FICC seeks to reduce systemic risk in the U.S. Government securities market by addressing two key issues. One, the need for FICC to receive and risk manage eligible activity of as many active market participants as possible, and two, the potential risks of pre-netting.

Any significant departure from requiring clearing members to submit all trading activity can introduce unnecessary risk into market, and onto GSD netting members. These risks include increased counterparty credit exposure, loss or delay of the otherwise applicable FICC trade guaranty, reduction in legal certainty (as in a bankruptcy situation), and hindering the resolution of fails.

Mr. Jonathan G. Katz
December 23, 2004
Page 2

The FICC Rule Filing Proposal addresses these issues in a measured manner by focusing on members' affiliates that are U.S. banks, broker-dealers or futures commission merchants, and provides for reasonable exceptions to the breadth of the proposed submission requirement. Entities subject to the proposed submission requirement comprise a large majority of GSD netting members, and their trades should be submitted to FICC on a trade-by-trade basis to ameliorate the risks outlined above. Otherwise, the opportunity exists for members to "cherry pick" by allocating to FICC (and derivatively, to all of its GSD netting members) only certain covered affiliate trades that may be regarded as posing higher risk.

Again, we appreciate the opportunity to favorably comment on the FICC Rule Filing Proposal and encourage the Commission to promptly grant its approval.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robert F. Gartland", written in a cursive style.

Robert F. Gartland
Managing Director