



**Morgan Stanley & Co. Incorporated**

1585 Broadway  
New York, NY 10036

**SEC-Required Report on Routing of Customer Orders  
For Quarter Ending December 31, 2004**

The Securities and Exchange Commission ("SEC" or "Commission") Rule 11Ac1-6 (the "Rule") requires all brokerage firms to make publicly available quarterly reports that present a general overview of the Firm's routing of non-directed customer orders in covered equity and option securities. Non-directed orders are orders that customers have not specifically instructed to be routed to a specific destination. For these non-directed orders, Morgan Stanley & Co. Incorporated ("Morgan Stanley") has selected the execution venue on behalf of its customers. In addition, Morgan Stanley must identify the significant venues to which it routed customer orders for execution during the applicable quarter. To obtain information about the rule, you may access the following web site addresses: <http://www.sec.gov/rules/final/34-43590.htm> and <http://www.sec.gov/interp/legals/mrslb13a.htm>.

The report is divided into four sections: one for securities listed on the New York Stock Exchange and reported as a Network A eligible security; one for securities listed on The Nasdaq Stock Market; one for securities listed on the American Stock Exchange or regional exchanges and reported as a Network B eligible security; and one for exchange-listed options. For each section, this report identifies the venues most often selected by Morgan Stanley, sets forth the percentage of various types of orders routed to the venues, and discusses the material aspects, if any, of Morgan Stanley's relationship with the venues.

**Securities Listed on New York Stock Exchange/Network A Eligible Security**

**Summary Statistics:**

Non-directed orders as percentage of total customer orders	100%
Market orders as percentage of total non-directed orders	1%
Limit orders as percentage of total non-directed orders	1%
Other orders as percentage of total non-directed orders	98%

**Venues Receiving Significant Percentage of Total Non-Directed Orders:**

1. New York Stock Exchange (NYSE)	97%
-----------------------------------	-----

**Information Concerning Significant Venues:**

1. NYSE

Types of Orders Routed to Venue:

Market orders as percentage of total market orders	85%
--	-----

Limit orders as percentage of total limit orders	99%
Other orders as percentage of total other orders	97%

### **Securities Listed On The Nasdaq Stock Market**

#### **Summary Statistics:**

Non-directed orders as percentage of total customer orders	98%
Market orders as percentage of total non-directed orders	12%
Limit orders as percentage of total non-directed orders	8%
Other orders as percentage of total non-directed orders	80%

#### **Venues Receiving Significant Percentage of Total Non-Directed Orders:**

1. MSCO	32%
2. ArcaEx	24%
3. INCA	24%
4. NASD	11%

#### **Information Concerning Significant Venues:**

##### **1. MSCO**

##### **Types of Orders Routed to Venue:**

Market orders as percentage of total market orders	93%
Limit orders as percentage of total limit orders	86%
Other orders as percentage of total other orders	17%

Morgan Stanley executes large amounts of both institutional and retail order flow. Morgan Stanley utilizes various automated systems for its OTC market making, including, but not limited to, “automatic execution” capabilities. These automated systems and the interaction between these two sources of order flow, provide considerable opportunities for liquidity, quick turnaround and access to a broad array of market centers. Morgan Stanley may internalize customer order flow to allow the customer to benefit from this pool of liquidity and to offer this order flow improved opportunities for price improvement. Such internalization may enable Morgan Stanley to share in the profits, if any, generated by this activity.

##### **2. ArcaEx\***

##### **Types of Orders Routed to Venue:**

Market orders as percentage of total market orders	0%
--	----

Limit orders as percentage of total limit orders	1%
Other orders as percentage of total other orders	30%

### 3. INCA\*

#### Types of Orders Routed to Venue:

Market orders as percentage of total market orders	0%
Limit orders as percentage of total limit orders	1%
Other orders as percentage of total other orders	29%

### 4. NASD

#### Types of Orders Routed to Venue:

Market orders as percentage of total market orders	0%
Limit orders as percentage of total limit orders	2%
Other orders as percentage of total other orders	13%

\*Electronic communication networks (“ECNs”) generally charge Morgan Stanley execution fees on a per share basis for accessing liquidity from their market and credit Morgan Stanley on a per share basis for providing liquidity to their market, in some instances, the credit exceeds the fees charged.

## **Securities Listed on American Stock Exchange or Regional Exchanges/Network B Eligible Security**

### Summary Statistics:

Non-directed orders as percentage of total customer orders	100%
Market orders as percentage of total non-directed orders	1%
Limit orders as percentage of total non-directed orders	4%
Other orders as percentage of total non-directed orders	94%

### Venues Receiving Significant Percentage of Total Non-Directed Orders:

1. American Stock Exchange (AMEX)	67%
2. ArcaEx (ARCA)	26%

### Information Concerning Significant Venues:

#### 1. AMEX

##### Types of Orders Routed to Venue:

Market orders as percentage of total market orders	86%
Limit orders as percentage of total limit orders	98%
Other orders as percentage of total other orders	66%

#### 2. ArcaEx

## Types of Orders Routed to Venue

Market orders as percentage of total market orders	1%
Limit orders as percentage of total limit orders	0%
Other orders as a percentage of total other orders	28%

## Exchange-Listed Options

### Summary Statistics:

Non-directed orders as percentage of total customer orders	100%
Market orders as percentage of total non-directed orders	2%
Limit orders as percentage of total non-directed orders	90%
Other orders as percentage of total non-directed orders	8%

### Venues Receiving Significant Percentage of Total Non-Directed Orders:

1. International Securities Exchange (ISE)	85%
2. Chicago Board of Options Exchange (CBOE)	5%

### Information Concerning Significant Venues:

#### 1. ISE

##### Types of Orders Routed to Venue:

Market orders as percentage of total market orders	65%
Limit orders as percentage of total limit orders	89%
Other orders as percentage of total other orders	48%

Morgan Stanley is a Primary Market Maker in 1 bin and a Competitive Market Maker in 9 bins on the ISE. Morgan Stanley has an indirect ownership interest in the ISE, which stands to appreciate as a result of any profits the ISE generates from the execution of customer orders.

#### 2. CBOE

##### Types of Orders Routed to Venue:

Market orders as percentage of total market orders	21%
Limit orders as percentage of total limit orders	4%
Other orders as percentage of total other orders	17%

The information and data provided herein (the "Reports") are the property of Morgan Stanley & Co. Incorporated and cannot be redistributed in any form or manner without the prior written consent of Morgan Stanley & Co. Incorporated.

Morgan Stanley & Co. Incorporated has prepared the Reports solely for informational purposes and consistent with Rules 11Ac1-5 and 11Ac1-6 under the Securities Exchange Act of 1934 (the "Disclosure Rules"). The information provided in the Reports is not intended to, and does not, encompass all the factors to be considered in a best execution analysis and related order routing determinations.

To better inform you of Morgan Stanley & Co. Incorporated's performance as a market center, the Reports may contain data that is in addition to that, which is required by the Disclosure Rules.

Morgan Stanley & Co. Incorporated does not represent, warrant, or guarantee that the Reports are accurate. Morgan Stanley & Co. Incorporated disclaims liability for any direct, indirect, punitive, special, consequential, or incidental damages related to the Reports or the use of the Reports. The information provided in the Reports may be impacted by market data system outages or errors, both internal and external, and it is dependent upon the integrity and accuracy of data provided by outside sources. Certain assumptions have been made in preparing the Reports, and changes to the assumptions may have a material impact on results. The Reports do not endorse or recommend any particular security or market participant.

This disclaimer applies to the Reports in their entirety, irrespective of whether the Reports are used or viewed in whole or in part, and may be reviewed at any time by accessing the "Disclaimer" posted on the web page where the Reports are made available.