

# Morgan Stanley

**Morgan Stanley & Co. Incorporated**  
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## **SEC-Required Report on Routing of Customer Orders For Quarter Ending December 31, 2008**

The Securities and Exchange Commission ("SEC" or "Commission") Rule 606 (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/legal/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. In addition, at the end of the report, there is a General Disclosures section that provides additional information relevant to Morgan Stanley's order routing and handling practices.

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

#### **Summary Statistics:**

Non-directed orders as percentage of total customer orders	27%
Market orders as percentage of total non-directed orders	19%
Limit orders as percentage of total non-directed orders	2%
Other orders as percentage of total non-directed orders	79%

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

NASDAQ	31%
New York Stock Exchange (NYSE)	24%
ARCA	15%
AUTO	12%
BATS	10%
MSCO	4%

Information Concerning Significant Venues:

1. NASDAQ

Types of Orders Routed to Venue:

Market orders as percentage of total market orders	30%
Limit orders as percentage of total limit orders	11%
Other orders as percentage of total other orders	32%

2. NYSE

Types of Orders Routed to Venue:

Market orders as percentage of total market orders	20%
Limit orders as percentage of total limit orders	49%
Other orders as percentage of total other orders	24%

3. ARCA

Types of Orders Routed to Venue:

Market orders as percentage of total market orders	10%
Limit orders as percentage of total limit orders	6%
Order orders as percentage of total other orders	16%

4. AUTO

Types of Orders Routed to Venue:

Market orders as percentage of total market orders	19%
Limit orders as percentage of total limit orders	3%
Order orders as percentage of total other orders	11%

5. BATS

Types of Orders Routed to Venue:

Market orders as percentage of total market orders	11%
Limit orders as percentage of total limit orders	5%
Order orders as percentage of total other orders	10%

Morgan Stanley maintains an ownership interest in BATS Trading, which stands to appreciate as a result of any profits BATS Trading generates from the execution of orders.

6. MSCO

Types of Orders Routed to Venue:

Market orders as percentage of total market orders	7%
Limit orders as percentage of total limit orders	19%
Other orders as percentage of total other orders	3%

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.

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

#### **Summary Statistics:**

Non-directed orders as percentage of total customer orders	16%
Market orders as percentage of total non-directed orders	17%
Limit orders as percentage of total non-directed orders	2%
Other orders as percentage of total non-directed orders	81%

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

NASDAQ	50%
ARCA	14%
AUTO	14%
BATS	11%
MSCO	7%

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

##### **1. NASDAQ**

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

Market orders as percentage of total market orders	33%
Limit orders as percentage of total limit orders	50%
Others orders as percentage of total other orders	53%

##### **2. ARCA**

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

Market orders as percentage of total market orders	31%
Limit orders as percentage of total limit orders	12%
Other orders as percentage of total other orders	27%

##### **3. AUTO**

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

Market orders as percentage of total market orders	22%
Limit orders as percentage of total limit orders	3%
Other orders as percentage of total other orders	12%

#### 4. BATS

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

Market orders as percentage of total market orders	12%
Limit orders as percentage of total limit orders	10%
Other orders as percentage of total other orders	11%

Morgan Stanley maintains an ownership interest in BATS Trading, which stands to appreciate as a result of any profits BATS Trading generates from the execution of orders.

#### 5. MSCO

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

Market orders as percentage of total market orders	17%
Limit orders as percentage of total limit orders	19%
Other orders as percentage of total other orders	5%

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.

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

#### Summary Statistics:

Non-directed orders as percentage of total customer orders	9%
Market orders as percentage of total non-directed orders	48%
Limit orders as percentage of total non-directed orders	7%
Other orders as percentage of total non-directed orders	44%

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

NASDAQ	40%
ARCA	19%
BATS	16%
AUTO	13%
MSCO	5%

#### Information Concerning Significant Venues:

##### 1. NASDAQ

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

Market orders as percentage of total market orders	27%
Limit orders as percentage of total limit orders	25%
Other orders as percentage of total other orders	56%

## 2. ARCA

### Types of Orders Routed to Venue:

Market orders as percentage of total market orders	23%
Limit orders as percentage of total limit orders	30%
Other orders as percentage of total other orders	13%

## 3. BATS

### Types of Orders Routed to Venue:

Market orders as percentage of total market orders	26%
Limit orders as percentage of total limit orders	9%
Other orders as a percentage of total other orders	7%

Morgan Stanley maintains an ownership interest in BATS Trading, which stands to appreciate as a result of any profits BATS Trading generates from the execution of orders.

## 4. AUTO

### Types of Orders Routed to Venue:

Market orders as percentage of total market orders	13%
Limit orders as percentage of total limit orders	6%
Other orders as percentage of total other orders	14%

## 5. MSCO

### Types of Orders Routed to Venue:

Market orders as percentage of total market orders	3%
Limit orders as percentage of total limit orders	16%
Other orders as percentage of total other orders	4%

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.

## Exchange-Listed Options

### Summary Statistics:

Non-directed orders as percentage of total customer orders	99%
Market orders as percentage of total non-directed orders	27%
Limit orders as percentage of total non-directed orders	55%
Other orders as percentage of total non-directed orders	18%

Venues Receiving Significant Percentage of Total Non-Directed Orders:

International Securities Exchange (ISE)	24%
Chicago Board Options Exchange (CBOE)	20%
Citigroup Global Markets (CITI)	20%
Philadelphia Stock Exchange (PHLX)	19%
ARCA	12%

Information Concerning Significant Venues:

1. ISE

Types of Orders Routed to Venue:

Market orders as percentage of total market orders	22%
Limit orders as percentage of total limit orders	16%
Other orders as percentage of total other orders	0%

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	37%
Limit orders as percentage of total limit orders	13%
Other orders as percentage of total other orders	16%

3. CITI

Types of Orders Routed to Venue:

Market orders as percentage of total market orders	1%
Limit orders as percentage of total limit orders	36%
Other orders as percentage of total other orders	0%

4. PHLX

Types of Orders Routed to Venue:

Market orders as percentage of total market orders	24%
Limit orders as percentage of total limit orders	19%
Other orders as percentage of total other orders	8%

Morgan Stanley maintains an ownership interest in the Philadelphia Stock Exchange (PHLX), which stands to appreciate as a result of any profits PHLX generates from the execution of orders.

## 5. ARCA

### Types of Orders Routed to Venue:

Market orders as percentage of total market orders	9%
Limit orders as percentage of total limit orders	14%
Other orders as percentage of total other orders	11%

### General Disclosures

Morgan Stanley routes customer orders to national securities exchanges, alternative trading systems (ATSSs), including electronic communications networks (ECNs), and other market centers. Certain market centers offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that Morgan Stanley receives from one or more such market centers may exceed the amount that Morgan Stanley is charged. Under these limited circumstances, such payments would constitute payment for order flow.

In addition to the ownership interests disclosed in the prior sections, Morgan Stanley or certain affiliates also hold minority stakes in other market centers which stand to appreciate as a result of any profits generated from the execution of customer orders.

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