

REGISTRATION DOCUMENT

Morgan Stanley

MORGAN STANLEY & CO. INTERNATIONAL plc
(Incorporated with limited liability in England and Wales)

This Registration Document (the "**Registration Document**") has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**") which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg as a registration document issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of providing information during the period of twelve months after the date of publication of this Registration Document, with regard to Morgan Stanley & Co. International plc (the "**Issuer**" or "**MSI plc**") (formerly, Morgan Stanley and Co. International Limited) as issuer of (i) non-equity securities whose denomination per unit amounts to at least EUR 1,000, and (ii) non-equity securities giving the right to acquire any transferable securities or to receive a cash amount, as a consequence of their being converted or the rights conferred by them being exercised. This document constitutes a Registration Document for the purposes of the Prospectus Directive.

Certain risk factors relating to the Issuer are set out in "Risk Factors" on page 4 of this Registration Document.

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge of the Issuer, which has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

MORGAN STANLEY

5 October 2007

Important Notices

The distribution of this Registration Document and the offering, sale and delivery of debt or derivative securities in certain jurisdictions may be restricted by law. Persons into whose possession this Registration Document comes are required by the Issuer to inform themselves about and to observe any of those restrictions.

This Registration Document should be read and construed with any supplement thereto together with, in relation to any issue of debt or derivative securities of the Issuer in relation to which this Registration Document forms part of a prospectus (a "Prospectus") prepared in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom, all other parts of such Prospectus and, where appropriate, the final terms containing information with respect to such debt or derivative securities (the "Final Terms").

This Registration Document does not constitute an offer of or an invitation to subscribe for or purchase any debt or derivative securities and should not be considered as a recommendation by the Issuer that any recipient of this Registration Document should subscribe for or purchase any debt or derivative securities. Each recipient of this Registration Document will be taken to have made its own investigation and appraisal of the Issuer and of the particular terms of any offered debt or derivative securities.

All references in this Registration Document to "Sterling" and "£" are to the lawful currency of the United Kingdom, all references to "U.S. dollars," "U.S.\$" and "\$" are to the lawful currency of the United States of America.

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RISK FACTORS

Prospective investors should read the entire Registration Document (and where appropriate, any relevant Summary, Securities Note and Final Terms). Investing in securities involves certain risks. Prospective investors should consider, among other things, the following:

There are substantial inter-relationships between MSI plc and other companies in the Morgan Stanley Group.

The ultimate parent undertaking of Morgan Stanley & Co. International plc is Morgan Stanley, a company incorporated under the laws of the State of Delaware in the United States of America. Morgan Stanley is a global financial services group. MSI plc is one of the principal operating companies in the Morgan Stanley group. MSI plc itself provides a wide range of financial and securities services. There are substantial inter-relationships between MSI plc and Morgan Stanley as well as other companies in the Morgan Stanley group, including the provision of funding, capital, services and logistical support to or by MSI plc, as well as common or shared business or operational platforms or systems, including employees. As a consequence of such inter-relationships, and of the participation of both MSI plc and other Morgan Stanley group companies in the global financial services sector, factors which could affect the business and condition of Morgan Stanley or other companies in the Morgan Stanley group may also affect the business and condition of MSI plc. Any such effect could be direct, for example, where economic or market factors directly affect the markets in which MSI plc and other companies in the Morgan Stanley group operate, or indirect, for example where any factor affects the ability of other companies in the Morgan Stanley group to provide services or funding or capital to MSI plc or, directly or indirectly, to place business with MSI plc. Similarly, any development affecting the reputation or standing of Morgan Stanley or other companies in the Morgan Stanley group may have an indirect effect on MSI plc. Such inter-relationships should therefore be taken into account in any assessment of MSI plc. Accordingly, certain of the risk factors specified below identify factors relevant both to MSI plc itself and to the Morgan Stanley group as a whole.

Liquidity Risk

Liquidity and funding risk refers to the risk that MSI plc and Morgan Stanley will be unable to finance their operations due to a loss of access to the capital markets or difficulty in liquidating their assets. Liquidity and funding risk also encompasses the ability of MSI plc and Morgan Stanley to meet their financial obligations without experiencing significant business disruption or reputational damage that may threaten their viability as a going concern.

Liquidity is essential to MSI plc's and Morgan Stanley's businesses and they rely on sources external to Morgan Stanley to finance a significant portion of their respective operations.

Liquidity is essential to MSI plc's and Morgan Stanley's businesses. MSI plc's and Morgan Stanley's liquidity could be substantially negatively affected by an inability on the part of MSI plc or Morgan Stanley to raise funding in the long-term or short-term debt capital markets or an inability to access the secured lending markets. Factors that neither MSI plc nor Morgan

Stanley can control, such as disruption of the financial markets or negative views about the financial services industry generally, could impair their ability to raise funding. In addition, their ability to raise funding could be impaired if lenders develop a negative perception of their long-term or short-term financial prospects. Such negative perceptions could develop if MSI plc or Morgan Stanley incur large trading losses, they are downgraded or put on negative watch by the rating agencies, either of them suffers a decline in the level of their business activity, or if regulatory authorities take significant action against either of them, or either of them discovers serious employee misconduct or illegal activity, among other reasons. If MSI plc or Morgan Stanley are unable to raise funding using the methods described above, they would likely need to liquidate unencumbered assets, such as its investment and trading portfolios, to meet maturing liabilities. MSI plc or Morgan Stanley may be unable to sell some of their assets, or they may have to sell assets at a discount from market value, either of which could adversely affect their result of operations.

MSI plc's and Morgan Stanley's borrowing costs and access to the debt capital markets depend significantly on their credit ratings.

The cost and availability of unsecured financing generally are dependent on MSI plc's and Morgan Stanley's short-term and long-term credit ratings. Factors that are significant to the determination of MSI plc's or Morgan Stanley's credit ratings or otherwise affect their ability to raise short-term and long-term financing include the level and volatility of their earnings; their relative competitive position in the markets in which they operate; their geographic and product diversification; their ability to retain key personnel; their risk management policies; their cash liquidity; their capital adequacy; their corporate lending credit risk; and legal and regulatory developments. A deterioration in any of these factors or combination of these factors may lead rating agencies to downgrade MSI plc's or Morgan Stanley's credit ratings, thereby increasing their cost of obtaining unsecured funding.

MSI plc's and Morgan Stanley's debt ratings may also have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is critical, such as OTC derivative transactions, including credit derivatives and interest rate swaps. In connection with certain OTC trading agreements and certain other agreements associated with the Institutional Securities business, MSI plc or other members of Morgan Stanley group would be required to provide additional collateral to certain counterparties in the event of a downgrade by either Moody's Investor Service or Standard and Poor's.

Morgan Stanley is a holding company and depend on payments from our subsidiaries.

Morgan Stanley depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations. Regulatory and other legal restrictions may limit Morgan Stanley's ability to transfer funds freely, either to or from its subsidiaries. In particular, many of Morgan Stanley's subsidiaries, including its broker-dealer subsidiaries, are subject to laws and regulations that authorize regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfers altogether in certain circumstances. These

laws and regulations may hinder Morgan Stanley's ability to access funds that it may need to make payments on its obligations.

If MSI plc's or Morgan Stanley's liquidity and funding policies are not adequate, they may be unable to access sufficient financing.

MSI plc's and Morgan Stanley's liquidity and funding policies have been designed to ensure that they maintain sufficient liquid financial resources to continue to conduct their business for an extended period in a stressed liquidity environment. If MSI plc's or Morgan Stanley's liquidity and funding policies are not adequate or they do not adhere to the policies, they may be unable to access sufficient financing to service their financial obligations when they come due, which could have a material adverse franchise or business impact.

Market Risk.

Market risk refers to the risk that a change in the level of one or more market prices of commodities or securities, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as liquidity, will result in losses for a position or portfolio.

MSI plc and Morgan Stanley's results of operations may be materially affected by market fluctuations and by economic and other factors.

The amount, duration and range of MSI plc's and Morgan Stanley's market risk exposures have been increasing over the past several years, and may continue to do so. MSI plc's and Morgan Stanley's results of operations may be materially affected by market fluctuations due to economic factors. Results of operations in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including political, economic and market conditions; the availability and cost of capital; the liquidity of global markets; the level and volatility of equity prices, commodity prices and interest rates; currency values and other market indices; technological changes and events; the availability and cost of credit; inflation; and investor sentiment and confidence in the financial markets. In addition, there have been legislative, legal and regulatory developments related to MSI plc's and Morgan Stanley's businesses that potentially could increase costs, thereby affecting future results of operations. These factors also may have an impact on MSI plc's and Morgan Stanley's ability to achieve MSI plc's and Morgan Stanley's strategic objectives.

The results of MSI plc's and Morgan Stanley's Institutional Securities business, particularly results relating to their involvement in primary and secondary markets for all types of financial products, are subject to substantial fluctuations due to a variety of factors, such as those enumerated above that MSI plc and Morgan Stanley cannot control or predict with great certainty. These fluctuations impact results by causing variations in new business flows and in the fair value of securities and other financial products. Fluctuations also occur due to the level of global market activity, which, among other things, affects the size, number and timing of investment banking client assignments and transactions and the realization of returns from MSI plc's and Morgan Stanley's principal investments.

During periods of unfavorable market or economic conditions, the level of individual investor participation in the global markets may also decrease, which would negatively impact the results of Morgan Stanley's Global Wealth Management Group business. In addition, fluctuations in global market activity could impact the flow of investment capital into or from assets under management or supervision and the way customers allocate capital among money market, equity, fixed income or other investment alternatives, which could negatively impact Morgan Stanley's Asset Management business.

Holding large and concentrated positions may expose MSI plc and Morgan Stanley to losses.

Concentration of risk may reduce revenues or result in losses in MSI plc's and Morgan Stanley's market-making, proprietary trading, investing, block trading, underwriting and lending businesses in the event of unfavorable market movements. MSI plc and Morgan Stanley have committed substantial amounts of capital to these businesses, which often require them to take large positions in the securities of, or make large loans to, a particular issuer or issuers in a particular industry, country or region. Moreover, the trend in all major capital markets is towards larger and more frequent commitments of capital in many of these activities, and MSI plc and Morgan Stanley expect this trend to continue.

The profitability of certain of Morgan Stanley's commodities marketing activities depends on the availability of supplies of petroleum products. A significant decrease in available supplies for any reason could adversely affect the sales and results of operations of certain businesses within Morgan Stanley's commodities activities.

The success of Morgan Stanley's marketing and distribution in their commodities business depends on their ability to generate positive margins on sales of refined petroleum products. In addition, Morgan Stanley's terminal, tug and barge business depends on an active market for refined petroleum products to create demand for terminal services. The availability of supplies of refined petroleum products is essential to Morgan Stanley's pipeline, transport and terminal operations. A material disruption in the flow of refined petroleum product supplies could adversely affect Morgan Stanley's revenues from rack spot and contract sales, as well as throughput and storage fees. Among such risks are "force majeure" conditions caused by natural disasters, adverse weather conditions, terrorist attacks and other events beyond Morgan Stanley's control. These conditions also may adversely affect the pipeline and marine operations as well as the shipping and terminating operations in Morgan Stanley's commodities business.

Morgan Stanley may incur significant losses in the real estate sector.

Morgan Stanley finance and acquire principal positions in a number of real estate and real estate-related products for our their account, for investment vehicles managed by affiliates in which they also may have a significant investment, for separate accounts managed by affiliates and for major participants in the commercial and residential real estate markets, and originate loans secured by commercial and residential properties. Morgan Stanley also securitize and trade in a wide range of commercial and residential real estate and real estate-related whole

loans, mortgages and other real estate and commercial assets and products, including residential and commercial mortgage-backed securities. These businesses could be adversely affected by a downturn in the real estate sector.

Credit Risk

Credit risk refers to the risk of loss arising from the default by a borrower, counterparty or other obligor when it is unable or unwilling to meet its obligations to MSI plc or a member of Morgan Stanley group.

MSI plc and Morgan Stanley are exposed to the risk that third parties that are indebted to them will not perform their obligations.

MSI plc incurs and Morgan Stanley, through its International Securities business, incurs significant, "single-name" credit risk exposure. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have long-term obligations to make payments to MSI plc or a member of Morgan Stanley group and by extending credit to clients through various credit arrangements. Morgan Stanley incurs "individual consumer" credit risk in the Global Wealth Management Group business through margin loans to individual investors and loans to small businesses, both of which are generally collateralized.

The amount, duration and range of such credit exposures have been increasing over the past several years, and may continue to do so. In recent years, both MSI plc and Morgan Stanley have significantly expanded their use of swaps and other derivatives and may continue to do so. Corporate clients are increasingly seeking loans or lending commitments in connection with investment banking and other assignments. In addition, MSI plc and Morgan Stanley have experienced, due to competitive factors, increased pressure to assume longer-term credit risk, to extend credit against less liquid collateral and to price derivatives instruments more aggressively based on the credit risks being taken. MSI plc and Morgan Stanley finance customer positions and they regularly review their credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

Defaults by another larger financial institution could adversely affect financial markets generally.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which MSI plc and Morgan Stanley interact on a daily basis, and therefore could adversely affect Morgan Stanley.

Operational Risk.

Operational risk refers to the risk of financial or other loss, or potential damage to a firm's reputation, arising from inadequate or failed internal processes, people, resources and systems or from external events (e.g. external or internal fraud, legal and compliance risks, damage to physical assets, etc.). Morgan Stanley may incur operational risk across its full scope of business activities, including revenue generating activities (e.g. sales and trading) and support functions (e.g. information technology and facilities management). As such, Morgan Stanley may incur operational risk in each of its businesses, as well as within the control groups.

MSI plc is subject to operational risk and an operational event could adversely affect its businesses.

MSI plc's business is highly dependent on its ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In general, the transactions it processes are increasingly complex. MSI plc performs the functions required to operate its different businesses either by itself or through agreements with third parties. MSI plc relies on the ability of its employees, its internal systems and systems at technology centers operated by third parties to process a high volume of transactions. MSI plc also faces the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries it uses to facilitate its securities transactions. In the event of a breakdown or improper operation of its or third party's systems or improper action by third parties or employees, MSI plc could suffer financial loss, an impairment to their liquidity, a disruption of their businesses, regulatory sanctions or damage to their reputation.

Despite the business contingency plans MSI plc has in place, its ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its business and the communities where it are located. This may include a disruption involving physical site access, terrorist activities, disease pandemics, electrical, communications or other services used by MSI plc, its employees or third parties with whom it conducts business.

Legal Risk.

Legal risk refers to the risk of non-compliance with applicable legal and regulatory requirements and standards. Legal risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable.

The financial services industry faces substantial litigation and regulatory risks, and MSI plc and Morgan Stanley may face damage to their reputation and legal liability.

MSI plc and Morgan Stanley have been named, from time to time, as defendants in various legal actions, including arbitrations, class actions, and other litigation, arising in connection with their activities as global diversified financial services institutions. Certain of the actual or threatened legal actions may include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or in financial distress.

MSI plc or Morgan Stanley may also be involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding their business, including, among other matters, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. The number of these investigations and proceedings has increased in recent years with regard to many firms in the financial services industry. MSI plc and Morgan Stanley are also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information. Substantial legal liability or significant regulatory action against MSI plc or Morgan Stanley could materially adversely affect their business, financial condition or results of operations or cause significant reputational harm to them, which could seriously harm their business.

MSI plc and Morgan Stanley are subject to extensive regulation in the jurisdictions in which they conduct their businesses.

MSI plc and Morgan Stanley are subject to extensive regulation globally and face the risk of significant intervention by regulatory authorities in the jurisdictions in which they conduct their businesses. Among other things, MSI plc or Morgan Stanley could be fined, prohibited from engaging in some of their business activities or subject to limitations or conditions on their business activities. Significant regulatory action against either MSI plc or Morgan Stanley could have material adverse financial effects, cause significant reputational harm to MSI plc and Morgan Stanley, or harm their business prospects. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to MSI plc's or Morgan Stanley's clients may also adversely affect their business.

MSI plc's commodities activities subject it to extensive regulation, potential catastrophic events and environmental risks and regulation that may expose them to significant costs and liabilities.

In connection with the commodities activities in MSI plc's business or Morgan Stanley's Institutional Securities business, MSI plc and Morgan Stanley engage in the production, storage, transportation, marketing and trading of several commodities including metals (base and precious), crude oil, oil products, natural gas, electric power, emission credits, coal and related products. As a result of these activities, MSI plc and Morgan Stanley are subject to extensive and evolving energy, environmental, safety and other governmental laws and regulations. MSI plc's commodities business also exposes it to the risk of unforeseen and catastrophic events, including leaks, spills and terrorist attacks.

Although MSI plc has attempted to mitigate its pollution and other environmental risks by, among other measures, adopting appropriate policies and procedures for power plant operations, monitoring the quality of petroleum storage facilities and transport vessels and implementing emergency response programs, these actions may not prove adequate to address every contingency. In addition, insurance covering some of these risks may not be available, and the proceeds from insurance recovery, if any, may not be adequate to cover liabilities with respect to particular incidents. As a result, MSI plc's financial condition and results of operations may be adversely affected by these events.

MSI plc also expects the other laws and regulations affecting its energy business to increase in both scope and complexity. During the past several years, intensified scrutiny of the energy markets by federal, state and local authorities and the public has resulted in increased regulatory and legal enforcement, litigation and remedial proceedings involving companies engaged in the activities in which MSI plc is engaged. MSI plc may incur substantial costs in complying with current or future laws and regulations and its overall businesses and reputation may be adversely affected by the current legal environment.

Pipeline, Marine Transport and Terminal Operations. The risk of substantial environmental costs and liabilities is inherent in pipeline, marine transport and terminal operations. As is the case with respect to Morgan Stanley's other commodities activities, both U.S. and international environmental laws are or may be applicable, including U.S. and foreign oil spill anti-pollution statutes. Liability may be incurred without regard to fault under federal laws and regulations and analogous state laws for the remediation of contaminated areas.

Prior owners, tenants or users of properties now owned by Morgan Stanley or its subsidiaries may have disposed of or released hydrocarbons or solid wastes on or under such assets. Additionally, the acquired pipeline, transport and terminal operations are located near current or former refining and terminal operations. There is a risk that contamination, if ever present, has migrated or could migrate from those properties. Increasingly strict environmental laws, regulations and enforcement policies and claims for damages and other similar developments could result in substantial costs and liabilities.

Certain operations in Morgan Stanley's commodities business are subject to the hazards inherent in the transportation and storage of volatile and sometimes toxic petroleum products, including explosions, the release of toxic substances, fires and accidents on land and at sea that could result in personal injuries, loss of life and suspension of operations. These operations also are subject to risks associated with natural disasters, adverse weather conditions, terrorist attacks and other events beyond Morgan Stanley's control. Although we maintain substantial insurance coverage, catastrophic events of this kind could exceed such coverage.

Power Generation Facilities. The power generation facilities Morgan Stanley own are subject to wide-ranging U.S. federal, state and local environmental laws and regulations in the U.S. and abroad relating to air quality, water quality and hazardous and solid waste management. They also are regulated under U.S. health and safety regulations. These laws may require capital expenditures as well as remediation where the facility has failed to comply with environmental, health or safety rules or has released pollutants into the environment. Additionally, the owners of such facilities may be subject to fines or penalties for failure to comply with environmental, health or safety rules.

Oil Trading Activities. The U.S. and foreign water pollution laws and numerous specific oil spill anti-pollution statutes apply to MSI plc's and Morgan Stanley's oil trading activities to the extent MSI plc and Morgan Stanley own petroleum in storage or during waterborne or overland transit or they arrange for transportation or storage. In the event of an oil spill, one or more entities MSI plc or Morgan Stanley own could be held responsible for remediation as

well as property and natural resource damages. Other U.S. federal and state laws apply to the specifications of the gasoline and diesel fuel that MSI plc and Morgan Stanley blend and import and provide for substantial penalties in the event of non-compliance. Oil pollution laws in non-U.S. jurisdictions also apply to MSI plc and Morgan Stanley in certain instances when MSI plc and Morgan Stanley trade petroleum internationally and/or charter vessels. Like the U.S. statutes, these laws often provide for penalties and damage assessments should a spill event occur.

Conflicts of interest are increasing and a failure to appropriately deal with conflicts of interest could adversely affect MSI plc's businesses.

MSI plc's reputation and Morgan Stanley's reputation are one of their most important assets. As Morgan Stanley and MSI plc have expanded the scope of their businesses and their client base, they increasingly have to address potential conflicts of interest, including those relating to their proprietary activities. For example, conflicts may arise between MSI plc's position as a financial advisor in a merger transaction and a principal investment it holds in one of the parties to the transaction. In addition, hedge funds and private equity funds are an increasingly important portion of MSI plc's and Morgan Stanley's client base, and also compete with MSI plc and Morgan Stanley in a number of their businesses. MSI plc and Morgan Stanley have procedures and controls that are designed to address conflicts of interest. However, appropriately dealing with conflicts of interest is complex and difficult and MSI plc's and Morgan Stanley's reputation could be damaged if either fails, or appears to fail, to deal appropriately with conflicts of interest. It is possible that potential or perceived conflicts could give rise to litigation or enforcement actions. It is possible that the regulatory scrutiny of, and litigation in connection with, conflicts of interest will make MSI plc's or Morgan Stanley's clients less willing to enter into transactions in which such a conflict may occur, and will adversely affect their businesses.

MSI plc is subject to tax contingencies that could adversely affect reserves.

MSI plc is subject to the income tax laws of the United Kingdom and those of the foreign jurisdictions in which MSI plc has significant business operations. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. MSI plc must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income taxes and must also make estimates about when in the future certain items affect taxable income in the various tax jurisdictions. Disputes over interpretations of the tax laws may be settled with the taxing authority upon examination or audit.

Competitive Environment

MSI plc and Morgan Stanley face strong competition from other financial services firms, which could lead to pricing pressures that could materially adversely affect their revenue and profitability.

The financial services industry, including all of MSI plc's and Morgan Stanley's businesses, is intensely competitive, and MSI plc expects them to remain so. MSI plc and Morgan Stanley compete with commercial banks, insurance companies, sponsors of mutual funds, hedge funds, energy companies and other companies offering financial services in Europe, globally and through the Internet. MSI plc and Morgan Stanley compete on the basis of several factors, including transaction execution, capital or access to capital, their products and services, innovation, reputation and price. Over time, certain sectors of the financial services industry have become considerably more concentrated, as financial institutions involved in a broad range of financial services have been acquired by or merged into other firms. This convergence could result in MSI plc's or Morgan Stanley's competitors gaining greater capital and other resources, such as a broader range of products and services and geographic diversity. MSI plc and Morgan Stanley may experience pricing pressures as a result of these factors and as some of their competitors seek to increase market share by reducing prices.

MSI plc's and Morgan Stanley's ability to retain and attract qualified employees is critical to the success of its business and the failure to do so may materially adversely affect its performance.

MSI plc's people and Morgan Stanley's people are their most important resource, and competition for qualified employees is intense. In order to attract and retain qualified employees, MSI plc and Morgan Stanley must compensate such employees at market levels. Typically, those levels have caused employee compensation to be MSI plc's and Morgan Stanley's greatest expense as compensation is highly variable and moves with performance. If either MSI plc or Morgan Stanley is unable to continue to attract and retain qualified employees, or do so at rates necessary to maintain MSI plc's and Morgan Stanley's competitive position, or if compensation costs required to attract and retain employees become more expensive, its performance, including their competitive position, could be materially adversely affected.

International Risk

MSI plc and Morgan Stanley are subject to numerous political, economic, legal, operational and other risks as a result of their international operations that could adversely affect its business in many ways.

MSI plc and Morgan Stanley are subject to political, economic, legal, operational and other risks that are inherent in operating in many countries, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities. In many countries, the laws and regulations applicable to the securities and financial services industries are uncertain and evolving, and it may be difficult for MSI plc or Morgan Stanley to determine the exact requirements of local laws in every market. MSI plc's inability to remain in compliance with local laws in a particular market could have a significant and negative effect not only on its businesses in that market but also on its reputation generally. MSI plc is also subject to the enhanced risk that transactions it structures might not be legally enforceable in all cases.

MSI plc and Morgan Stanley have expanded, and continue to look at opportunities to expand, in the emerging markets. In the last several years, various emerging market countries have experienced severe economic and financial disruptions, including significant devaluations of their currencies, capital and currency exchange controls and low or negative growth rates in their economies. These conditions could adversely impact MSI plc's and Morgan Stanley's businesses and increase volatility in financial markets generally.

The emergence of a pandemic or other widespread health emergency, or concerns over the possibility of such an emergency, could create economic and financial disruptions in emerging markets and other areas throughout the world, and could lead to operational difficulties (including travel limitations) that could impair MSI plc's and Morgan Stanley's ability to manage their businesses around the world.

Acquisition Risk

MSI plc and Morgan Stanley may be unable to fully integrate future acquisitions or joint ventures into its businesses and systems.

MSI plc and Morgan Stanley expect to grow in part through acquisitions and joint ventures. To the extent MSI plc makes acquisitions or enter into combinations or joint ventures, it faces numerous risks and uncertainties combining or integrating the relevant businesses and systems, including the need to combine accounting and data processing systems and management controls and to integrate relationships with clients and business partners. In the case of joint ventures, MSI plc is subject to additional risks and uncertainties in that it may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under its control. In addition, conflicts or disagreements between MSI plc and its joint venture partners may negatively impact the benefits to be achieved by the joint venture. There is no assurance that MSI plc's and Morgan Stanley's recent acquisitions or any business MSI plc and Morgan Stanley acquire in the future will be successfully integrated and result in all of the positive benefits anticipated. If MSI plc and Morgan Stanley are not able to integrate successfully MSI plc's and Morgan Stanley's past and future acquisitions, there is a risk that their results of operations may be materially and adversely affected.

Risk Management.

MSI plc and Morgan Stanley's hedging strategies and other risk management techniques may not be fully effective in mitigating their risk exposure in all market environments or against all types of risk.

MSI plc and Morgan Stanley have devoted significant resources to develop their risk management policies and procedures and expect to continue to do so in the future. Nonetheless, their hedging strategies and other risk management techniques may not be fully effective in mitigating their risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of MSI plc's and Morgan Stanley's methods of managing risk are based upon their use of observed historical market

behavior. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

No guarantee

Securities issued by MSI plc will not be guaranteed by Morgan Stanley. Although Morgan Stanley has in the past provided financial support to MSI plc through capital injection, there is no assurance that it will do so in the future.

DESCRIPTION OF THE ISSUER

History and Development

The Issuer's legal and commercial name is Morgan Stanley & Co. International plc.

The Issuer was incorporated in England and Wales with registered number 2068222 on 28 October 1986.

The Issuer was incorporated as a company limited by shares under the Companies Act 1985 and operates under the Companies Act 1985. The Issuer was re-registered as a public limited company on 13 April 2007. The Issuer's registered office is at 25 Cabot Square, Canary Wharf, London E14 4QA and the telephone number of its registered office is +44 20 7425 8000.

The Issuer's principal objects, as set out in its memorandum of association, are, *inter alia*, to acquire, hold, dispose of, subscribe for, issue, underwrite, place, manage assets belonging to others which include, advise on, enter into contracts or transactions in relation to or involving and in any other way deal with or arrange dealings with or perform any service or function in relation to shares, stocks, debentures, loans, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness, government, public or other securities, warrants, certificates representing securities or other obligations, units in collective investment schemes, options, futures, contracts for differences or other investments or obligations, interest rates, currencies, precious metals or other commodities, any index, any right to, any right conferred by or any interest or any obligation in relation to any of the foregoing and any other financial instrument or product of any nature whatsoever and any financial instrument or product deriving from or in any other way relating to any of the foregoing, including any rate swap transaction, basis swap, forward rate transaction, commodity or commodity index swap or option, equity or equity index swap or option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, credit swap or credit derivative transaction, repurchase agreement, reverse repurchase agreement, futures or forward contract transaction, securities lending or borrowing transaction and any other transaction similar to the foregoing, (including any option with respect to any of the foregoing), any combination of the foregoing, any other financial instrument or product of any nature whatsoever approved by the directors and any transaction which may seem to be convenient for hedging any of, or any combination of, the foregoing.

The Group

The Issuer's ultimate parent undertaking is Morgan Stanley. Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Morgan Stanley was originally incorporated under the laws of the State of Delaware in 1981, and its predecessor companies date back to 1924. Morgan Stanley conducts its business from its headquarters in and around New York City, its regional offices and branches throughout the United States and its

principal offices in London, Tokyo, Hong Kong and other world financial centers. At November 30, 2006, Morgan Stanley had 55,310 employees worldwide.

Morgan Stanley maintains significant market positions in each of its business segments—Institutional Securities, Global Wealth Management Group and Asset Management.

On July 2, 2007, Morgan Stanley announced that it completed the spin-off of Discover Financial Services on June 30, 2007.

Recent Events

No recent event particular to MSI plc has occurred which is to a material extent relevant to the evaluation of its solvency.

Investments

So far as MSI plc is aware, there have been no material investments since the date of its last published financial statements and there are no principal future investments to which MSI plc's management have already made firm commitments.

Business of Morgan Stanley & Co. International plc

The principal activity of MSI plc is the provision of a wide range of financial and securities services which includes capital raising; financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; sales, trading, financing and market-making activities in equity securities and related products and fixed income securities and related products, including foreign exchange and commodities; research; and global wealth management.

MSI plc provides its products and services to corporations, governments, financial institutions and individual investors. MSI plc operates globally with a particular focus in Europe. It operates branches in Korea, France, Greece, the Netherlands, New Zealand, the Dubai International Financial Centre and Qatar Financial Centre.

All aspects of MSI plc's businesses are highly competitive and MSI plc expects them to remain so. MSI plc competes in Europe and globally for clients, market share and human talent in all aspects of its business segments. MSI plc's competitive position depends on its reputation, the quality of its products, services and advice. MSI plc's ability to sustain or improve its competitive position also depends substantially on its ability to continue to attract and retain qualified employees while managing compensation costs.

Management of Morgan Stanley & Co. International plc

Directors of the Issuer

<i>Name</i>	<i>Principal outside activity</i>
Colin Bryce	Director of Morgan Stanley International Limited, Morgan Stanley Commodities Trading (China) Limited, Morgan

