

Morgan Stanley

Free Writing Prospectus
Registration Statement No. 333-131266
Dated October 16, 2008
Filed pursuant to Rule 433

Morgan Stanley Financial Overview

Third Quarter 2008

Notice

The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including any amendments thereto, all of which are available on www.morganstanley.com.

This presentation may contain forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of risks and uncertainties that may affect the future results of the Company, please see "Forward-Looking Statements" immediately preceding Part I, Item I, "Competition" and "Regulation" in Part I, Item 1, "Risk Factors" in Part 1, Item 1A, "Legal Proceedings" in Part I, Item 3, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2007 and other items throughout the Company's Form 10-K, the Company's Quarterly Reports on Form 10-Q and the Company's 2008 Current Reports on Form 8-K.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC global website at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling toll-free 1-800-584-6837.

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Morgan Stanley as a Federal Financial Holding Company

Federal Financial Holding Company

Benefits

- New business opportunities
- Access to expanded sources of funding and liquidity
- Section 23A exemption provides incremental funding flexibility for affiliate capacity

Regulation

- Federal Reserve
- Office of Comptroller of the Currency

Capital

- “Well-Capitalized” institution
- One of the highest Tier 1 Capital Ratios among bank holding company peers

Mitsubishi UFJ Investment (MUFG)

Mitsubishi – Morgan Stanley Alliance

Strategic Alliance

- Global strategic alliance with focus on global corporate and investment banking activities
- Steering Committee will be established to maximize strategic benefits of the alliance
- MUFG representative to be elected to Morgan Stanley's Board of Directors

Transaction Details

- 21% interest in Morgan Stanley on a fully diluted basis
- \$1.2 billion of perpetual non-cumulative non-convertible preferred stock
- \$7.8 billion of perpetual non-cumulative convertible preferred stock

Capital

- \$9 billion investment further bolsters strong capital and liquidity positions
- Exceeded the Federal Reserve's capital and leverage ratio requirements for commercial banks, prior to MUFG's investment

Temporary Liquidity Guarantee Program

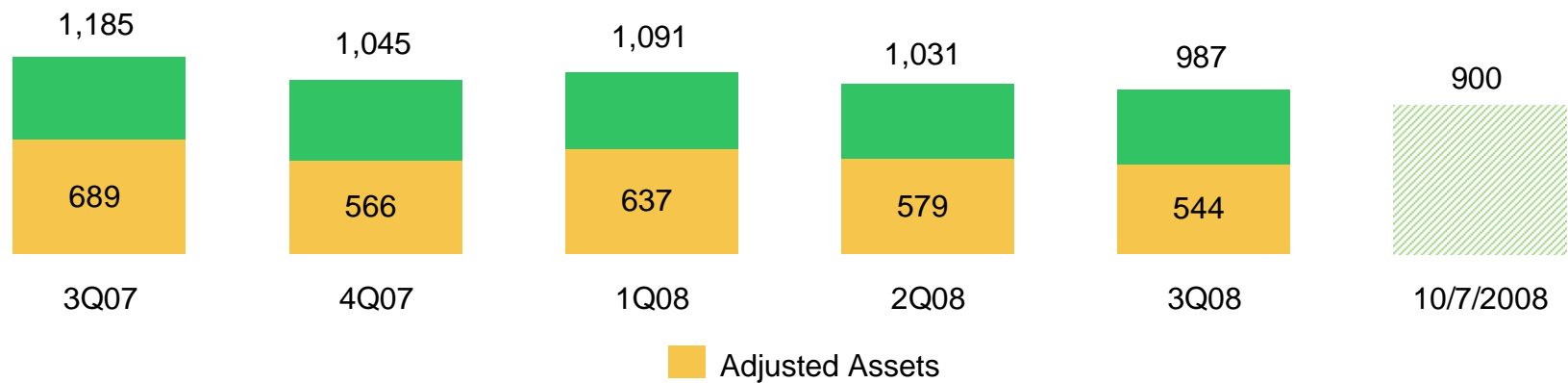
Systemic Risk Exception of the FDIC Improvement Act of 1991

Eligible Entities	Type of Unsecured Debt	Terms
<ul style="list-style-type: none">• FDIC-insured depository institutions• U.S. bank holding companies• U.S. financial holding companies• Certain U.S. savings and loan holding companies	<ul style="list-style-type: none">• Promissory Notes• Commercial Paper• Inter-bank funding• Any unsecured portion of senior debt	<ul style="list-style-type: none">• Covered up to 125% of debt outstanding as of September 30, 2008 (scheduled to mature before June 30, 2009)• Debt must be issued on or before June 30, 2009• Covered for 3 year period, even if the liability has not reached maturity• Fees for coverage waived for the first 30 days

Total Capital

Total and Adjusted Assets

(\$Bn)



Total Capital ⁽¹⁾

187.5 191.1 198.2 210.1 202.6

Total Capital as a % Total Assets

16% 18% 18% 20% 21%

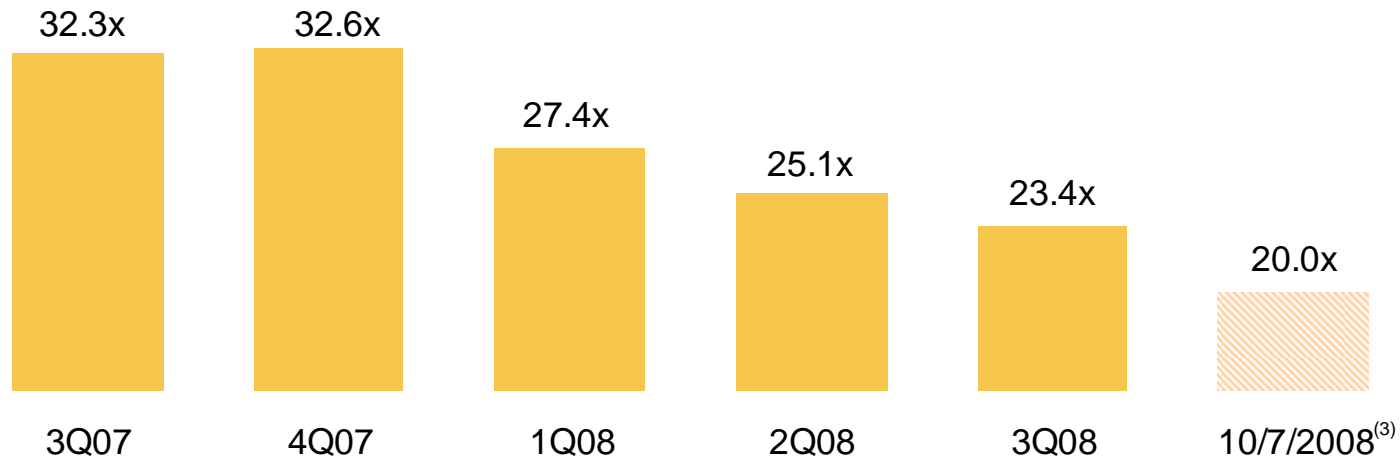
Source:

Morgan Stanley SEC Filings

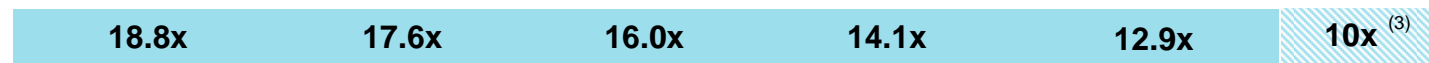
(1) These amounts include the non-current portion of long-term borrowings (including Capital Units and junior subordinated debt issued to capital trusts) and shareholders equity.

Active Capital Management

Leverage Ratios⁽¹⁾



Adjusted Leverage Ratio⁽²⁾



Tangible Shareholders' Equity (\$Bn)



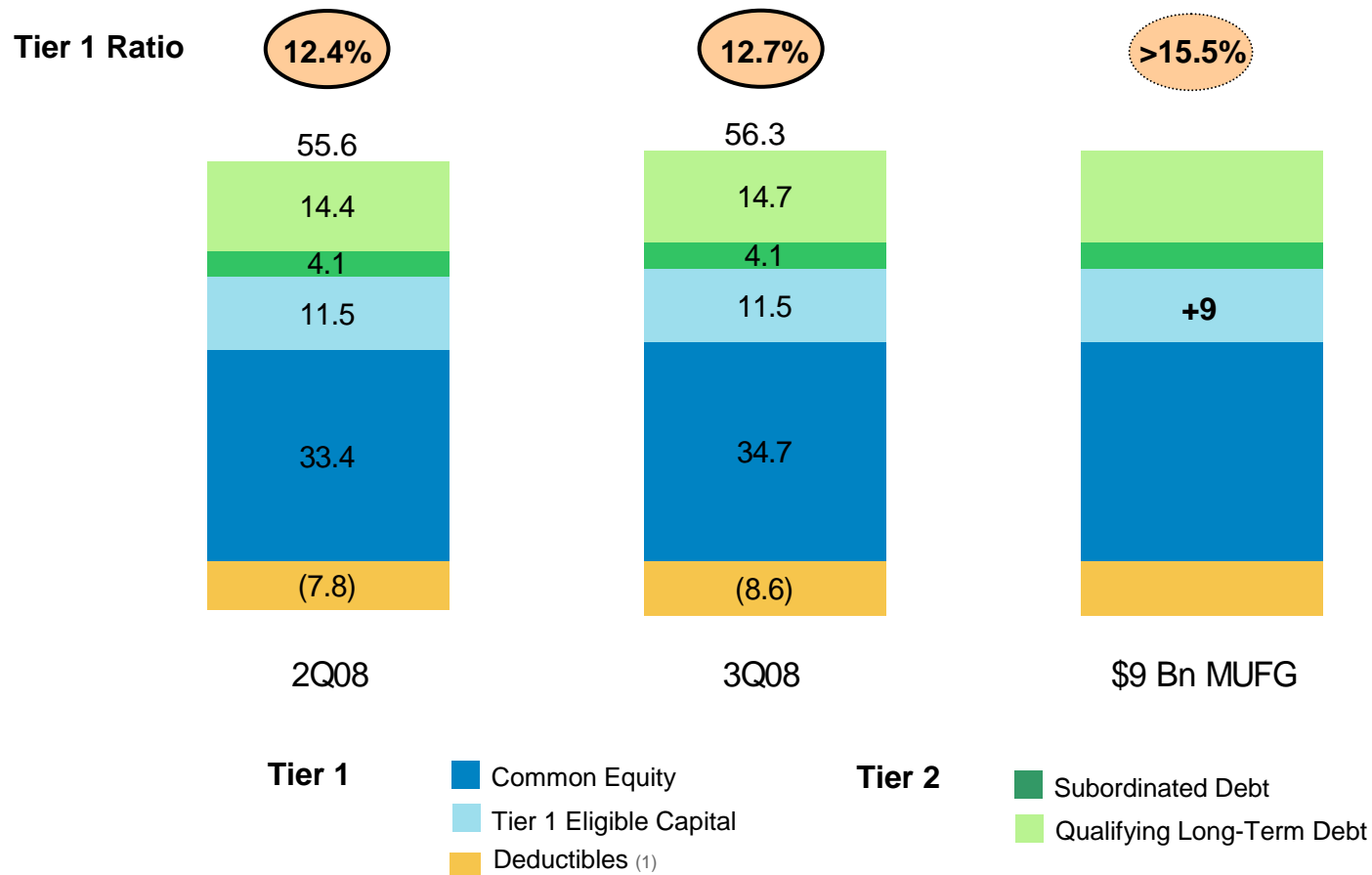
Source: Morgan Stanley SEC Filings

- (1) Leverage ratio equals total assets divided by tangible shareholders' equity.
- (2) Adjusted leverage ratio equals adjusted total assets divided by tangible shareholders' equity.
- (3) Reflects MUFG Investment

Capital Strength – 3Q08

Basel II Regulatory Capital

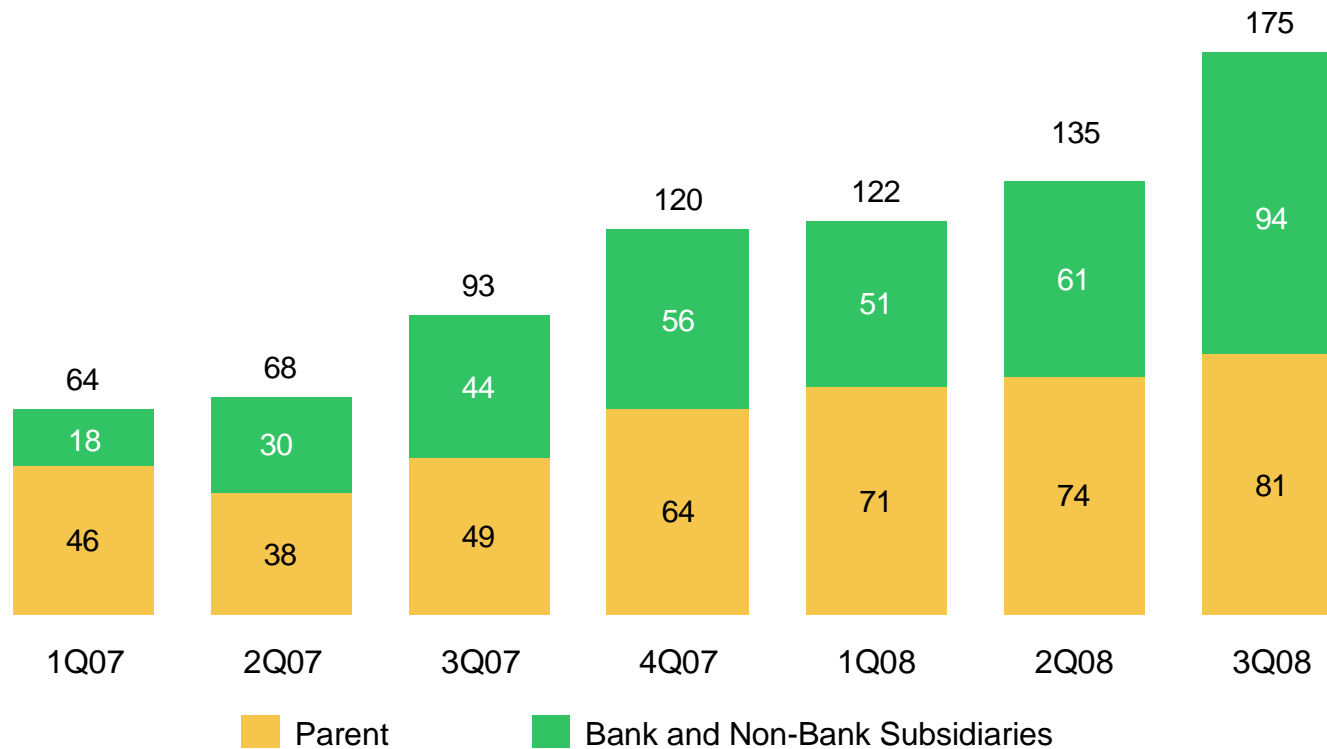
(\$Bn)



Average Liquidity Reserves per Quarter

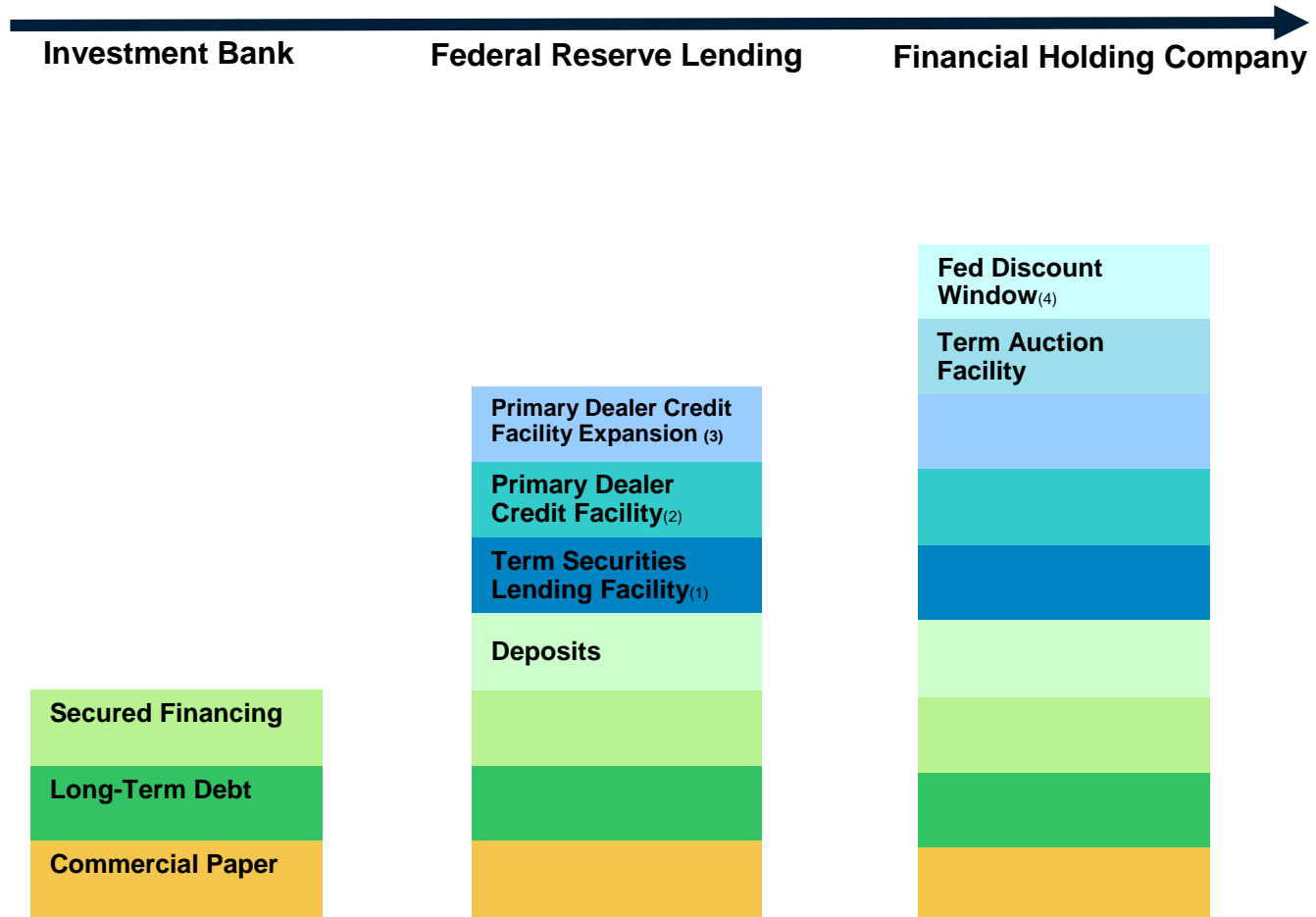
(\$Bn)

Post - 3Q08, liquidity reserves remain > 2007 average



Source: Morgan Stanley SEC Filings

Evolution of Funding Diversification

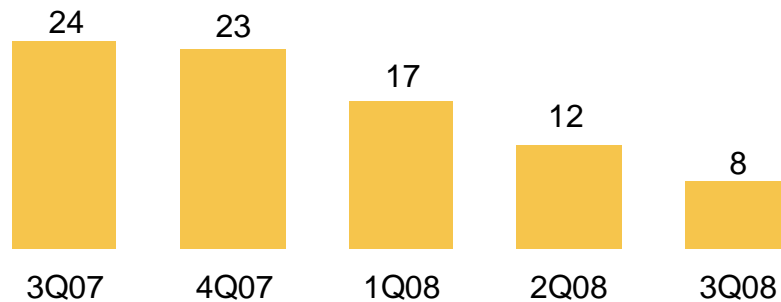


(1) Term Securities Lending Facility – March 11, 2008 (2) Primary Dealer Credit Facility – March 16, 2008
 (3) Primary Dealer Credit Facility Expansion – Sept 14, 2008 (4) Fed Discount Window Sept 21, 2008

Sources of Funding

CP Outstanding

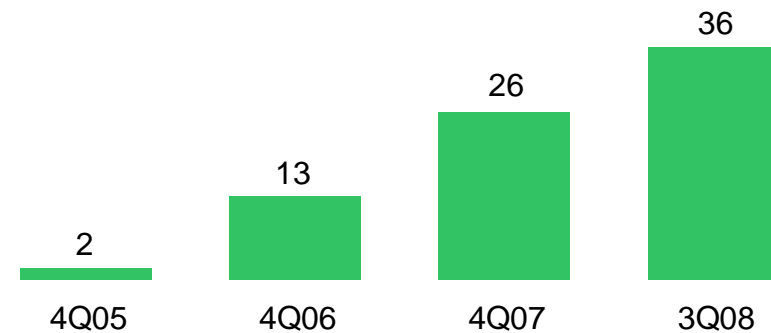
(\$Bn)



Source: Morgan Stanley SEC Filings

Expansion of Bank Deposit Program

(\$Bn)



Source: Morgan Stanley SEC Filings

Long-Term Debt

- 2008 YTD Issuance \$38 billion
- Ability to issue FDIC insured unsecured debt
- Mitigate refinancing risk through staggered maturities

Source: Morgan Stanley SEC Filings

Secured Financing Books

- Secured Financing Book as of 3Q 2008
 - \$311 billion
 - Includes central bank eligible assets
 - Weighted Average Maturity >40 days
 - 22% overnight
- Non-central bank eligible assets – 10% with Weighted Average Maturity >90 days

Source: Morgan Stanley earnings conference call

Government Liquidity Facilities

Eligible Collateral	Term Securities Lending Facility	Primary Dealer Credit Facility	Federal Reserve Discount Window
U.S. Government and Agency Securities			
U.S. Treasuries		✓	✓
Agencies	✓	✓	✓
Agency MBS / GNMA	✓	✓	✓
Agency CMO	✓	✓	✓
Corporate and Other Debt			
Commercial Paper / Money Markets	✓	✓	✓
Investment Grade Corporates	✓	✓	✓
Municipals	✓	✓	✓
Asset-Backed Securities / RMBS / CMBS	✓	✓	✓
Non-Investment Grade Bonds		✓	✓
Corporate Equities			
Equities		✓	
Other Sovereign Government Obligations			
Foreign Government Bonds		✓	✓
Non-Securities			
Commercial, Industrial, or Agricultural Loans			✓
Consumer Loans			✓
Residential and Commercial Real Estate Loans			✓

Risk Management

Net Exposure ⁽¹⁾

(\$Bn)



Source:

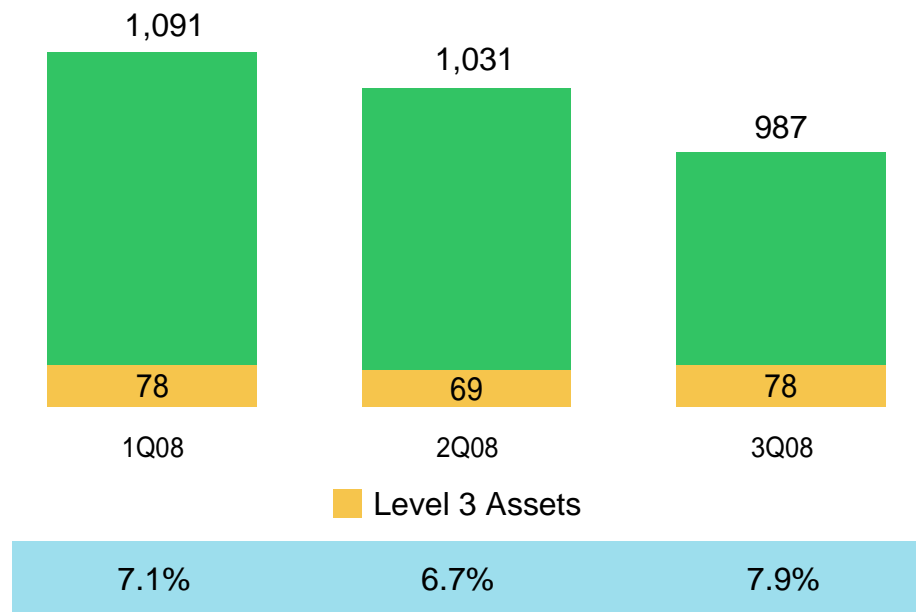
Morgan Stanley SEC Filings

- (1) Net Exposure is defined as potential loss to the Firm in an event of 100% default, assuming zero recovery, over a period of time. The value of these positions remains subject to mark-to-market volatility. Positive amounts indicate potential loss (long position) in a default scenario. Negative amounts indicate potential gain (short position) in a default scenario.
- (2) 3Q 2008 Monoline Composition – ABS: \$0.8, Insurance Municipal Bond Securities: \$1.5, Net Counterparty Exposure: \$0.4.

Level 3 Assets

Total Assets

(\$Bn)



- **Level 3** – Inputs that are unobservable and significant to the overall fair value measurement
- **Level 2 to Level 3:**
↑ \$3.9 billion of certain Corporate & other debt
- **Level 3 to Level 2:**
↓ \$1 billion of certain Corporate & other debt

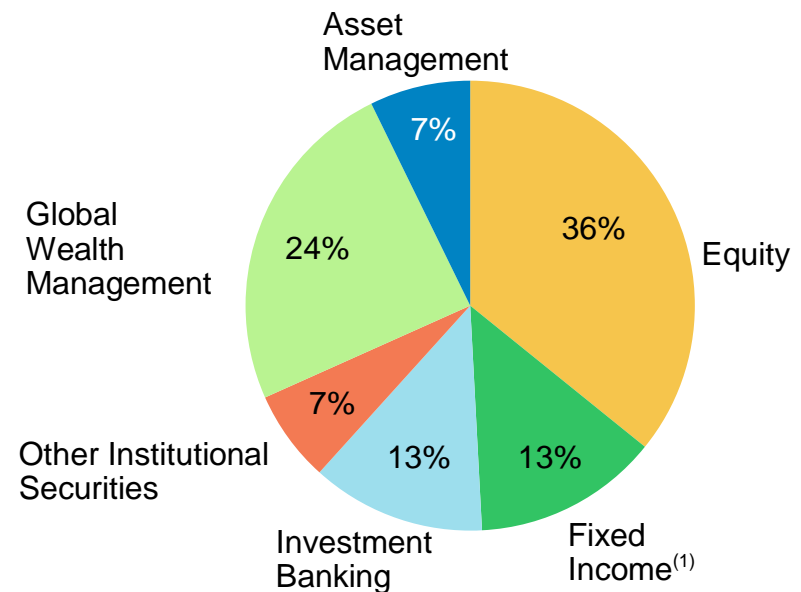
Source:
Morgan Stanley SEC Filings

Consolidated Financial Highlights

3Q08 Highlights

Net Revenues (\$Bn)	8.0
PBT (\$Bn)	1.9
Tier 1 Capital (%)	12.7
Diluted EPS (\$)	1.32
Pre-Tax Margin (%)	24
ROE – Annualized Cont. Ops. (%)	16.5
Adjusted Leverage Ratio (x)	12.9
Book Value per Share (\$)	31.25
Average Total Liquidity (\$Bn)	175

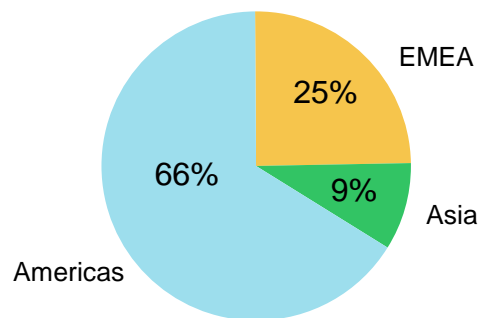
Net Revenue Composition - Nine Months 2008



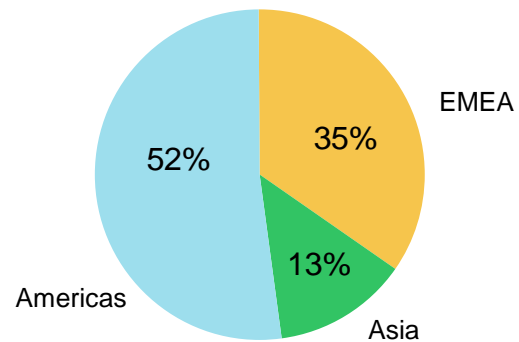
YTD 2008 Net Revenue: \$22.9 Bn

Regional Net Revenue Growth

2004 Global Revenues \$20.3Bn

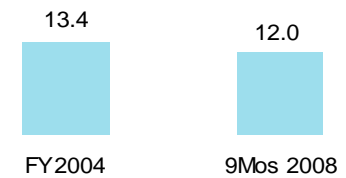


YTD 2008 Global Revenues \$22.9Bn



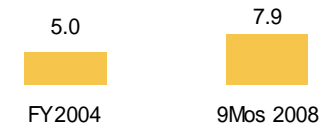
Americas

(\$Bn)



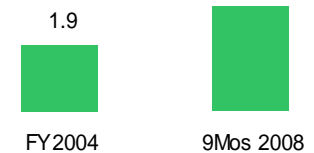
Europe, Middle East and Africa

(\$Bn)



Asia

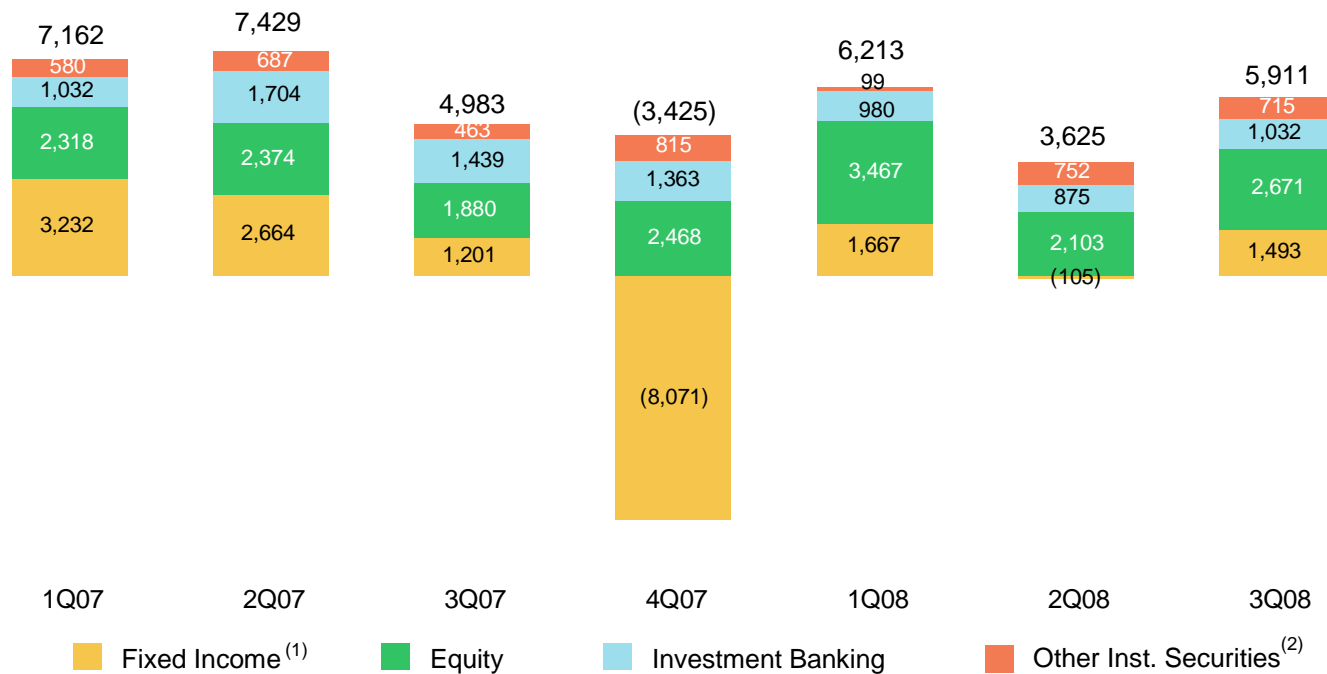
(\$Bn)



Institutional Securities

Net Revenue

(\$MM)



Source: Morgan Stanley SEC Filings

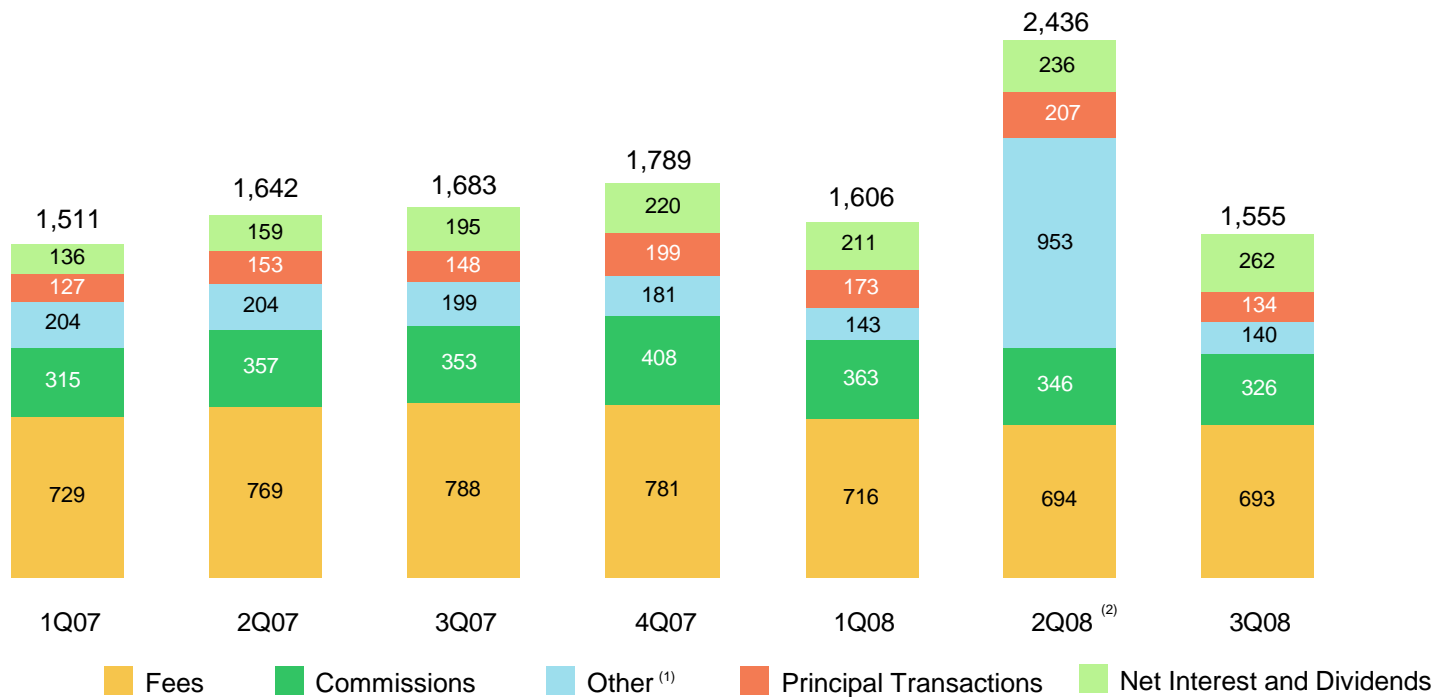
(1) Represents combined revenues from Fixed Income Sales and Trading and Other Sales and Trading. Other Sales and Trading primarily includes net losses from mark-to-market loans and closed and pipeline commitments, results related to Investment Banking and other activities.

(2) 2Q08 and 3Q08 includes pre-tax gains of \$744 million and \$745 million, respectively, related to the follow-on offerings of MSCI Inc.

Global Wealth Management

Net Revenue

(\$MM)

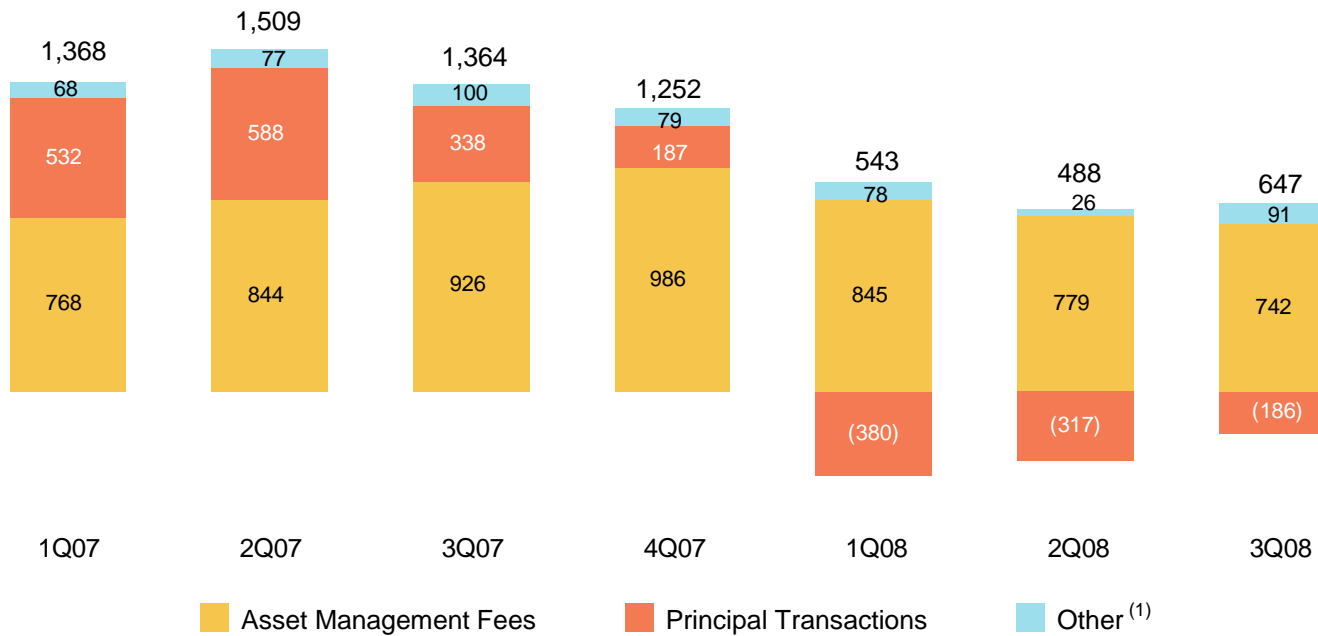


- Source:** Morgan Stanley SEC Filings
- (1) "Other" includes Investment Banking and Other revenues.
- (2) 2Q08 includes a pre-tax gain of \$748 million on the sale of the Spanish wealth management business, Morgan Stanley Wealth Management S.V., S.A.U.

Asset Management

Net Revenue

(\$MM)



Source: Morgan Stanley SEC Filings

(1) "Other" includes Investment Banking, Net Interest and Dividends, Commissions and Other revenues.