

PROSPECTUS SUPPLEMENT

Morgan Stanley

as issuer

(incorporated under

the laws of the State of Delaware in the United States of America)

Issue of Up to 45,000 Morgan Stanley Flexible Europe Certificates (the "Certificates") under the

**Program for the
Issuance of Warrants and Certificates**

The Issuer, as defined below, has prepared this prospectus supplement (the "**Prospectus Supplement**"), which constitutes and has been approved as a prospectus supplement by the Irish Financial Services Regulatory Authority in its capacity as the Irish competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, to supplement and be read in conjunction with the prospectus dated 17 January 2008 (the "**Prospectus**") (and any documents incorporated by reference therein) in respect of the Certificates issued by Morgan Stanley ("**the Issuer**").

Application has been made to the Irish Financial Services Regulatory Authority (the "**IFSR**A"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**") for this Prospectus Supplement to be approved. This document constitutes a prospectus supplement for the purposes of the Prospectus Directive.

The Issuer wishes replace the Summary contained in the Prospectus with the amended form of the Summary set out in the Appendix to this Prospectus Supplement.

To the extent that there is any inconsistency between any statement in this Prospectus Supplement and any other statement in or incorporated by reference in the Prospectus, the statements in this Prospectus Supplement will prevail.

Save as disclosed in this Prospectus Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen since the publication of the Prospectus.

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief 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 does not omit anything likely to affect the import of such information.

This Prospectus Supplement is available for viewing, and copies may be obtained from, the offices of the Issuer and the Paying Agents.

THE CERTIFICATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE CERTIFICATES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES

OR TO OR FOR THE ACCOUNT OF U.S. PERSONS (AS DEFINED IN EITHER REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED).

Neither the Issuer nor Morgan Stanley & Co. International Plc, as agent for the Certificates, has or will take any action in any country or jurisdiction that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to a public offering in any country or jurisdiction where action for that purpose is required. Each investor must comply with all applicable laws and regulations in each country or jurisdiction in or from which the investor purchases, offers, sells or delivers the Notes or has in the investor's possession or distributes this Base Prospectus Supplement, the Base Prospectus or any accompanying Final Terms.

MORGAN STANLEY

28 January 2008

APPENDIX

SUMMARY

This summary has been prepared in accordance with Article 5(2) of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read as an introduction to this Prospectus relating to the Certificates referred to below. Any decision to invest in any Certificates should be based on a consideration of the relevant Prospectus as a whole, including the document incorporated by reference. Following implementation of the relevant provisions of the Prospectus Directive in a Member State of the European Economic Area, no civil liability will attach to the Issuer solely on the basis of the summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the relevant Prospectus. Where a claim relating to the information contained in the relevant Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the relevant Prospectus before the legal proceedings are initiated.

Words and expressions defined in the "Terms and Conditions of the Certificates" below or elsewhere in this Prospectus have the same meanings in this summary.

Essential characteristics and risks associated with the Issuer

Morgan Stanley

The auditors of Morgan Stanley for the periods 1 December 2003 to 30 November 2004, 1 December 2004 to 30 November 2005 and 1 December 2005 to 30 November 2006 are Deloitte & Touche LLP, an independent registered public accounting firm.

Morgan Stanley was originally incorporated for an unlimited term under the laws of the State of Delaware on 1 October 1981 under registered number 0923632, and its predecessor companies date back to 1924.

On 31 May 1997, Morgan Stanley Group, Inc. was merged with and into Dean Witter Discover & Co. ("**Dean Witter Discover**") in a merger of equals. At that time, Dean Witter Discover changed its corporate name to Morgan Stanley, Dean Witter, Discover & Co. ("**MSDWD**"). On 24 March 1998, MSDWD changed its corporate name to Morgan Stanley Dean Witter & Co, and to Morgan Stanley on 20 June 2002.

As at the date of this Prospectus, Morgan Stanley's legal and commercial name is "Morgan Stanley".

Morgan Stanley has its registered office at The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, U.S.A., and its principal executive offices at 1585 Broadway, New York, New York 10036, U.S.A., telephone number +1 (212) 761-4000.

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. It maintains significant market positions in each of its business segments - Institutional Securities, Global Wealth Management Group and Asset Management.

Morgan Stanley's objects and purposes are set out in Article III of its Certificate of Incorporation and enable it to engage in any lawful act or activity for which corporations may be organized and incorporated under the General Corporation Law of the State of Delaware.

The Directors of Morgan Stanley as of the date of this Prospectus are the following: John J. Mack, Roy J. Bostock, Erskine B. Bowles, Howard J. Davies, C. Robert Kidder, Donald T. Nicolaisen, Charles H. Noski, Hutham S. Olayan, Charles E. Phillips, Jr., O. Griffith Sexton, Laura D'Andrea Tyson and Klaus Zumwinkel.

As at 30 November 2006, Morgan Stanley had 56,310 employees worldwide.

The issued, non-assessable and fully paid up share capital of Morgan Stanley as at 30 November 2006 comprised 1,211,701,552 ordinary shares of nominal value U.S.\$0.01 each.

For the year ended 30 November 2006, total assets of Morgan Stanley amounted to U.S.\$1,120,645 million and total liabilities and shareholders' equity amounted to U.S.\$1,120,645 million. For the fiscal year ended 30 November 2005, total assets of Morgan Stanley amounted to U.S.\$898,523 million and total liabilities and shareholders' equity amounted to U.S.\$898,523 million.

Essential characteristics and risks associated with the Morgan Stanley Flexible Europe Certificates (the "Certificates")

| | |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issuer | Morgan Stanley |
| Number of Certificates | Up to 45,000 |
| Status | The Certificates are direct and general obligations of the Issuer. |
| Issue Date | 31 March 2008 |
| Issue Price | €1,010 per Certificate |
| Expiration Date | 19 March 2012. The Certificates will be deemed exercised on the Expiration Date. |
| Cash Settlement Payment Date | 2 April 2012 (or if later, the fourth Business Day following the Expiration Date) |
| Cash Settlement Amount | Each Certificate entitles the Holder thereof to receive from the Issuer on the Cash Settlement Payment Date an amount in Euro calculated as follows: |

$$\text{Cash Settlement Amount} = \left(1000 \times \frac{\text{Final Basket Value}}{\text{Initial Basket Value}} \right) - (4 \times \text{Periodic Commission} \times \text{No min al Value})$$

"Final Basket Value" means the arithmetic average of the Daily Basket Values on the Expiration Date and the next two following Fund Business Days, as determined by the

Determination Agent on the Determination Date.

"**Initial Basket Value**" means EUR 1,000 per Certificate.

"**Nominal Value**" means EUR 1,000 per Certificate.

"**Periodic Commission**" means a commission accruing daily at a rate equal to 2.10% per annum. The Periodic Commission will be divided among the Issuer, the Distribution Manager and the Distributors as follows:

- Issuer: 0.35%
- Distribution Manager: 0.10%
- Distributor: 1.65%

Basket

Subject as provided in "Equity /Bond Allocation" below, the Basket comprises a basket of four equity funds (the "**Equity Funds**") and four bond funds (the "**Bond Funds**", and together with the Equity Funds, the "**Funds**"). The composition of the Basket and the relative allocation between the Equity Funds and the Bond Funds will be adjusted on a monthly basis depending on the CVI (as defined below). The weighting of each Equity Fund relative to the other Equity Funds, and the weighting of each Bond Fund relative to the other Bond Funds, is set out below;

Equity Funds and Weighting:

| Equity Fund | Weight |
|------------------------------|---------------|
| Ducato Geo Europa Classe Y | 50% |
| MLIIF Euro-Markets Euro D | 20% |
| MLIIF Emerging Europe Euro D | 15% |
| Pictet Small Cap Europe 1 | 15% |

Bond Funds and Weighting:

| Bond Fund | Weight |
|-----------------------------|---------------|
| Ducato Fix Euro BT Classe Y | 50% |
| MLIIF Euro Bond Euro D | 30% |
| Ducato Fix Imprese Classe Y | 10% |

SISF Euro Sh. Term Bond C 10%
Cap. EUR

Equity/Bond Allocation

The composition of the Basket between (1) the Equity Funds and (2) the Bond Funds will be determined on the seventh day of each month (which for the avoidance of doubt, the one falling in the month of April 2008 will be the "Initial Fixing Date" (falling on 7 April 2008)) (or if such day is not a Business Day, the next following Business Day) (each, a "**Fixing Date**"), in respect of the period ending on the next following Fixing Date, according to the Composite Valuation Indicator (the "**CVI**"). The CVI is a statistical indicator calculated by the Research Division of Morgan Stanley on the first Business Day of each month for the purpose of evaluating the relative valuation of equities as an asset class compared to bonds. The CVI will be published each day with monthly updates in the Italian newspaper *Il Sole 24 Ore*. The percentage allocation of the Equity Funds and the Bond Funds, respectively, in the Basket, shall be fixed according to the most recent CVI as follows:

| CVI level | Allocation to the Equity Funds ¹ | Allocation to the Bond Funds ² |
|----------------------------------------------|---------------------------------------------|-------------------------------------------|
| Less than or equal to -2: | 80% | 20% |
| Greater than -2, less than or equal to -1: | 60% | 40% |
| Greater than -1, less than or equal to zero: | 50% | 50% |
| Greater than zero, less than or equal to 1: | 40% | 60% |
| Greater than 1, less than or equal to 2: | 20% | 80% |
| Greater than 2: | 10% | 90% |

Further details of the CVI and the allocation mechanism are set out in "Terms and Conditions of the Certificates".

Daily Basket Value

The Daily Basket Value will be calculated by the Determination Agent on each business day as the aggregate net asset value of the units of the Equity Funds and the Bond Funds which comprise the Basket from time

¹ In the summary contained in the Prospectus as originally published, the heading "Allocation to the Bond Funds" appeared incorrectly as "Allocation to the Equity Funds".

² In the summary contained in the Prospectus as originally published, the heading "Allocation to the Equity Funds" appeared incorrectly as "Allocation to the Bond Funds".

to time.

Market Disruption

The terms and conditions of the Certificates will contain provisions to address the situation where the net asset value of any of the Equity Funds or the Bond Funds is not determinable or there are changes which the Determination Agent considers should give rise to an adjustment that is necessary to preserve the economic equivalent of the Issuer's obligations under the Certificates.

Fund Substitution

The Certificates will contain provisions to permit one or more of the Equity Funds and the Bond Funds to be removed from the Basket following the occurrence of certain specified events in relation to any such Fund and to be replaced by a substitute fund. See "Terms and Conditions of the Certificates - Annex 1" for detailed information relating to the Substitute Funds.

Determination Agent

Morgan Stanley & Co. International plc.

Forms of Securities

The Certificates will at all times be represented by a Global Certificate in bearer form (the "**Global Certificate**"). The Global Certificate will be deposited on the Issue Date therefor with a common depository for Euroclear and Clearstream, Luxembourg. Certificates in definitive bearer form will not be issued.

Listing

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and to trading on its regulated market. Following such admission, however, there will be no trading of the Certificates on the regulated market of the Irish Stock Exchange.

The European Union Transparency Directive (the "**Transparency Directive**") may be implemented in a manner which could be burdensome for companies such as the Issuer. In particular, companies may be required to publish financial statements more frequently than they otherwise would or to prepare financial statements in accordance with accounting standards other than the ones they would otherwise utilise, for example the Issuer may be required to prepare financial statements in accordance with accounting standards other than U.S. GAAP. The Issuer is under no obligation to maintain the listing of the Certificates and prospective purchasers of Certificates should be aware that in circumstances where to listing of

the Certificates by the Irish Stock Exchange would require publication by the Issuer of financial statements more frequently than either would otherwise prepare them or preparation by the Issuer of financial statements in accordance with standards other than U.S. GAAP, or in any other circumstances where the Transparency Directive is implemented in a manner that, in the opinion of the Issuer, is burdensome for the Issuer, the Certificates may be delisted. In such a case of de-listing, the Issuer may, but is not obliged to, seek an alternative listing for the Certificates on a stock exchange outside the European Union. However, if such an alternative listing is not available or is, in the opinion of the Issuer, burdensome, an alternative listing for the Certificates may not be considered. Although no assurance is made as to the liquidity of the Certificates as a result of listing by the Irish Stock Exchange, de-listing the Certificates may have a material effect on a holder's ability to resell the Certificates in the secondary market.

Clearance Systems

Euroclear and Clearstream, Luxembourg.

Governing Law

The Certificates will be governed by, and construed in accordance with, English law.

ISIN

XS0336131486

Common Code

033613148

Selling Restrictions

The Certificates may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account of U.S. Persons (as defined in any of Regulation S under the Securities Act, the Code or the United States Commodity Exchange Act).

Investing in the Certificates involves certain risks, some of which have been identified by the Issuer and are set out in more detail in the Base Prospectus and in "Risk Factors relating to the Certificates" in this Prospectus.

Relevant risk factors include general business risk factors which may affect the ability of the Issuer to fulfil its obligations under the Certificates. Some of these general business risk factors include (i) the results of the Issuer's operations being materially affected by market fluctuations and by other factors (ii) liquidity and credit risks (iii) risks relating to the financial services industry including competition from other financial services firms, regulatory and litigation risks, conflicts of interest, and operational risks and (iv) risks associated with the Issuer's commodities activities. The Issuer is also subject to numerous political, economic, legal, operational and other risks as a result of its international operations.

Other risks identified by the Issuer are specific to the Certificates and include (i) there being no assurance as to the development or liquidity of any trading market for the Certificates; (ii) the fact that, as non-interest bearing financial instruments, the Certificates may not be a suitable or permitted investment for all investors; (iii) the fact that the Certificates are not principal protected and the return on the Certificates is dependent on (a) the composition of the Basket which will be adjusted depending on the CVI from time to time and (b) the performance of the Funds which comprise the Basket; and (iv) the fact that the Determination Agent has certain discretions which it may exercise under the Terms and Conditions of the Certificates.