

PROSPECTUS dated 28 March 2008

# Morgan Stanley

*as issuer*

*(incorporated under*

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

## **Up to 15,000 Morgan Stanley Flexible Europe Certificates due 2012 (the "Certificates")**

This document constitutes a Prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and should be read and construed in accordance with the base prospectus in respect of, *inter alia*, Morgan Stanley (the "**Issuer**") dated 22 June 2007 (the "**Base Prospectus**") and the Base Prospectus Supplements dated 10 October 2007, 19 November 2007 and 20 December 2007 (the "**Base Prospectus Supplements**"), in each case incorporated by reference herein. The Certificates are issued subject to the provisions described herein.

Application has been made to the Irish Financial Services Regulatory Authority ("**IFSR**A"), as competent authority under the Prospectus Directive, for this Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the official list (the "**Official List**") and to be admitted to trading on its regulated market. Admission to the Official List and to trading on the Irish Stock Exchange of the Certificates is expected to be granted by the Irish Stock Exchange on or about 12 June 2008 subject only to issuance of the Certificates. Following such admission, however, there will be no trading of the Certificates on the regulated market of the Irish Stock Exchange. The Issuer is offering the Certificates through Morgan Stanley & Co. International plc (formerly known as Morgan Stanley International & Co. Limited) (the "**Distribution Agent**"), who has agreed to use reasonable efforts to solicit offers to purchase the Certificates. The Issuer may also sell Certificates to the Distribution Agent as principal for its own account at a price to be agreed upon at the time of sale. The Certificates will be governed by, and construed in accordance with, the laws of England and Wales.

**Investing in the Certificates involves risks. See "Risk Factors Relating to the Certificates" beginning on page 11.**

**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 (THE "CODE")).**

**Other than in respect of Italy, neither the Issuer nor Morgan Stanley & Co. International plc, as Distribution Agent for the Certificates, has taken 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 Certificates or has in the investor's possession or distributes this Prospectus.**

**MORGAN STANLEY**

**Morgan Stanley accepts responsibility for information contained in this Prospectus. To the best of the knowledge and belief of Morgan Stanley (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.**

**No person has been authorized by the Issuer to give any information or to make any representation not contained or incorporated by reference in this Prospectus, and, if given or made, that information or representation should not be relied upon as having been authorized by the Issuer or the Distribution Agent. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Certificates will, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer since the date hereof or, as the case may be, the date upon which this Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into the Base Prospectus by reference. Investors should review, *inter alia*, the most recent financial statements of the Issuer when evaluating the Certificates or an investment therein. Such financial statements shall not form a part of this Prospectus unless they have been expressly incorporated herein by way of a supplement to this Prospectus.**

**The Issuer does not intend to provide post-issuance information.**

**The Distribution Agent has not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Distribution Agent as to the accuracy or completeness of this Prospectus or any document incorporated by reference herein. The Distribution Agent accepts no liability in relation to this Prospectus or any document incorporated by reference herein or their distribution or with regard to any other information supplied by or on behalf of the Issuer.**

**The Issuer has confirmed to the Distribution Agent that this Prospectus is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Prospectus the omission of which would, in the context of the issue of the Certificates, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Distribution Agent that this Prospectus contains all such information as may be required by all applicable laws, rules and regulations.**

**The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Distribution Agent to inform themselves about and to observe those restrictions.**

**This Prospectus may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which that offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.**

**This Prospectus does not constitute an offer of or an invitation to subscribe for or purchase any Certificates and should not be considered as a recommendation by the Issuer or the Distribution Agent that any recipient of this Prospectus should subscribe for or purchase any Certificates.**

Each recipient of this Prospectus will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and of the particular terms of the Certificates.

The distribution of this Prospectus and the offering of the Certificates may be made by or on behalf of the Distribution Agent to prospective investors at their private premises, as permitted by and in accordance with applicable law and regulation in the Republic of Italy.

Prospective investors should read carefully the section entitled "Taxation" on page 36 and consult their own tax advisers in relation to the appropriate interpretation of the Italian taxation regime with regard to an investment in the Certificates.

Neither the Distribution Agent nor any of its affiliates assumes any obligation to purchase any Certificates or to make a market in the Certificates, and no assurances can be given that a liquid market for the Certificates will exist.

All references in this Prospectus 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, and all references to "euro", "€" and "EUR" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended (the "Treaty").

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE CERTIFICATES HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

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## 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 2004 to 30 November 2005, 1 December 2005 to 30 November 2006 and 1 December 2006 to 30 November 2007 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. Tyson and Klaus Zumwinkel.

As at 30 November 2007 Morgan Stanley had 48,256 employees worldwide.

The authorised share capital of Morgan Stanley as at 30 November 2007 comprised 3,500,000,000 ordinary shares of nominal value U.S.\$0.01 and 30,000,000 preferred stock of nominal value U.S.\$0.01.

The issued, non-assessable and fully paid up share capital of Morgan Stanley as at 30 November 2007 comprised 1,211,701,552 ordinary shares of nominal value U.S.\$0.01.

For the year ended 30 November 2007, total assets of Morgan Stanley amounted to U.S.\$1,045,409 million and total liabilities and shareholders' equity amounted to U.S.\$1,045,409 million. For the fiscal year ended 30 November 2006, total assets of Morgan Stanley amounted to U.S.\$ 1,121,192 million and total liabilities and shareholders' equity amounted to U.S.\$ 1,121,192 million.

**Essential characteristics and risks associated with the Morgan Stanley Flexible Europe Certificates due 2012 (the "Certificates")**

<b>Issuer</b>	Morgan Stanley
<b>Number of Certificates</b>	Up to 15,000
<b>Status</b>	The Certificates are direct and general obligations of the Issuer.
<b>Issue Date</b>	12 June 2008
<b>Issue Price</b>	€1,010 per Certificate
<b>Expiration Date</b>	29 May 2012. The Certificates will be deemed exercised on the Expiration Date.
<b>Cash Settlement Payment Date</b>	12 June 2012 (or if later, the fourth Business Day following the Expiration Date)
<b>Cash Settlement Amount</b>	Each Certificate entitles the Holder thereof to receive from the Issuer on the Cash Settlement Payment Date an amount in Euro calculated as follows:

$$\text{Cash Settlement Amount} = \left( 1000 \times \frac{\text{Final Basket Value}}{\text{Initial Basket Value}} \right) - (4 \times \text{Periodic Commission} \times \text{Nominal Value})$$

"**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%
- Distributors: 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:**

<b>Equity Fund</b>	<b>Weight</b>
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:**

<b>Bond Fund</b>	<b>Weight</b>
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 Cap. EUR	10%

**Equity/Bond Allocation**

The composition of the Basket between (1) the Equity Funds and (2) the Bond Funds will be determined on the sixteenth day of each month (which for the avoidance of doubt, the one falling in the month of June 2008 will be the "Initial Fixing Date" (16 June 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:

<b>CVI level</b>	<b>Allocation to the Equity Funds</b>	<b>Allocation to the Bond Funds</b>
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 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**

XS0353064040

**Common Code**

035306404

**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.

## RISK FACTORS RELATING TO THE CERTIFICATES

*Words and expressions defined elsewhere in this Prospectus have the same meanings in this section.*

Prospective investors should read the entire Prospectus, the Base Prospectus and the Base Prospectus Supplement in respect of the Issuer.

**THE CERTIFICATES ARE NOT PRINCIPAL PROTECTED. INVESTORS MAY LOSE PART OR ALL OF THEIR INITIAL INVESTMENT IN THE CERTIFICATES.**

Holders and prospective purchasers of Certificates should ensure that they understand the nature of the Certificates and the extent of their exposure to risk and that they consider the suitability of the Certificates as an investment in the light of their own circumstances and financial condition. The Certificates do not bear interest. The amount payable on settlement of the Certificates is linked to (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 (as defined in the Conditions) and may be less than the issue price of the Certificates. The performance of the Funds will therefore affect the nature and value of the investment return on the Certificates. Certificateholders and prospective purchasers of Certificates should conduct their own investigations and, in deciding whether or not to purchase Certificates, prospective purchasers should form their own views of the merits of an investment related to the Funds based upon such investigations.

Given the highly specialised nature of these Certificates, the Issuer and Morgan Stanley & Co. International plc consider that they are only suitable for sophisticated investors who are able to determine for themselves the risk of an investment linked to the Funds, are willing to take risks and can absorb a partial or complete loss of their initial investment. Consequently, if you are not an investor who falls within the description above you should not consider purchasing these Certificates without taking detailed advice from a specialised professional adviser.

The Certificates have been designed for investors who are willing to forgo market floating rate interest payments on the Certificates in exchange for the Cash Settlement Amount (as defined in the Conditions).

**Risks relating to the Certificates**

Investing in the Certificates entails certain risks including, but not limited to, the following:

*The Certificates are not ordinary debt securities*

The terms of the Certificates differ from those of ordinary securities because such Certificates do not pay interest and at maturity may return less than the amount invested or nothing, depending on the performance of the Funds. Prospective investors who consider purchasing the Certificates should reach an investment decision only after carefully considering the suitability of the Certificates in light of their particular circumstances.

*Adjustments by the Determination Agent*

The terms and conditions of the Certificates will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Certificates are affected by market disruption, adjustment events or circumstances affecting normal activities.

### *Risks relating to the Funds*

The Cash Settlement Amount will be determined by reference to the performance of the Funds and such performance will therefore affect the nature and value of the investment return on the Certificates. Prospective purchasers of Certificates should conduct their own investigations and, in deciding whether or not to purchase Certificates, prospective purchasers should form their own views of the merits of an investment related to the Funds based upon such investigations.

Prospective purchasers of Certificates should also bear in mind that the net asset value of each Fund is subject to reduction in respect of management commissions payable to the Fund manager. The amounts of these commissions, which are calculated on an annual basis, are indicated in the table below:

<b>Fund</b>	<b>Management commission</b>
Ducato Geo Europa Classe Y	0.90%
MLIIF Euro-markets Euro D	0.75%
MLIIF Emerging Europe Euro D	1.00%
Pictet Small Cap Europe 1	0.80%
Ducato Fix Euro BT Classe Y	0.35%
MLIIF Euro Bond D	0.40%
Ducato Fix Imprese Classe Y	0.50%
SISF Euro Sh. Term Bond C Cap. EUR	0.50%

### *Credit Risk of the Issuer*

The holders of the Certificates will be exposed to the credit risk of the Issuer.

### *Exit Risk*

The secondary market price of the Certificates will depend on many factors, including the value and volatility of the Funds, interest rates, the dividend or interest rate on the securities that comprise the Funds, time remaining to maturity and the creditworthiness of the Issuer. Therefore, the holders may receive an amount which may be less than the then intrinsic market value of the Certificates and which may also be less than the amount the holders would have received had the holders held the Certificates through to maturity.

### *Funds Risk*

The return on the Certificates is linked to a notional long position in each of the Funds. The Funds are subject to market risks and there is no assurance or guarantee that the stated objective of the Funds (as set out in the relevant prospectus for each Fund) will be achieved. As with any securities, the net asset value and secondary market price of the units issued by the Funds can go

up or down depending on the factors and forces affecting global equity markets. Investors should not rely on the past performance of the Funds as an indicator of their future performance. Regardless of the level of the CVI, under no circumstances will the allocation to the Equity Funds be less than 10%, or the allocation to the Bond Funds be less than 20%.

*Risks relating to the Composite Valuation Indicator*

The composition of the basket of Funds will be determined by reference to the Composite Valuation Indicator (the "CVI"), and the provisions set out under "Monthly Fund Weight" in Annex 2 of the Commercial Terms (the "Equity/Bond Allocation Mechanism"). The CVI is calculated and published on a monthly basis by the Research Division of Morgan Stanley. In order to publish the CVI on a timely basis, the Morgan Stanley Research Division will use the most recent primary data available at the time when the monthly CVI is due to be compiled. The Equity/Bond Allocation Mechanism for the Certificates has been determined by the Issuer prior to the Issue Date. There can be no assurance that the CVI accurately evaluates and reflects the relative valuation of equities as an asset class compared to bonds as an asset class, or will continue in future to do so.

There can be no assurance that the CVI is a reliable indicator of current or future market conditions or trends.

Morgan Stanley's Research Division may from time to time have different views or attribute different interpretations to the CVI. Notwithstanding any such change of views or interpretation, the Equity/Bond Allocation will not be amended in relation to the Certificates. In addition, the Issuer may in future issue further Series of Certificates which are subject to a different Equity/Bond Allocation Mechanism.

*Hedging Risk*

The Issuer, through its affiliates or others, will likely hedge its anticipated exposure under the Certificates by taking positions in the Funds, in the securities that comprise the Funds, in option contracts on the securities which comprise the Funds or positions in any other available securities or instruments. In any event, the Issuer and its affiliates will use reasonable endeavours to procure that purchases of shares in any Fund will not exceed 3 per cent of the net asset value of the relevant Fund on any single trading day. In addition, the Issuer and its affiliates trade the securities that comprise the Funds as part of their general businesses. Any of these activities could potentially affect the value of the Funds, and accordingly, could affect the payout to holders of the Certificates.

Subscriptions by Morgan Stanley for shares or units issued by the Funds may benefit, directly or indirectly, one or more Morgan Stanley group companies (and conversely redemptions by Morgan Stanley of shares or units may adversely affect, directly or indirectly, the Funds and consequently may also affect the Cash Settlement Amount).

*Secondary trading of the Certificates may be limited*

There may be little or no secondary market for the Certificates. Even if there is a secondary market, it may not provide enough liquidity to allow the investor to sell or trade the Certificates easily. Morgan Stanley & Co. International plc will use its best efforts to provide daily indicative bid/offer prices to MPS Capital Services Banca per le Imprese S.p.A. for the Certificates, subject to Morgan Stanley internal policies, prevailing laws and market conditions and to the extent practicable. The secondary market price of the Certificates will reflect the amount of an annual commission equal to 2.10 per cent of the Initial Basket Value payable to the Issuer.

### *Market Risks*

Price movements in the Funds may not correlate with each other. Increases in the value of one or more of the Funds may be moderated, or wholly offset, by lesser increases or declines in the value of one or more of the other Funds.

### *Investors have no shareholder rights*

As an owner of Certificates, investors will not have voting rights or rights to receive dividends, interest or other distributions, as applicable, or any other rights with respect to any underlying Funds or the securities which comprise those Funds.

### *Potential conflicts of interest between the investors and the Determination Agent*

The Determination Agent is an affiliate of the Issuer and the economic interests of the Determination Agent may be adverse to the interests of holders of the Certificates. Determinations made by the Determination Agent, including on the occurrence of a market disruption or corporate event affecting the value of the Funds, may affect the amount payable to holders pursuant to the terms of the Certificates.

### *Potential conflict of interest relating to the sponsor of the CVI*

The CVI is calculated and published by the Research Division of Morgan Stanley, which is an affiliate of the Issuer. The interests of the Issuer and of the Research Division of Morgan Stanley may be adverse to the interests of holders of the Certificates. Determinations of the CVI by the Research Division of Morgan Stanley may affect the amount payable to holders pursuant to the terms of the Certificates.

*Potential conflict of interest between the Distribution Manager and the Distributors. Potential conflict of interest between the Funds, the Distributors and the Distribution Manager relevant to the Equity Fund and Bond Fund named Ducato Geo Europa, Ducato Fix Euro BT and Ducato Fix Imprese.*

Banca Monte dei Paschi di Siena S.p.A. and Biverbanca S.p.A (the "Distributors" and each a "Distributor") and MPS Capital Services Banca per le Imprese S.p.A (the "Distribution Manager") are affiliates of the MPS Banking Group; in particular, the Distribution Manager, MPS Asset Management SGR (the managers of Equity Fund denominated Ducato Geo Europa and the Bond Funds denominated Ducato Fix Euro BT and Ducato Fix Imprese) are owned by Banca Monte dei Paschi di Siena S.p.A., the principal banking company ("*Capogruppo Bancaria*") of the MPS Banking Group.

### *Conflict of interest of the Distribution Manager and the Distributors*

The Distribution Manager and the Distributors are in a conflicted situation as they may receive from the Issuer periodic commissions during the life of the Certificates calculated by reference to the outstanding amount of the Certificates. Furthermore, the Distributors will receive from the Issuer placement fees as a percentage to be calculated on the nominal amount of Certificates placed.

### *No affiliation with the Funds*

Neither the issuers nor the managers of the underlying Funds are affiliates of Morgan Stanley. Morgan Stanley or its subsidiaries may currently or from time to time engage in business with

such issuers and managers, including entering into loans with, or making equity investments in, such issuers, or providing investment advisory services.

**Moreover, the Issuer has no ability to control or predict the actions of the issuers or managers of the Funds, including the deletion, substitution, or addition of securities to the Funds, methodological changes that could change the value of the Funds, and any actions of the type that would require the Determination Agent to adjust the payout to the investor at maturity. Neither the issuers nor the managers of the Funds have any obligation to consider the investors' interest as owners of the Certificates in taking any corporate actions. Any of these actions may adversely affect the value of the Certificates and may result in investors receiving a return which is materially different from the return which they would have received if the action had not been taken.**

The Issuer will, at its registered office and at the specified offices of the Securities Agent, make available for inspection during normal office hours, free of charge, upon oral or written request, a copy of this Prospectus (and any document incorporated by reference in this Prospectus). Written or oral requests for such documents should be directed to the specified office of the Securities Agent.

## INCORPORATION BY REFERENCE

The following shall be deemed to be incorporated into and form part of this Prospectus:

- Morgan Stanley's report on Form 10-K dated 29 January 2008 (as set out at <http://www.sec.gov>);
- Morgan Stanley's report on Form 8-K dated 7 November 2007 (as set out at <http://www.sec.gov>);
- Morgan Stanley's report on Form 8-K dated 29 June 2007 (as set out at <http://www.sec.gov>);
- Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 August 2007 (as set out at <http://www.sec.gov>); and
- the following parts of the Base Prospectus
  - The section headed "Summary", the section headed "Risks Factors - Risks relating to Morgan Stanley", the section headed "Risk Factors - Risks relating to the Securities" and the section headed "Morgan Stanley" (excluding any information incorporated by reference in any of the documents contained in such Schedule);
  - The sections headed "Key features of the Securities", "Terms and Conditions of the Securities", "United States Taxation", "United Kingdom Taxation", "Irish Taxation", "European Union Savings Directive", "Subscription and Sale", "No Ownership by U.S. Persons" and "General Information";
- the base prospectus supplement dated 10 October 2007;
- the base prospectus supplement dated 19 November 2007; and
- the base prospectus supplement dated 20 December 2007.

save that any statement contained in this Prospectus or any documents incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference and in respect of which a supplement to this Prospectus is prepared modifies or supersedes such statement.

Those parts of the Base Prospectus which are not incorporated into and do not form part of this Prospectus are either not relevant for the purposes of prospective investors in the Notes or covered elsewhere in this Prospectus.

Morgan Stanley will, at its registered office and at the specified offices of the Paying Agents, make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of this Prospectus (or any document incorporated by reference in this Prospectus and any future filings published by Morgan Stanley). Written or oral requests for inspection of such documents should be directed to the specified office of any Paying Agent.

## TERMS AND CONDITIONS OF THE CERTIFICATES

The terms and conditions of the Certificates shall consist of the "Terms and Conditions of the Securities" set out in the Base Prospectus prepared by the Issuer dated 22 June 2007 (as supplemented by the Base Prospectus Supplements dated 10 October 2007, 19 November 2007 and 20 December 2007) (the "**Base Conditions**") and incorporated herein by reference as amended or supplemented below. Unless the context requires otherwise, references in the Base Conditions shall be deemed to refer to the terms set out below.

The Certificates have been authorised by Morgan Stanley pursuant to resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 20 September 2005, 12 December 2006 and 19 June 2007.

The Certificates constitute direct and general obligations of Morgan Stanley which rank equally among themselves.

**COMMERCIAL TERMS** to be dated 10 June 2008

**Series Number: W366**

**Common Code: 035306404**

**Tranche: 1**

**ISIN: XS0353064040**

***MORGAN STANLEY***

***as Issuer***

***PROGRAM FOR THE ISSUANCE OF  
WARRANTS AND CERTIFICATES***

**Issue of up to 15,000 Morgan Stanley Flexible Europe  
Certificates due 2012, Series W366(the "Certificates")**

THE CERTIFICATES DESCRIBED HEREIN 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 SECURITIES DESCRIBED HEREIN 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 REGULATIONS UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED). SEE "SUBSCRIPTION AND SALE" AND "NO OWNERSHIP BY U.S. PERSONS" IN THE BASE PROSPECTUS DATED 22 JUNE 2007 AS SUPPLEMENTED BY THE BASE PROSPECTUS SUPPLEMENTS DATED 10 OCTOBER 2007, 19 NOVEMBER 2007 AND 20 DECEMBER 2007. IN PURCHASING THE CERTIFICATES, PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. THE CERTIFICATES ARE NOT RATED.

This document constitutes commercial terms relating to the issue of Certificates described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities (the "**Conditions**") set forth in the Base Prospectus dated 22 June 2007 prepared by the Issuer as supplemented by the Base Prospectus Supplements dated 10 October 2007, 19 November

2007 and 20 December 2007. The Certificates shall constitute Securities for the purposes of the Conditions. This document must be read in conjunction with the Base Prospectus.

### **Information Concerning Investment Risk**

Holders and prospective purchasers of Certificates should ensure that they understand the nature of the Certificates and the extent of their exposure to risk and that they consider the suitability of the Certificates as an investment in the light of their own circumstances and financial condition. The Certificates do not bear interest. The amount payable on settlement of the Certificates is linked to the performance of the Funds and to the CVI (as defined in the Conditions) and may be less than the issue price of the Certificates. The performance of the Funds and the CVI from time to time will therefore affect the nature and value of the investment return on the Certificates. Certificateholders and prospective purchasers of Certificates should conduct their own investigations and, in deciding whether or not to purchase Certificates, prospective purchasers should form their own views of the merits of an investment related to the Funds based upon such investigations.

Given the highly specialised nature of these Certificates, the Issuer and Morgan Stanley & Co. plc consider that they are only suitable for sophisticated investors who are able to determine for themselves the risk of an investment linked to the Funds and to the CVI, are willing to take risks and can absorb a partial or complete loss of their initial investment. Consequently, if you are not an investor who falls within the description above you should not consider purchasing these Certificates without taking detailed advice from a specialised professional advisor.

The Certificates have been designed for investors who are willing to forgo market floating rate interest payments on the Certificates in exchange for the Cash Settlement Amount (as defined in the Conditions).

Potential investors are urged to consult with their legal, regulatory, investment, accounting, tax and other advisors with regard to any proposed or actual investment in these Certificates.

Please see the section entitled "Risk Factors relating to the Certificates" commencing on page 10 which sets out certain risks relating to an investment in the Certificates.

In purchasing any Certificates, each purchaser will be deemed to represent and undertake to the Issuer, the Distribution Agent and each of their affiliates (i) that it is purchasing the Certificates as principal (and not as agent or in any other capacity); (ii) that none of the Issuer, the Distribution Agent or their affiliates is acting as a fiduciary or an advisor to it in respect of the Certificates; (iii) that it is not relying on any representations made by the Issuer, the Distribution Agent, or any of their respective affiliates; (iv) that it has consulted with its own legal, regulatory, tax, business, investments, financial and accounting advisors to the extent that it has deemed necessary, and it has made its own investment, hedging and trading decisions based upon its own judgement and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or any of its affiliates or agents; (v) that it is purchasing the Certificates with a full understanding of the terms, conditions and risks of the Certificates and is capable of and willing to assume those risks.

### **General**

1. Issuer: Morgan Stanley

- |    |  |   |
|----|--|---|
| 2. | Aggregate Number of Certificates in the Series:      | Up to 15,000  |
| 3. | Aggregate Number of Certificates in the Tranche:     | Up to 15,000  |
| 4. | Issue Date:  | 12 June 2008  |
| 5. | Issue Price:   | EUR 1,010 per Certificate   |
| 6. | Certificate Style:<br>( <i>Condition 4</i> )         | European Style Certificates   |
| 7. | Type:  | The Certificates are linked to a basket of Funds, as set out in Annex 1                                   |
| 8. | Minimum Transfer Amount:<br>( <i>Condition 2.3</i> ) | One Certificate   |
| 9. | Offer Period   | From and including 8 April 2008 to and including 9 June 2008<br><br>(see " <i>The Offer</i> " at page 35) |

**Exercise**

- |     |   |  |
|-----|---|--|
| 10. | Expiration Date:                                      | 29 May 2012  |
| 11. | Latest Exercise Time:                                 | 10:00 a.m. Brussels time (in the case of Euroclear Bank), 11:00 a.m. Brussels time (if delivered by EUCLID) or 10:00 a.m. Luxembourg time (in the case of Clearstream, Luxembourg) |
| 12. | Minimum Exercise Number:<br>( <i>Condition 5.10</i> ) | 1 Certificate  |
| 13. | Permitted Multiple:<br>( <i>Condition 5.10</i> )      | Not applicable   |
| 14. | Deemed Exercise:<br>( <i>Condition 5.6</i> )          | Applicable   |

**Settlement**

- |     |   |  |
|-----|---|--|
| 15. | Settlement Basis:<br>( <i>Condition 4</i> )       | The Certificates are Cash Settlement Certificates          |
| 16. | Cash Settlement Amount:                           | See Annex 1  |
| 17. | Determination Date:<br>( <i>Condition 5.8.1</i> ) | The second Fund Business Day following the Expiration Date |
| 18. | Valuation Time:                                   | See Annex 1  |

19. Valuation Date: Determination Date
20. Averaging Dates: Not applicable
21. Settlement Currency: EUR
22. Cash Settlement Payment Date: Subject to the provisions for early settlement in accordance with Annex 1, 12 June 2012 or if later, the second Business Day following the Determination Date.

**Additional details**

23. Determination Agent: Morgan Stanley & Co. International plc. The Determination Agent shall act as an expert and not as an agent for the Issuer or the Certificateholders. All determinations, considerations and decisions made by the Determination Agent shall, in the absence of manifest error, wilful default or bad faith, be final and conclusive and the Determination Agent shall have no liability in relation to such determinations except in the case of its wilful default or bad faith.

24. Listing: Application has been made to the Irish Stock Exchange for the Certificates to be admitted to its Official List. No assurance can be given as to whether or not, or when, such application will be granted.

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.

- 25. Clearance Systems: The Certificates are represented by a Global Certificate in bearer form. Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, 1120 Brussels, Belgium. The address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
- 26. Additional Selling Restrictions: No public offering of the Certificates, or possession or distribution of any offering material in relation thereto, is permitted in any jurisdiction where action for that purpose is required unless the relevant action has been taken.
- 27. Additional terms and conditions: See Annex 1

Signed on behalf of the Issuer:

By: .....  
Duly authorised

## ANNEX 1

### 1. Cash Settlement Amount

Unless previously redeemed or cancelled, the Cash Settlement Amount payable by the Issuer in respect of each Certificate on the Cash Settlement Payment Date shall be an amount in EUR determined by the Determination Agent in accordance with the following formula:

$$\text{Cash Settlement Amount} = \left( 1000 \times \frac{\text{Final Basket Value}}{\text{Initial Basket Value}} \right) - (4 \times \text{Periodic Commission} \times \text{Nominal Value})$$

where:

*Final Basket Value*, *Initial Basket Value*, *Periodic Commission* and *Nominal Value* have the meanings given to them in paragraph 2 (Definitions) below.

### 2. Definitions

For the purposes of the Certificates, the following terms shall have the meanings set out below.

"**Business Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET or TARGET2) System is operating.

"**CVI Observation Date**" means the first Business Day of each calendar month, from (and including) 2 June 2008 to (and including) the first Business Day in May 2012.

"**Daily Basket Value**" means the amount calculated as set out in paragraph 5 below.

"**Determination Agent**" means Morgan Stanley & Co. International plc, acting in good faith and in a commercially reasonable manner. The Determination Agent shall act as an expert and not as an agent or fiduciary for, or advisor to, the Issuer or the Certificateholders. All determinations, considerations and decisions made by the Determination Agent shall, in the absence of manifest error, wilful default or bad faith, be final and conclusive and the Determination Agent shall have no liability in relation to such determinations except in the case of its wilful default or bad faith.

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

"**Fixing Dates**" means the sixteenth calendar day of each month, from and including 16 June 2008 (t=0) (the "**Initial Fixing Date**") to and including 16 May 2012 (t=47), subject to adjustment in accordance with the Following Business Day Convention and paragraph 6 (*Market Disruption*) below.

"**Following Business Day Convention**" means that if any date which is specified to be subject to adjustment in accordance with such convention would otherwise fall on a day which is not a Business Day, then such date shall be postponed to the next day that is a Business Day.

"**Fund**" means each of the Equity Funds and the Bond Funds set out in the definition of "Basket" in paragraph 3 below.

"**Fund Business Day**" means in relation to each Fund, any day on which the Fund Price of such Fund is due to be published.

"**Fund Issuer**" means the entity which creates and issues units or shares in each of the Funds, as specified in the offering documentation for each Fund.

"**Fund Manager**" means, in respect of any Fund, the investment adviser or fund manager from time to time in respect of such Fund.

"**Fund Price**" means, in respect of any Fund Business Day, the net asset value (expressed in Euro) of one unit or share in the relevant Fund calculated and published by or on behalf of the Fund Manager on such Fund Business Day in accordance with the constitution of the relevant Fund, as determined by the Determination Agent and subject to the provisions of paragraph 6 (*Market Disruption*).

"**Fund Substitution Event**" means, in respect of any of the Funds, the occurrence of any of the following events, in each case as determined by the Determination Agent:

- (a) the Fund or the Fund Issuer is dissolved or ceases to exist;
- (b) any voluntary or involuntary liquidation, bankruptcy, insolvency or analogous proceedings are commenced with respect to the Fund, the Fund Manager or the Fund Issuer or a resolution is proposed for the winding up or dissolution of the Fund, the Fund Manager or the Fund Issuer;
- (c) the units in the Fund are reclassified, the Fund is consolidated, amalgamated or merged with another fund whose investment objectives, risk profile and/or investment benchmarks are different from those that applied to the Fund at the Issue Date, or a resolution or other decision is proposed to effect any such reclassification, consolidation, amalgamation, merger or change;
- (d) the Fund Issuer consolidates, amalgamates or merges with any other company such that the issuer of units in the Fund is not the continuing entity and does not result in a reclassification or change in the units in the Fund, the Fund Issuer changes its corporate form so that it ceases to be an open-ended investment company, or a resolution or other decision is proposed to effect any such consolidation, amalgamation, merger or change;
- (e) there is a change that is, in the reasonable opinion of the Determination Agent, material in the investment objectives, risk profile or investment benchmarks of the Fund, in the information concerning the Fund disclosed by the Fund's offering documentation, any additional public statement of information concerning the Fund, in the constitutional documents of the Fund Issuer or in any other rule, law, regulation, similar guideline or other document governing the activities of the Fund, or a resolution or other decision is proposed to effect any such material change;
- (f) the total net asset value of the Fund falls below EUR 10,000,000 or any other event has occurred which, in the reasonable opinion of the Determination Agent, is likely to have a material adverse effect on the solvency or liquidity of the Fund, including, but not limited to, any material litigation concerning the Fund between any holders of units in the Fund and the Fund or the Fund Issuer (or any investment manager, custodian or other person that provides services in respect of the Fund);

- (g) there is any restriction under the constitution of the Fund or the law of the jurisdiction in which the Fund Issuer is incorporated that, in the reasonable opinion of the Determination Agent, is likely to prevent a person from subscribing for units in the Fund or as a result of which a person is likely to be required to redeem any units it holds in the Fund;
- (h) the activities of the Fund, the Fund Issuer or any investment manager, custodian or other person that provides services in respect of the Fund are placed under review by its regulators for reasons of wrongdoing, breach of any rule or regulation or similar reason; or
- (i) the value of the aggregate holdings of the Issuer and its affiliates of units in any Fund is greater than 20 per cent. of the aggregate net asset value of such Fund (whether or not all of such holding results from hedging transactions entered into in connection with the Certificates) and including, without limitation, where the excess holding results from a reduction in the aggregate net asset value of the relevant Fund.

"**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%
- Distributors: 1.65%.

"**Substitute Fund**" means, in respect of any of the Equity Funds, each of the following Funds: Franklin Mutual European I (Bloomberg code: TEMFMIA LX; ISIN: LU0195950059); Pictet Continental European Equities Class 1 (Bloomberg Code: PICCEEI LX; ISIN: LU0080237356); SISF Emerging Europe C (Bloomberg Code: SCHEMCA LX; ISIN: LU0106820292); Ducato Geo Europa PMI (Bloomberg Code: QUAazio IM; ISIN: IT 0000388162) and in respect of any of the Bond Funds, each of the following Funds: Bright Fix Liquidity 1 EUR (Bloomberg Code: BRIFIXI ID; ISIN: IE0032460721); MS Euro Bond Fund 1 EUR (Bloomberg Code: MORIDMB LX; ISIN: LU0042383389); SISF Euro Corporate Bond C Cap. EUR (Bloomberg Code: SCHEHC LX; ISIN: LU0113258742); PF Short Mid Term Bonds 1 (Bloomberg Code: PIFESMI LX; ISIN: LU0167154417).

### 3. The Basket

The Basket comprises a notional number of units ("N(t,i)" calculated in accordance with paragraph 4) of each of the Equity Funds and Bond Funds as set out in the table below:

i	Equity Funds	ISIN Code	Fund Weight
1	Ducato Geo Europa Classe Y	IT0004302029	50%
2	MLIIF Euro-Markets Euro D	LU0252966485	20%
3	MLIIF Emerging Europe Euro D	LU0252967533	15%
4	Pictet Small Cap Europe 1	LU0131724808	15%

i	Bond Funds	ISIN Code	Fund Weight
5	Ducato Fix Euro BT Classe Y	IT0004302409	50%
6	MLIIF Euro Bond Euro D	LU0050372472	30%
7	Ducato Fix Imprese Classe Y	IT0004300999	10%
8	SISF Euro Sh. Term Bond C Cap. EUR	LU0106234999	10%

For the purposes hereof:

"**Equity Funds**" means Fund<sup>(1)</sup>, Fund<sup>(2)</sup>, Fund<sup>(3)</sup> and Fund<sup>(4)</sup>; and

"**Bond Funds**" means Fund<sup>(5)</sup>, Fund<sup>(6)</sup>, Fund<sup>(7)</sup> and Fund<sup>(8)</sup>.

#### 3.1 Substitution

Following the occurrence of a Fund Substitution Event which the Determination Agent has determined will have a material effect on the Certificates, or in the case of a Fund Substitution Event as described in paragraph (i) of the definition of "Fund Substitution Event", upon the occurrence of such a Fund Substitution Event, the Equity Fund or the Bond Fund affected by such Fund Substitution Event (the "**Affected Fund**") shall be removed from the Basket and replaced by one of the relevant Substitute Funds (as selected by the Determination Agent in its sole discretion). Following such replacement, the Substitute Fund shall be deemed to be part of the Basket with the Fund Weight of the Affected Fund which it replaced.

In the event that four of the Equity Funds have previously been replaced with the relevant Substitute Funds or four of the Bond Funds have previously been replaced with the relevant Substitute Funds, and a subsequent Fund Substitution Event occurs in respect of another Equity Fund or Bond Fund, as the case may be, which the Determination Agent has determined will have a material effect on the Certificates, or in the case of a Fund Substitution Event as described in paragraph (i) of the definition of "Fund Substitution Event", upon the occurrence of such a Fund Substitution Event, then the Affected Fund shall be removed from the Basket and the Determination Agent shall adjust the weighting of the relevant remaining Equity Funds

or Bond Funds, as the case may be, to account for the weighting of the Affected Fund which has been removed from the Basket.

In the event that pursuant to this paragraph there is only one Equity Fund or only one Bond Fund in the Basket and a Fund Substitution Event occurs in respect of any such single remaining Fund which the Determination Agent has determined will have a material affect on the Certificates, or in the case of a Fund Substitution Event as described in paragraph (i) of the definition of "Fund Substitution Event", upon the occurrence of such a Fund Substitution Event, the Issuer shall give notice to the Holders in accordance with Condition 15 (*Notices*) to terminate the Certificates. Such notice shall be irrevocable and shall oblige the Issuer to pay to each Certificateholder in respect of each Certificate an amount determined by the Determination Agent in its sole and absolute discretion as representing the fair market value of such Certificate immediately prior to such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related hedging arrangements. Payment will be made to the relevant Clearance System in such manner as shall be notified to the Certificateholders in accordance with Condition 15.

4. **Determination of the number of units of each Fund comprising the Basket ("N<sub>(t,i)</sub>")**

4.1 N<sub>(t,i)</sub> shall be calculated on each Fixing Date ("**Fixing Date<sub>(t)</sub>**") from (and including) 16 June 2008 ("**Fixing Date<sub>(0)</sub>**") to (and including) the Fixing Date falling in May 2012 ("**Fixing Date<sub>(47)</sub>**") in respect of each Fund<sub>(i)</sub>. N<sub>(t,i)</sub> as so calculated on Fixing Date<sub>(t)</sub> shall apply to each Fund<sub>(i)</sub> from (and including) the Fixing Date<sub>(t)</sub> to (but excluding) the next following Fixing Date (each such period being a "**Month<sub>(t)</sub>**"). N<sub>(t,i)</sub> as so calculated, shall apply for the purposes of calculating Daily Basket Value during the Month<sub>(t)</sub> following such Fixing Date<sub>(t)</sub> as set out in paragraph 5 below.

4.2 N<sub>(t,i)</sub> shall be calculated on each Fixing Date by the Determination Agent in accordance with the following formula:

$$N_{(t,i)} = \{\text{Monthly Fund Weight} * \text{Fund Weight}_{(i)}\} * \text{Daily Basket Value}_{(t)} / \text{Fund Price}_{(i)}$$

Where:

*Monthly Fund Weight* means, for Fixing Date<sub>(t)</sub>, the Monthly Fund Weight applicable to the Equity Funds and the Bonds Funds, respectively, determined in accordance with Annex 2 on the CVI Observation Date immediately prior to Fixing Date<sub>(t)</sub>;

*Fund Weight<sub>(i)</sub>* means for each Fund<sub>(i)</sub>, the Fund Weight specified in respect of such Fund in the definition of "Basket" in paragraph 3;

*Daily Basket Value<sub>(t)</sub>* means the Daily Basket Value calculated (as set out in paragraph 5) on Fixing Date<sub>(t)</sub>. The Daily Basket Value<sub>(t)</sub> in respect of Fixing Date<sub>(t)</sub> shall be deemed to be EUR1,000;

*Fund Price<sub>(i)</sub>* means the Fund Price in respect of the relevant Fund<sub>(i)</sub> determined on Fixing Date<sub>(t)</sub>, provided that in respect of Fixing Date<sub>(t)</sub>, Fund Price<sub>(i)</sub> shall be calculated by the Determination Agent as equal to the arithmetic average of the relevant Fund Prices on Fixing Date<sub>(t)</sub> and on the two next following Fund Business Days;

- i* denotes each of the Funds; and
- t* denotes each of the 48 Months in which  $N_{(t,i)}$  is determined from (and including) the Month commencing on 16 June 2008 ( $t=0$ ) to (and including) the Month commencing on the Fixing Date falling in May 2012 ( $t=47$ ).

**5. Determination of the Daily Basket Value**

"Daily Basket Value" shall be calculated by the Determination Agent on each Business Day from (and including) Fixing Date<sub>(0)</sub> to (and including) the Determination Date as the aggregate value of the notional units of each Fund which comprise the Basket on such Business Day, in accordance with the following formula:

$$\text{Daily Basket Value} = \sum_{i=1}^8 N_{(t,i)} * \text{Fund Price}_{(i)}$$

Where:

*Fund Price<sub>(i)</sub>* means the Fund Price in respect of Fund<sub>(i)</sub> as determined by the Determination Agent on the most recent Fund Business Day;

*N* means the number of notional units of each Fund<sub>(i)</sub> which comprise the Basket determined from time to time as set out in paragraph 4;

*i* denotes each of the Funds;

*t* denotes the Month in which the relevant Business Day falls.

**6. Market Disruption**

6.1 If there is a Fund Disruption Event in relation to any of the Funds (the "**Disrupted Fund**") on a day that, but for this provision, would have been a Fixing Date, then the Determination Date for the Disrupted Fund shall be the first succeeding Fund Business Day in relation to the Disrupted Fund on which there is no Fund Disruption Event, unless none of the five Fund Business Days in relation to the Disrupted Fund immediately following the original date that, but for the Fund Disruption Event, would have been such Fixing Date is a Fund Business Day in relation to the Disrupted Fund on which there is no Fund Disruption Event in respect of the Disrupted Fund. In that case, (i) that fifth Fund Business Day in relation to the Disrupted Fund shall be deemed to be such Fixing Date in relation to the Disrupted Fund, notwithstanding the Fund Disruption Event, and (ii) the Determination Agent shall, for the purposes of determining the Fund Price in relation to the Disrupted Fund, determine its good-faith estimate of the Fund Price that would have prevailed but for the Fund Disruption Event on that fifth Fund Business Day in accordance with the method and criteria of calculating the net asset value of the Disrupted Fund last in effect prior to the commencement of the Fund Disruption Event.

6.2 "**Fund Disruption Event**" means, in respect of any Fund and a date which (but for any postponement under this paragraph 6) would be a Fixing Date, a determination by the Determination Agent that:

- (i) the net asset value relating to the relevant Fund has not for any reason been published by the relevant Fund Manager (or any third party appointed for such purpose by the relevant Fund Manager) on that day; or
- (ii) any holder of shares or units in the relevant Fund who applied to redeem such shares or units on that day would be subject to any suspension or limitation of its rights to redeem such shares or units or any delay in such redemption or the receipt of the proceeds of such redemption where such suspension, limitation or delay is, in the determination of the Determination Agent, material.

## 7. Determinations

Whenever any matter falls to be determined, considered or otherwise decided upon by the Determination Agent or any other person (including where a matter is to be decided by reference to the Determination Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon by the Determination Agent or such other person, as the case may be, in its sole and absolute discretion. Any amount payable with respect to a Certificate shall be rounded down to the nearest whole cent.

In the event that the Research Division of Morgan Stanley ceases to calculate the CVI (as defined in Annex 2) for any reason, the Issuer will procure that the Determination Agent shall calculate and publish the CVI using the methodology set out herein. In such circumstances, the Determination Agent shall calculate the CVI until such time as no Certificates remain outstanding.

If publication of the CVI is delayed or postponed to a date in any month later than the first Business Day of such month, the CVI for the relevant CVI Observation Date shall be deemed to be the CVI as published on the immediately preceding CVI Observation Date and the CVI so published shall apply for the purposes of determining the Monthly Fund Weight for the relevant month.

In the event that publication of the CVI is delayed or postponed to a date later than the first Business Day of the month for a period of three months, the Issuer will procure that the Determination Agent shall calculate and publish the CVI using the methodology set out herein. In such circumstances, the Determination Agent shall calculate the CVI until such time as no Certificates remain outstanding.

## 8. Information about the Funds

Information about the past and future performance of each Fund and its volatility can be obtained from the Bloomberg page or website set out opposite each Fund in the table below:

Fund	Bloomberg Page Reference
Ducato Geo Europa Classe Y	DUCGEUY
MLIIF Euro-Markets Euro D	MEREMDE LX
MLIIF Emerging Europe Euro D	MEMERDE LX
Pictet Small Cap Europe 1	PIPSCEI LX
Ducato Fix Euro BT Classe Y	DUCFEBY
MLIIF Euro Bond Euro D	MIGSEBI LX
Ducato Fix Imprese Classe Y	DUCFXIY

SISF Eiro Sh. Term Bond C Cap. EUR

SCHECA LX

## ANNEX 2

### COMPOSITE VALUATION INDICATOR ("CVI")

1. The Monthly Fund Weight of each of the Equity Funds and each of the Bond Funds shall be determined on each Fixing Date according to the Composite Valuation Indicator (the "CVI") on the immediately preceding CVI Observation Date as set out in paragraph 4 below.
2. The CVI is a statistical indicator used to evaluate the relative valuation of equities as an asset class compared to bonds as an asset class. The level of the CVI typically ranges from -2 to +2.
3. The CVI is calculated by the Research Division of Morgan Stanley and to ensure transparency the monthly level is published each day in the Italian newspaper *Il Sole 24 Ore*. The Issuer has undertaken to procure the publication of the CVI in this manner during the period in which any Certificates are outstanding. The methodology for calculation of the CVI is set out in Annex 3. The Research Division of Morgan Stanley is independent of the Consolidated Equity Division of Morgan Stanley and there are 'Chinese walls' between the two divisions.

#### 4. Monthly Fund Weight

##### 4.1 CVI lower than -2

Where the CVI on the most recent CVI Observation Date is less than or equal to -2, the Monthly Fund Weight in respect of each of the Equity Funds on the relevant Fixing Date shall be 80% and the Monthly Fund Weight of each of the Bond Funds shall be 20%.

##### 4.2 CVI greater than -2, less than or equal to -1

Where the CVI on the most recent CVI Observation Date is greater than -2 but less than or equal to -1, the Monthly Fund Weight in respect of each of the Equity Funds on the relevant Fixing Date shall be 60% and the Monthly Fund Weight of each of the Bond Funds shall be 40%.

##### 4.3 CVI greater than -1, less than or equal to zero

Where the CVI on the most recent CVI Observation Date is greater than -1 but less than or equal to zero, the Monthly Fund Weight in respect of each of the Equity Funds on the relevant Fixing Date shall be 50% and the Monthly Fund Weight of each Bond Fund shall be 50%.

##### 4.4 CVI greater than zero, less than or equal to 1

Where the CVI on the most recent CVI Observation Date is greater than zero but less than or equal to 1, the Monthly Fund Weight in respect of each of the Equity Funds on the relevant Fixing Date shall be 40% and the Monthly Fund Weight of each Bond Fund shall be 60%.

##### 4.5 CVI greater than 1, less than or equal to 2

Where the CVI on the most recent CVI Observation Date is greater than 1 but less than or equal to 2, the Monthly Fund Weight in respect of each of the Equity Funds on the relevant Fixing Date shall be 20% and the Monthly Fund Weight of each Bond Fund shall be 80%.

4.6 CVI greater than 2

Where the CVI on the most recent CVI Observation Date is greater than 2, the Monthly Fund Weight in respect of each of the Equity Funds on the relevant Fixing Date shall be 10% and the Monthly Fund Weight of each Bond Fund shall be 90%.

## ANNEX 3

### The Composite Valuation Indicator

The Composite Valuation Indicator (the "CVI") is calculated and published each month by the Research Division of Morgan Stanley & Co. International plc. The objective of the CVI is to indicate, based on publicly available data, the relative valuation of European equities and European bonds. The transparency of the CVI is ensured by the transparency of the methodology of its calculation and the public availability of the data on which such calculation is based.

This methodology and the relevant intellectual property rights are owned by Morgan Stanley. This methodology or any portion thereof may not be reprinted, sold or redistributed without the prior written consent of Morgan Stanley.

The Research Division of Morgan Stanley is a department independent of the Consolidated Equity Division of Morgan Stanley and the two departments are separated by information barriers (or "Chinese Walls").

#### Sub-Indicators

The CVI is compiled from primary data in respect of the following seven sub-indicators (each a "Sub-Indicator", where "i" equals one to seven);

#### Group I of Sub-Indicators

1. Bond yield / Dividend yield
2. Bond yield / Earnings yield
3. Bond yield / Book value yield
4. Short-term interest rate / Earnings yield

#### Group II of Sub-Indicators

5. Real dividend yield
6. Real earnings yield
7. Real cash earnings yield

#### Sources of Data

The primary data on which the calculation of the CVI is based is obtained from publicly available sources which are independent of the Issuer.

Morgan Stanley Capital International ("MSCI") provides the following data, in each case in respect of the constituents of the MSCI Europe Index:

- Dividend yield
- Earnings yield
- Book value yield
- Cash earnings yield.

DataStream provides the following primary data in relation to the 14 member states of the European Union (weighted according to the Gross Domestic Product of each member state):

- Bond yield (in respect of government bonds of each EU member state)
- Short-term interest rates (average interbank-rates)
- Consumer Price Index (representing rates of inflation of each EU member state).

These data are provided by MSCI and DataStream to all their subscription clients and are not provided exclusively to MSIL. The Research Division of Morgan Stanley & Co. International plc will use the Consumer Price Index data published by Datastream immediately prior to each CVI Observation Date to compile the monthly CVI. In the event that such data are no longer published by the relevant information provider, the Research Division will source them from other independent information providers and, should no independent information provider be available, the Research Division will calculate such data in a commercially reasonable manner, based on the information publicly available at the relevant time.

In the event that the Research Division of Morgan Stanley ceases to calculate the CVI for any reason, the Issuer will procure that the Determination Agent shall calculate and publish the CVI using the methodology set out herein. In such circumstances, the Determination Agent shall calculate the CVI until such time as no Certificates remain outstanding.

#### **Methodology of the CVI**

The levels of the seven Sub-Indicators are made homogenous by calculating a "Z-Score" for each Sub-Indicator. The Z-Score compares the last available observation of data in respect of a Sub-Indicator with the three year average of, and the three year standard deviation for, such Sub-Indicator. In a 'normal' distribution (representing 95 per cent of all cases), the resultant Z-Score typically ranges between -2 and +2.

The method of calculation of the Z-Score for each Sub-Indicator is as follows:

1. The three year average and the three year standard deviation of each Sub-Indicator is calculated.
2. The most recent observation level of each Sub-Indicator is then expressed as the number of standard deviations away from its mean (the "Z-Score"), in accordance with the following formula;

$$Z = \frac{X - \bar{X}}{\sigma_{\bar{X}}}$$

where:

$X$  = most recent observation of Sub-Indicator  $S_i$

$\bar{X}$  = three year average of Sub-Indicator  $S_i$

$\sigma_{\bar{X}}$  = three year standard deviation of Sub-Indicator  $S_i$

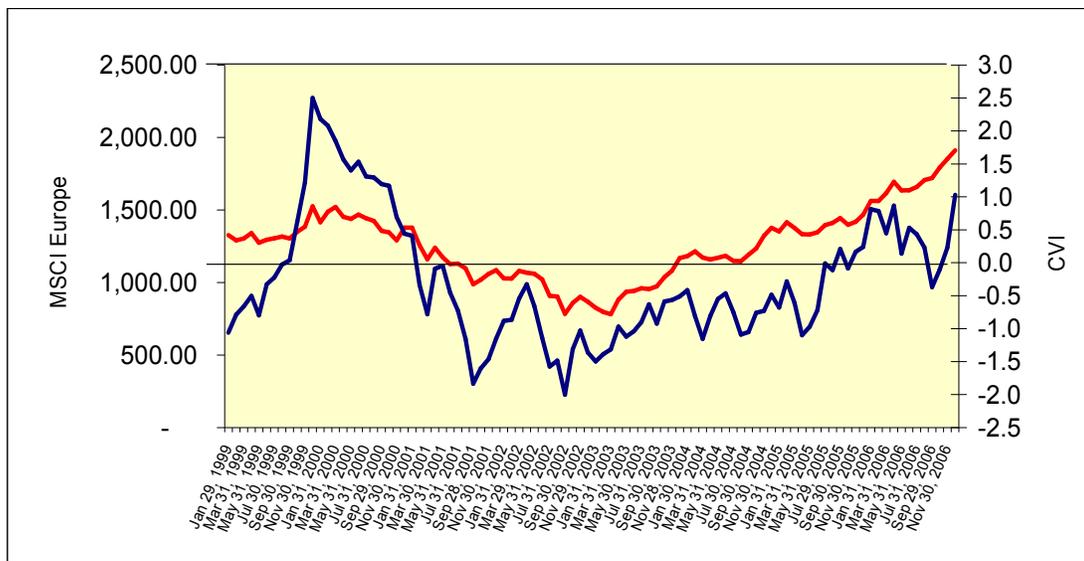
The Z-Score so calculated typically falls within a range between -2 and +2.

3. The average of the Z-Scores of the Sub-Indicators in Group I and the average of the Z-Scores of the Sub-Indicators in Group II are then calculated.
4. The CVI is the arithmetic average of (i) the average Z-SCORE of the Sub-Indicators in Group I and (ii) the average Z-Score of the Sub-Indicators in Group II multiplied by -1.

### Historic CVI Levels

The chart below shows the levels of the CVI calculated for periods between January 1999 and November 2006, and its interpretation.

The Research Division of Morgan Stanley is able to ensure the transparency of the CVI by means of monthly publication of the CVI levels in *Il Sole 24 Ore*.



### CVI Calculation Example

An example of how the CVI is calculated is set out below, based on February 2006 levels for the Sub-Indicators.

#### Primary Data

The primary data used to compile the Sub-Indicators for February 2006 were as follows:

Bond yield:	3.49%
Dividend yield:	2.64%
Short term interest rates:	2.95%
Consumer Price Index:	2.24%

Price/Earnings ratio of the MSCI Europe Index: 16 times

Accordingly, the Earnings yield (the reciprocal of the Price/Earnings ratio) equals 6.2%.

Price/Book Value of the MSCI Europe Index: 2.60 times

Accordingly, the Book value yield (the reciprocal of the Price/Book Value ratio) equals 38%.

Price/Cash Earnings of the MSCI Europe Index: 9.82 times

Accordingly, the Cash Earnings yield (the reciprocal of the Price/Cash Earnings ratio) equals 10%.

### Z-Scores

On the basis of the above primary data for February 2006, the Z-Scores for each Sub-Indicator were calculated as follows:

#### **Group I**

*Sub-Indicator<sub>1</sub> - Bond yield/ Dividend yield*

February 2006 value:  $3.49\% / 2.64\% =$  **1.32**

3 years average: **1.3**

Standard deviation: **0.1**

Z-Score =  $(1.32 - 1.3)/0.1 =$  **0.04**

*Sub-Indicator<sub>2</sub> - Bond yield/ Earnings yield*

February 2006 values:  $3.49\% / 6.25\% =$  **0.56**

3 years average: **0.7**

Standard deviation: **0.1**

Z-Score =  $(0.56 - 0.7)/0.1 =$  **-0.8**

*Sub-Indicator<sub>3</sub> - Bond yield/ Book value yield*

February 2006 values:  $3.49\% / 38\% =$  **0.09**

3 years average: **0.1**

Standard deviation: **0.01**

Z-Score =  $(0.09 - 0.1)/0.01 =$  **1.2**

*Sub-Indicator<sub>4</sub> - Short term interest rates/ Earnings yield*

February 2006 value:  $2.95\% / 6.25\% =$  **0.47**

3 years average: **0.45**

Standard deviation: **0.1**

Z-Score =  $(0.47 - 0.45)/0.1 =$  **0.4**

**Average of the Group I Sub-Indicators =  $(0.04 - 0.8 + 1.2 + 0.4) / 4 = 0.2$**

#### **Group II:**

*Sub-Indicator<sub>5</sub> - Real Dividend yield (Dividend yield - Consumer Price Index)*

February 2006 value:  $2.64\% - 2.24\% =$  **0.40**

3 years average: **0.88**

Standard deviation: **0.32**

Z-Score =  $(0.40 - 0.88)/0.32 =$  **-1.5**

*Sub-Indicator<sub>6</sub> - Real Earnings yield (Earnings yield - Consumer Price Index)*

February 2006 value:  $6.2\% - 2.24\% =$  **3.96**

3 years average: **3.74**

Standard deviation: **0.63**  
Z-Score =  $(3.96 - 3.74)/0.63 =$  **0.3**

*Sub-Indicator<sub>7</sub> - Real Cash Earnings yield (Cash Earnings yield - Consumer Price Index)*

February 2006 value:  $10\% - 2.24\% =$  **7.76**

3 years average: **9.2**

Standard deviation: **0.6**

Z-Score =  $(7.76 - 9.2)/0.6 =$  **-2.4**

*Average of the Group II Sub-Indicators =  $(-1.5 + 0.3 - 2.4) / 3 = -1.2$*

### ***CVI***

The CVI is the arithmetic average of (a) the average Z-Score of the Sub-Indicators in Group I (0.2) and (b) the average Z-Score of the Sub-Indicators in Group II multiplied by -1 (1.2).

Hence the CVI for February 2006 is calculated as  $((0.2 + 1.2)/2)$ , equal to 0.7.

## THE OFFER

Following the offering of the Certificates and subject to completion of a satisfactory book-building process, Morgan Stanley & Co. International plc (address: 25 Cabot Square, Canary Wharf, London E14 4QA, U.K.) (the "**Distribution Agent**") expects to enter into to a subscription agreement on or around 12 June 2008 with the Issuer in which it will agree, subject to the satisfaction of certain conditions, to subscribe for, or to procure subscribers for, the Certificates at the Issue Price.

The Certificates will be offered to potential investors in Italy at the Issue Price of €1,010 per Certificate. This Issue Price includes a percentage amounting to 1% of the Nominal Value (€10 per Certificate) as placement fee ("**Placement Fee**"). For avoidance of doubt, no other fees, taxes or expenses are payable by investors in connection with the issue and placement in the primary market of the Certificates. The offer will be made by Banca Monte dei Paschi di Siena S.p.A. and Biverbanca S.p.A (the "**Distributors**" and each a "**Distributor**") as appointed by MPS Capital Services Banca per le Imprese S.p.A (address: viale Mazzini, 46 - 50132 Firenze, Italy - offices: viale Mazzini, 23 - 53100 Siena, Italy), as Distribution Manager (the "**Distribution Manager**"), each of them being an Italian bank affiliated to the MPS Banking Group. The offer will commence on 8 April 2008, being the first business day following registration in Italy of this Prospectus in relation to the Certificates pursuant to Article 10-bis of CONSOB Regulation No. 11971 of 14 May 1999 and the Prospectus Directive. The offer is expected to close on the earlier of 9 June 2008 and the date on which applications for 15,000 Certificates in aggregate have been received (the "**Offer Period**"). A placement fee is payable by the Issuer to the Distributors in connection with the offering of the Certificates. The Distribution Manager and the Distributors agreed to place the issue without undertaking on a firm commitment basis.

The minimum number of Certificates which may be subscribed by a prospective investor is one Certificate and there is no maximum amount per investor, provided that the aggregate number of Certificates which may be issued may not exceed 15,000. There is no minimum aggregate offer size.

Prospective investors should contact the Distributors or the Distribution Manager during the Offer Period for information on, and to participate in, the offer. Copies of this Prospectus in relation to the Certificates will be available from the offices of the Distributors. Prospective investors can also obtain this Prospectus from the websites of the Distribution Manager (<http://www.mpscapitalservices.it>) and of the Distributors (<http://www.mps.it> and <http://www.biverbanca.it>).

The distribution of this Prospectus and the offering of the Certificates may be made by or on behalf of the Distributors to prospective investors at their head offices or at their premises.

Investors will be notified by the Distributors of their allocations of Certificates and the settlement arrangements in respect thereof. The Certificates will be issued on 12 June 2008 and investors will be required to pay for their Certificates by no later than 12 June 2008. Dealings in the Certificates may not commence prior to such date.

The Issuer will announce the size of the offer on or about 10 June 2008.

Following the Offer Period, the Distribution Agent will enter into the Subscription Agreement and, subject to the terms and conditions thereof, shall agree to subscribe the Certificates. The Subscription Agreement will be subject to termination in certain circumstances prior to payment to the Issuer.

## TAXATION

### Italy

*Pursuant to current Italian tax laws and market practice, the information below summarises the tax regime applicable to the sale and the reimbursement of Certificates by Italian resident investors.*

**The following does not purport to be an exhaustive analysis of all tax consequences of an investment in the Certificates. Investors should consult their own advisors as regards the applicable tax regime.**

According to the prevailing interpretation of tax laws and regulations, the Certificates are derivative financial instruments. Consequently, proceeds received by Italian resident investors (other than those realised when engaged in commercial business) upon sale or settlement of the Certificates are regarded as other income (*redditi diversi*), subject to a 12.5% withholding tax, which will be deducted at source by a competent Italian intermediary in lieu of the income tax pursuant to the instances and provisions set out by D.P.R. 22 December 1986 No. 917 and D.Lgs. 21 November 1997 No. 461.

Conversely, if proceeds paid upon sale or settlement of the Certificates are received by an Italian resident when engaged in commercial business, such proceeds are not subject to withholding tax, must be included in the revenue statement of the holder and are subject to corporate income tax (IRES). Please note that no circulars or rulings by the Ministry of Finance exist in relation to the proper tax construction of income arising from the Certificates. Therefore, it cannot be excluded that the Certificates will be regarded as atypical securities, pursuant to Article 8 of D.L. 30 September 1983 No. 512, converted in L.25 November 1983 No. 649, triggering the application of a tax regime which significantly differs from the one outlined above.

**Investors should note that tax laws are subject to possible amendments which may also apply retroactively.**

### United States

Summary information on United States Federal taxation matters in relation to certificates issued by Morgan Stanley is set out in the section headed "United States Taxation" in the Base Prospectus prepared by the Issuer dated 22 June 2007 which is incorporated herein by reference.

**Prospective holders of Certificates who may be in any doubt as to their respective tax positions should consult their own professional advisers.**

## GENERAL INFORMATION

1. For so long as any Certificates remain outstanding, the following documents will be available from the date hereof, during usual business hours on any week day, for inspection at The Bank of New York, One Canada Square, London E14 5AL, being the London office of the Principal Securities Agent and at BNY Financial Services PLC, 70 Sir John Rogersons Quay, Dublin 2, Ireland, being the office of the Irish Paying Agent and also at the principal executive offices of Morgan Stanley and of the Distribution Agent:
  - (i) all of Morgan Stanley's future Annual, Quarterly and Current Reports. Morgan Stanley's Quarterly Reports on Form 10-Q contain unaudited quarterly financial statements;
  - (ii) the Certificate of Incorporation and Amended and Restated By-laws of Morgan Stanley;
  - (iii) Morgan Stanley's Annual Report on Form 10-K for the year ended 30 November 2007, including any amendments thereto, which contain the audited consolidated financial statements of Morgan Stanley for the years ended 30 November 2007 and 30 November 2006;
  - (iv) a copy of this document;
  - (v) a copy of the Base Prospectus; and
  - (vi) any supplement to this Prospectus.
2. The Program (under which the Certificates will be issued) was authorised by Morgan Stanley pursuant to resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 17 June 2003, as amended and updated pursuant to resolutions adopted at meetings of the Board of Directors of Morgan Stanley held on 20 September 2005, 12 December 2006 and 19 June 2007.
3. Save as discussed in "The Offer", so far as the Issuer is aware, no person involved in the offer of the Certificates has an interest material to the offer.
4. The Issuer is issuing the Certificates to raise funds for and intends to apply the net proceeds from the sale of the Certificates (expected to be approximately €15,150,000 if 15,000 Certificates are issued) towards hedging purposes or for general corporate purposes.
5. No website referred to herein forms part of this Prospectus for the purposes of the listing of the Certificates on the Irish Stock Exchange.
6. The language of this Prospectus is English. Certain terms have, however, been cited in their original language for convenience purposes.

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**LISTING AGENT**

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