

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 61882 / April 9, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-12907

In the Matter of

Morgan Stanley & Co. Incorporated,

Respondent.

**ORDER APPROVING PLAN
AND APPOINTING A PLAN
ADMINISTRATOR**

On December 18, 2007, the Commission instituted settled administrative and cease-and-desist proceedings against Morgan Stanley & Co. Incorporated (“MS&Co.”) for violations of Sections 15(b)(4) and 17(a)(1) of the Securities Exchange Act of 1934 (“Exchange Act”), Exchange Act Rule 17a-3, and Rule 22c-1(a) under the Investment Company Act of 1940 (Exchange Act Release No. 56980) (the “Order”). Pursuant to the Order, a Fair Fund was established, comprised of \$17,000,000.00 in disgorgement, prejudgment interest, and a civil penalty paid by MS&Co., for distribution to mutual funds affected by certain market-timing activity. The Order further directed MS&Co. to retain an independent distribution consultant (“IDC”), not unacceptable to the staff, to develop a distribution plan for the Fair Fund. MS&Co. retained Gordon J. Alexander, Ph.D. as the IDC, who has developed a proposed distribution plan (the “Distribution Plan”) in consultation with the staff and MS&Co.

On February 26, 2010, the Commission published a “Notice of Proposed Plan of Distribution and Opportunity for Comment” (“Notice”) pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1103. (Exchange Act Release No. 61598). The Notice advised all interested parties that they may obtain a copy of the Distribution Plan from the Commission’s public website, <http://www.sec.gov>, or by submitting a written request to Christopher R. Conte, Associate Director, United States Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549.

The Notice also advised all persons desiring to comment on the Distribution Plan that they may submit their comments, in writing, no later than 30 days from the date of the Notice by sending a letter to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-1090; by using the Commission’s Internet comment form (<http://www.sec.gov/litigation.admin.shtml>); or by sending an e-mail to rule-comments@sec.gov. The Commission received no comments on the Distribution Plan and no modification has been made to the Distribution Plan since its publication.

The Distribution Plan provides for distribution of the Fair Fund, plus any accumulated interest, less any taxes, to mutual funds affected by market-timing conduct between January 2002 and August 2003 (“affected mutual funds”) as described in the Order. The Distribution Plan describes the procedures by which affected mutual funds are identified, the procedures used to calculate the amounts to be paid to these mutual funds, and how those amounts are to be distributed. Accordingly, the affected mutual funds need not go through a claims-made process. Pursuant to the Distribution Plan, MS&Co. is responsible for all costs and expenses associated with the distribution.

In accordance with the Commission’s Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1100, *et seq.*, the Distribution Plan proposes Rust Consulting, Inc. as the Fund Administrator and sets forth, among other things, procedures for distributing funds from the Fair Fund to affected mutual funds; procedures for the administration of the Fair Fund; and a proposed timeframe for the termination of the Distribution Plan.

The staff requests that the Commission approve the Distribution Plan filed by the Division of Enforcement as written, appoint Rust Consulting, Inc. as the Fund Administrator, and waive the bond requirement of the Fund Administrator for the good cause shown in the Plan.

Accordingly, IT IS HEREBY ORDERED, pursuant to Rule 1104 of the Commission’s Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1104, that the Distribution Plan is approved.

IT IS FURTHER ORDERED, pursuant to Rules 1105(a) and (c) of the Commission’s Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1105, that Rust Consulting, Inc. is appointed as the Fund Administrator in accordance with the terms of the Distribution Plan and that the bond requirement is waived for good cause shown.

For the Commission, by its Secretary, pursuant to delegated authority.

Elizabeth M. Murphy
Secretary