

MORGAN STANLEY  
Form 10-Q  
November 09, 2009  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

*For the quarterly period ended September 30, 2009*

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

Commission File Number 1-11758

(Exact Name of Registrant as specified in its charter)

<b>Delaware</b>	<b>1585 Broadway</b>	<b>36-3145972</b>	<b>(212) 761-4000</b>
(State or other jurisdiction of incorporation or organization)	<b>New York, NY 10036</b>	(I.R.S. Employer Identification No.)	(Registrant's telephone number, including area code)
	(Address of principal executive offices, including zip code)		

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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As of October 31, 2009, there were 1,359,433,369 shares of the Registrant's Common Stock, par value \$0.01 per share, outstanding.

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QUARTERLY REPORT ON FORM 10-Q

For the quarter ended September 30, 2009

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**AVAILABLE INFORMATION**

Morgan Stanley files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Morgan Stanley) file electronically with the SEC. Morgan Stanley's electronic SEC filings are available to the public at the SEC's internet site, [www.sec.gov](http://www.sec.gov).

Morgan Stanley's internet site is [www.morganstanley.com](http://www.morganstanley.com). You can access Morgan Stanley's Investor Relations webpage at [www.morganstanley.com/about/ir](http://www.morganstanley.com/about/ir). Morgan Stanley makes available free of charge, on or through its Investor Relations webpage, its proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Morgan Stanley also makes available, through its Investor Relations webpage, via a link to the SEC's internet site, statements of beneficial ownership of Morgan Stanley's equity securities filed by its directors, officers, 10% or greater shareholders and others under Section 16 of the Exchange Act.

Morgan Stanley has a Corporate Governance webpage. You can access information about Morgan Stanley's corporate governance at [www.morganstanley.com/about/company/governance](http://www.morganstanley.com/about/company/governance). Morgan Stanley posts the following on its Corporate Governance webpage:

Amended and Restated Certificate of Incorporation;

Amended and Restated Bylaws;

Charters for our Audit Committee; Internal Audit Subcommittee; Compensation, Management Development and Succession Committee; and Nominating and Governance Committee;

Corporate Governance Policies;

Policy Regarding Communication with the Board of Directors;

Policy Regarding Director Candidates Recommended by Shareholders;

Policy Regarding Corporate Political Contributions;

Policy Regarding Shareholder Rights Plan;

Code of Ethics and Business Conduct;

Code of Conduct; and

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### Integrity Hotline.

Morgan Stanley's Code of Ethics and Business Conduct applies to all directors, officers and employees, including its Chief Executive Officer, its Chief Financial Officer and its Controller and Principal Accounting Officer. Morgan Stanley will post any amendments to the Code of Ethics and Business Conduct and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange, Inc. on its internet site. You can request a copy of these documents, excluding exhibits, at no cost, by contacting Investor Relations, 1585 Broadway, New York, NY 10036 (212-761-4000). The information on Morgan Stanley's internet site is not incorporated by reference into this report.

**Table of Contents****Part I Financial Information.****Item 1. Financial Statements.****MORGAN STANLEY****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(dollars in millions, except share data)****(unaudited)**

	September 30, 2009	December 31, 2008	November 30, 2008
<b>Assets</b>			
Cash and due from banks	\$ 6,218	\$ 13,354	\$ 11,276
Interest bearing deposits with banks	22,392	65,316	67,378
Cash deposited with clearing organizations or segregated under federal and other regulations or requirements	21,753	24,039	25,446
Financial instruments owned, at fair value (approximately \$114 billion, \$73 billion and \$62 billion were pledged to various parties at September 30, 2009, December 31, 2008 and November 30, 2008, respectively):			
U.S. government and agency securities	82,881	28,012	20,251
Other sovereign government obligations	39,576	21,084	20,071
Corporate and other debt	94,794	87,294	88,484
Corporate equities	52,310	42,321	37,174
Derivative and other contracts	55,265	89,418	99,766
Investments	9,252	10,385	10,598
Physical commodities	4,418	2,126	2,204
<b>Total financial instruments owned, at fair value</b>	<b>338,496</b>	<b>280,640</b>	<b>278,548</b>
Securities received as collateral, at fair value	16,414	5,231	5,217
Federal funds sold and securities purchased under agreements to resell	146,985	122,709	106,419
Securities borrowed	128,922	88,052	85,785
Receivables:			
Customers	25,854	29,265	31,294
Brokers, dealers and clearing organizations	4,937	6,250	7,259
Other loans	6,557	6,547	6,528
Fees, interest and other	11,330	7,258	7,034
Other investments	3,899	3,709	3,309
Premises, equipment and software costs (net of accumulated depreciation of \$3,532, \$3,073 and \$3,003 at September 30, 2009, December 31, 2008 and November 30, 2008, respectively)	6,765	5,095	5,057
Goodwill	6,977	2,256	2,243
Intangible assets (net of accumulated amortization of \$390, \$208 and \$200 at September 30, 2009, December 31, 2008 and November 30, 2008, respectively) (includes \$144, \$184 and \$220 at fair value at September 30, 2009, December 31, 2008 and November 30, 2008, respectively)	5,679	906	947
Other assets	16,325	16,137	15,295
<b>Total assets</b>	<b>\$ 769,503</b>	<b>\$ 676,764</b>	<b>\$ 659,035</b>

See Notes to Condensed Consolidated Financial Statements.





**Table of Contents****MORGAN STANLEY****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)****(dollars in millions, except share data)****(unaudited)**

	September 30, 2009	December 31, 2008	November 30, 2008
<b>Liabilities and Equity</b>			
Commercial paper and other short-term borrowings (includes \$1,179, \$1,246 and \$1,412 at fair value at September 30, 2009, December 31, 2008 and November 30, 2008, respectively)	\$ 2,913	\$ 10,102	\$ 10,483
Deposits (includes \$7,784, \$9,993 and \$6,008 at fair value at September 30, 2009, December 31, 2008 and November 30, 2008, respectively)	62,415	51,355	42,755
Financial instruments sold, not yet purchased, at fair value:			
U.S. government and agency securities	23,646	11,902	10,156
Other sovereign government obligations	24,020	9,511	9,360
Corporate and other debt	7,743	9,927	9,361
Corporate equities	23,658	16,840	16,547
Derivative and other contracts	39,526	68,554	73,521
Physical commodities		33	
Total financial instruments sold, not yet purchased, at fair value	118,593	116,767	118,945
Obligation to return securities received as collateral, at fair value	16,414	5,231	5,217
Securities sold under agreements to repurchase	147,344	92,213	102,401
Securities loaned	26,182	14,580	14,821
Other secured financings, at fair value	10,278	12,539	12,527
Payables:			
Customers	110,765	123,617	115,225
Brokers, dealers and clearing organizations	4,381	1,585	3,141
Interest and dividends	3,143	3,305	2,584
Other liabilities and accrued expenses	18,414	16,179	15,963
Long-term borrowings (includes \$37,049, \$30,766 and \$28,830 at fair value at September 30, 2009, December 31, 2008 and November 30, 2008, respectively)	196,437	179,835	163,437
	717,279	627,308	607,499
<b>Commitments and contingencies</b>			
<b>Equity</b>			
Morgan Stanley shareholders' equity:			
Preferred stock	9,597	19,168	19,155
Common stock, \$0.01 par value;			
Shares authorized: 3,500,000,000 at September 30, 2009, December 31, 2008 and November 30, 2008;			
Shares issued: 1,487,850,163 at September 30, 2009, 1,211,701,552 at December 31, 2008 and November 30, 2008;			
Shares outstanding: 1,358,900,574 at September 30, 2009, 1,074,497,565 at December 31, 2008 and 1,047,598,394 at November 30, 2008	15	12	12
Paid-in capital	8,441	459	1,619
Retained earnings	34,726	36,154	38,096
Employee stock trust	4,058	4,312	3,901
Accumulated other comprehensive loss	(299)	(420)	(125)
Common stock held in treasury, at cost, \$0.01 par value; 128,949,589 shares at September 30, 2009, 137,203,987 shares at December 31, 2008 and 164,103,158 shares at November 30, 2008	(6,131)	(6,620)	(7,926)
Common stock issued to employee trust	(4,058)	(4,312)	(3,901)
Total Morgan Stanley shareholders' equity	46,349	48,753	50,831

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Non-controlling interests	5,875	703	705
Total equity	52,224	49,456	51,536
Total liabilities and equity	\$ 769,503	\$ 676,764	\$ 659,035

See Notes to Condensed Consolidated Financial Statements.

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**MORGAN STANLEY**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

**(dollars in millions, except share and per share data)**

**(unaudited)**

**Three Months  
Ended  
September 30,**