



Information Circular: PROPELS

To: Head Traders, Technical Contacts, Compliance Officers, Head of ETF Trading, Structured Products Traders

From: William Slattery, Director, NASDAQ Listing Qualifications Department

DATE: February 28, 2007 (**Updated March 29, 2007**)

The NASDAQ Stock Market LLC ("NASDAQ") began operating as a national securities exchange for trading non-NASDAQ listed securities on February 12, 2007. As a result, certain Morgan Stanley Protected Performance Equity Linked Securities ("PROPELS") that previously traded through our systems on an over-the-counter basis are being traded by NASDAQ as an exchange on an unlisted trading privileges (UTP) basis for the first time. See Appendix A for a listing of select PROPELS that commenced trading on NASDAQ on a UTP basis on February 12, 2007.

Appendix A contains links to information circulars regarding the PROPELS prepared by their listing market, The American Stock Exchange. NASDAQ members should consult these information circulars, which contain important information about the characteristics of the PROPELS and the principal risks of an investment in the PROPELS.

Trading in the PROPELS on NASDAQ is subject to [NASDAQ equity trading rules](#). The PROPELS will trade from 7:00 a.m. until 8:00 p.m. SEC Rule 10a-1 (the SEC short sale rule) applies to trading in the PROPELS.

Trading of PROPELS on NASDAQ is subject to the provisions of [NASDAQ Rule 2310](#). Members recommending transactions in PROPELS to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in the NASDAQ Conduct Rules.

Members also should review [NASD Notice to Members 03-71](#) for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

This Information Circular is not a statutory prospectus. NASDAQ members should consult the registration statement or prospectus for the PROPELS for additional information.

Inquiries regarding this Information Circular should be directed to:

- Will Slattery, Director, NASDAQ Listing Qualifications, at 301.978.8088
- NASDAQ Office of General Counsel at 301.978.8400
- NASDAQ Market Sales at 800.846.0477

Appendix A – PROPELS

Index-Linked Notes	Symbol	CUSIP Number	Relevant Link
0.50% PROPELS based on the value of the S&P 500 Index, due December 30, 2011	PEL	61746S877	http://www.amex.com/amextrader/dailylist/data/relFiles/PEL.pdf
PROPELS based on the Value of a Basket of Three International Indices, due December 30, 2011	EBK	61746S778	http://www.amex.com/amextrader/dailylist/data/relFiles/EBK.pdf
0.40% PROPELS based on the value of the Dow Jones Industrial Average, Due December 30, 2011	PDJ	61746S703	http://www.amex.com/amextrader/dailylist/data/relFiles/pdj.pdf