

MORGAN STANLEY  
Form FWP  
January 11, 2019

Free Writing Prospectus No. 1,461  
Registration Statement Nos. 333-221595; 333-221595-01  
Dated January 11, 2019  
Filed Pursuant to Rule 433

Morgan Stanley Finance LLC Buffer Allocation Securities

Linked to a Basket of Indices Due January 31, 2024

### **Fully and Unconditionally Guaranteed by Morgan Stanley**

Principal at Risk Securities

#### **Investment Description**

These Buffer Allocation Securities (the “Securities”) are unsubordinated and unsecured debt securities issued by Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The return on the Securities is linked to a weighted basket of indices (the “Basket”) consisting of the S&P 500 Index, the MSCI EAFE® Index and the MSCI Emerging Markets Index<sup>SM</sup>, each of which we refer to as an “Underlying” and together as the “Underlyings.” On the Final Valuation Date, different weightings will be allocated to the Underlyings based on their respective performances, as follows: between 84% and 88% (to be set on the Trade Date) for the Underlying with the highest return (whether positive or negative), between 16% and 12% (to be set on the Trade Date) for the Underlying with the second-highest return (whether positive or negative), and 0% for the Underlying with the lowest return. At maturity, if the Allocated Basket Return is positive, MSFL will pay the Principal Amount plus a return equal to the Allocated Basket Return. However, if the Allocated Basket Return is less than or equal to zero, MSFL will pay either the full Principal Amount at maturity, or, if the Final Basket Level is less than the Downside Threshold, MSFL will pay less than the full Principal Amount at maturity, resulting in a loss of principal to investors of 1% for every 1% decline beyond the Buffer of 10%. These long-dated Securities are designed for investors who seek an opportunity to earn a return based on the allocated performance of the Underlyings, as set forth herein, and who are willing to risk their principal and forgo current income in exchange for the exposure to the allocated performance of the Underlyings and the 10% Buffer feature, each as applicable at maturity. **Investing in the Securities involves significant risks. MSFL will not pay any interest on the Securities, and you may lose up to 90% of your Principal Amount. The Downside Threshold is observed relative to the Final Basket Level only on the Final Valuation Date, and the downside exposure to the Basket is buffered only if you hold the Securities to maturity. Accordingly, you may receive significantly less than the Principal Amount if you are able to sell the Securities prior to maturity even if the Basket has not declined by more than the 10% Buffer. Any payment on the Securities is subject to our creditworthiness. If we default on our payment obligations, you may not receive any amounts owed to you under the terms of the Securities, and you could lose your entire investment.**

#### **Features Key Dates\***

q **Performance Allocation Feature:** At maturity, different weightings will be allocated to the Underlyings based on their respective performances. MSFL will pay the Principal Amount plus any positive Allocated Basket Return. If the Allocated Basket Return is less than zero, investors may be exposed to the negative Allocated Basket Return at maturity.

q **Buffered Downside Market Exposure to the Allocated Basket Return:** If the Allocated Basket Return is equal to or less than zero but the Final Basket Level is greater than or equal to the Downside Threshold, MSFL will repay the Principal Amount at maturity. However, if the Final Basket Level is less than the Downside Threshold Level, MSFL will repay less than the full Principal Amount at maturity, resulting in a loss of principal to investors that is equal to the Basket’s decline in excess of the Buffer of 10%. Accordingly, you could lose up to 90% of your Principal Amount. The Downside Threshold is observed relative to the Final Basket Level only on the Final Valuation Date, and the downside exposure is buffered only if you hold the Securities to maturity. Accordingly, you may receive significantly less than the Principal Amount if you sell the Securities prior to maturity even if the Basket has not declined by more than the 10% Buffer. Any payment on the Securities is subject to our creditworthiness.

|                        |                  |
|------------------------|------------------|
| Trade Date             | January 29, 2019 |
| Settlement Date        | January 31, 2019 |
| Final Valuation Date** | January 26, 2024 |
| Maturity Date**        | January 31, 2024 |
| * Expected             |                  |

\*\* Subject to postponement in the event of a Market Disruption Event or for non-Index Business Days. See “Postponement of Final Valuation Date and Maturity Date” under “Additional Terms of the Securities.”

**NOTICE TO INVESTORS: THE SECURITIES ARE SIGNIFICANTLY RISKIER THAN CONVENTIONAL DEBT INSTRUMENTS. THE SECURITIES DO NOT GUARANTEE THE REPAYMENT OF THE FULL PRINCIPAL AMOUNT AT MATURITY, AND THE SECURITIES HAVE DOWNSIDE MARKET RISK SIMILAR TO THE UNDERLYINGS, WHICH CAN RESULT IN A LOSS OF SOME OR A SIGNIFICANT PORTION OF YOUR INVESTMENT AT MATURITY. THIS MARKET RISK IS IN ADDITION TO THE CREDIT RISK INHERENT IN PURCHASING OUR DEBT OBLIGATIONS. YOU SHOULD NOT PURCHASE THE SECURITIES IF YOU DO NOT UNDERSTAND OR ARE NOT COMFORTABLE WITH THE SIGNIFICANT RISKS INVOLVED IN INVESTING IN THE SECURITIES. THE SECURITIES WILL NOT BE LISTED ON ANY SECURITIES EXCHANGE. YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED UNDER “KEY RISKS” BEGINNING ON PAGE 5 OF THIS FREE WRITING PROSPECTUS BEFORE PURCHASING ANY SECURITIES. EVENTS RELATING TO ANY OF THOSE RISKS, OR OTHER RISKS AND UNCERTAINTIES, COULD ADVERSELY AFFECT THE MARKET VALUE OF, AND THE RETURN ON, YOUR SECURITIES.**

#### Security Offering

We are offering Buffer Allocation Securities Linked to a Basket of Indices. The Securities are offered at a minimum investment of \$1,000 in denominations of \$10 and integral multiples thereof. The Initial Level of each Underlying will be determined on the Trade Date.

| Underlying     | Initial Level | Basket Weightings*                             | Initial Basket Level | Downside Threshold                     | Buffer | CUSIP       | ISIN       |
|----------------|---------------|--|----------------------|--|--------|-------------|------------|
| S&P 500® Index |               | 84% to 88% for the Underlying with the highest | 100                  | 90, which is 90% of the Initial Basket | 10%    | 61768W657US | 61768W6571 |

|   |  |       |
|---|--|-------|
| (Bloomberg ticker:<br>SPX)<br>MSCI EAFE® Index                              | return, 16% to 12% for<br>the Underlying with the<br>second-highest return | Level |
| (Bloomberg ticker:<br>MXEA)<br>MSCI Emerging<br>Markets Index <sup>SM</sup> | and 0% for the<br>Underlying with the<br>lowest return.                    |       |
| (Bloomberg ticker:<br>MXEF)   |  |       |

*\* The actual percentages that will be applicable to the Underlyings that ultimately have the two highest returns will be set on the Trade Date.*

**See “Additional Information about Morgan Stanley, MSFL and the Securities” on page 2. The Securities will have the terms set forth in the accompanying prospectus, prospectus supplement and index supplement and this free writing prospectus.**

*Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these Securities or passed upon the adequacy or accuracy of this free writing prospectus or the accompanying prospectus supplement, index supplement and prospectus. Any representation to the contrary is a criminal offense. The Securities are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.*

|                                   |  |     |         |
|-----------------------------------|--|-----|---------|
| Estimated value on the Trade Date | Approximately \$9.832 per Security, or within \$0.30 of that estimate. See “Additional Information about Morgan Stanley, MSFL and the Securities” on page 2. |     |         |
| Per Security                      | Price to Public Underwriting Discount <sup>(1)</sup> Proceeds to Us <sup>(2)</sup>   |     |         |
| Total                             | \$10.00  | \$0 | \$10.00 |
|                                   | \$   | \$  | \$      |

UBS Financial Services Inc. will act as placement agent at an issue price of \$10 per Security. All sales of the Securities will be made to certain fee-based advisory accounts for which UBS Financial Services Inc. is an investment advisor and will not receive a sales commission. For more information, please see “Supplemental Plan of Distribution; Conflicts of Interest” on page 27 of this free writing prospectus.

(2) See “Use of Proceeds and Hedging” on page 26.

The agent for this offering, Morgan Stanley & Co. LLC, is our affiliate and a wholly owned subsidiary of Morgan Stanley. See “Supplemental Plan of Distribution; Conflicts of Interest” on page 27 of this free writing prospectus.

Morgan Stanley UBS Financial Services Inc.

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### Additional Information about Morgan Stanley, MSFL and the Securities

Morgan Stanley and MSFL have filed a registration statement (including a prospectus, as supplemented by a prospectus supplement and an index supplement) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement, the prospectus supplement, the index supplement and any other documents relating to this offering that Morgan Stanley and MSFL have filed with the SEC for more complete information about Morgan Stanley, MSFL and this offering. You may get these documents for free by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, Morgan Stanley, MSFL, any underwriter or any dealer participating in this offering will arrange to send you the prospectus, the prospectus supplement and the index supplement if you so request by calling toll-free 1-(800)-584-6837.

You may access the accompanying prospectus supplement, index supplement and prospectus on the SEC website at [www.sec.gov](http://www.sec.gov) as follows:

- t Prospectus supplement dated November 16, 2017:  
[https://www.sec.gov/Archives/edgar/data/895421/000095010317011241/dp82788\\_424b2-seriesa.htm](https://www.sec.gov/Archives/edgar/data/895421/000095010317011241/dp82788_424b2-seriesa.htm)
  
- t Index supplement dated November 16, 2017:  
[https://www.sec.gov/Archives/edgar/data/895421/000095010317011283/dp82797\\_424b2-indexsupp.htm](https://www.sec.gov/Archives/edgar/data/895421/000095010317011283/dp82797_424b2-indexsupp.htm)
  
- t Prospectus dated November 16, 2017:  
[https://www.sec.gov/Archives/edgar/data/895421/000095010317011237/dp82798\\_424b2-base.htm](https://www.sec.gov/Archives/edgar/data/895421/000095010317011237/dp82798_424b2-base.htm)

*References to “MSFL” refer only to MSFL, references to “Morgan Stanley” refer only to Morgan Stanley and references to “we,” “our” and “us” refer to MSFL and Morgan Stanley collectively. In this document, the “Securities” refers to the Buffer Allocation Securities that are offered hereby. Also, references to the accompanying “prospectus”, “prospectus supplement” and “index supplement” mean the prospectus filed by MSFL and Morgan Stanley dated November 16, 2017, the prospectus supplement filed by MSFL and Morgan Stanley dated November 16, 2017 and the index supplement filed by MSFL and Morgan Stanley dated November 16, 2017, respectively.*

You should rely only on the information incorporated by reference or provided in this free writing prospectus or the accompanying prospectus supplement, index supplement and prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this free writing prospectus or the accompanying prospectus supplement, index supplement and prospectus is accurate as of any date other than the date on the front of this document.

The Issue Price of each Security is \$10. This price includes costs associated with issuing, selling, structuring and hedging the Securities, which are borne by you, and, consequently, the estimated value of the Securities on the Trade

Date will be less than \$10. We estimate that the value of each Security on the Trade Date will be approximately \$9.832, or within \$0.30 of that estimate. Our estimate of the value of the Securities as determined on the Trade Date will be set forth in the final pricing supplement.

*What goes into the estimated value on the Trade Date?*

In valuing the Securities on the Trade Date, we take into account that the Securities comprise both a debt component and a performance-based component linked to the Underlying. The estimated value of the Securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the Underlyings, instruments based on the Underlyings, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

*What determines the economic terms of the Securities?*

In determining the economic terms of the Securities, including the Basket Weighting percentages, the Downside Threshold and the Buffer, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the Securities would be more favorable to you.

*What is the relationship between the estimated value on the Trade Date and the secondary market price of the Securities?*

The price at which MS & Co. purchases the Securities in the secondary market, absent changes in market conditions, including those related to the Underlyings, may vary from, and be lower than, the estimated value on the Trade Date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the Securities are not fully deducted upon issuance, for a period of up to 6 months following the Settlement Date, to the extent that MS & Co. may buy or sell the Securities in the secondary market, absent changes in market conditions, including those related to the Underlyings, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. currently intends, but is not obligated, to make a market in the Securities, and, if it once chooses to make a market, may cease doing so at any time.



Investor Suitability

**The Securities may be suitable for you if:**

You fully understand the risks inherent in an investment in the Securities, including the risk of loss of up to 90% of your initial investment.

You can tolerate the loss of up to 90% of your investment and are willing to make an investment that has similar downside market risk as the Underlyings included in the Basket, subject to the Buffer at maturity.

You understand the characteristics of the Underlyings.

You believe that the Allocated Basket Return will be positive.

You believe that one Underlying will outperform the other Underlyings, but are uncertain as to which Underlying will perform best. Therefore, you prefer an investment that allocates a higher weighting to the Underlying with the best performance

You can tolerate fluctuations in the price of the Securities prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Underlyings.

You do not seek current income from your investment and are willing to forgo dividends paid on the Underlyings included in the Basket.

You are willing to hold the Securities to maturity, as set forth on the cover of this free writing prospectus, and accept the risk that there may be little or no secondary market for the Securities.

You are willing to assume our credit risk for all payments under the Securities, and understand that if we default on our obligations you may not receive any amounts due to you and could lose your entire investment.

**The Securities may not be suitable for you if:**

You do not fully understand the risks inherent in an investment in the Securities, including the risk of loss of up to 90% of your initial investment.

You require an investment designed to provide a full return of principal at maturity.

You cannot tolerate the loss of up to 90% of your investment and are unwilling to make an investment that has similar downside market risk as the Underlyings included in the Basket, subject to the Buffer at maturity.

You do not understand the characteristics of the Underlyings.

You believe that the Allocated Basket Return will be negative or that the Allocated Basket return will not be sufficiently positive to provide you with your desired return.

You believe that the level of all three Underlyings will decline over the term of the Securities or that none of the three Underlyings will appreciate sufficiently for a positive Allocated Basket Return.

You cannot tolerate fluctuations in the price of the Securities prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Underlyings.

You seek current income from this investment or prefer to receive the dividends paid on the Underlyings included in the Basket.

You are unable or unwilling to hold the Securities to maturity, as set forth on the cover of this free writing prospectus, or you seek an investment for which there will be an active secondary market.

You are not willing to assume our credit risk for all payments under the Securities.

**The investor suitability considerations identified above are not exhaustive. Whether or not the Securities are a suitable investment for you will depend on your individual circumstances, and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisors have carefully considered the suitability of an investment in the Securities in light of your particular circumstances. You should also review carefully the sections entitled “Key Risks” beginning on page 5 of this free writing prospectus and “Risk Factors” beginning on page 7 of the accompanying prospectus for risks related to an investment in the Securities. For additional information about the Underlyings, see the information set forth under “The S&P 500® Index,” “The MSCI EAFE Index” and “The MSCI Emerging Markets Index” beginning on page 16.**

Terms

Issuer Morgan Stanley Finance LLC

Guarantor: Morgan Stanley

Issue Price (per Security) \$10.00

Principal Amount \$10.00 per Security (subject to a minimum investment of 100 Securities).

Term 5 years

Basket The Securities are linked to a weighted Basket consisting of the S&P 500<sup>®</sup> Index, the MSCI EAFE<sup>®</sup> Index and the MSCI Emerging Markets Index<sup>SM</sup>, each of which we refer to as an “Underlying” and together as the “Underlyings.”

Downside Threshold 90, which is 90% of the Initial Basket Level

**If the Allocated Basket Return is greater than zero**, MSFL will pay you an amount equal to:

$$\$10 + [\$10 \times \text{Allocated Basket Return}]$$

**If the Allocated Basket Return is less than or equal to zero but the Final Basket Level is greater than or equal to the Downside Threshold**, MSFL will pay you a cash payment of:

\$10 per Security

Payment at Maturity (per Security)

**If the Final Basket Level is less than**

**the Downside Threshold**, MSFL will pay you an amount calculated as follows:

$$\$10 + [\$10 \times (\text{Allocated Basket Return} + \text{Buffer})]$$

**In this case, you could lose up to 90% of your Principal Amount at maturity in an amount proportionate to the negative Allocated Basket Return in excess of the Buffer.**

Buffer 10%



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|                               |  |
|-------------------------------|--|
| Initial Basket Level          | 100  |
| Final Basket Level            | On the Final Valuation Date, the Final Basket Level is calculated as:<br>$100 \times [1 + \text{Allocated Basket Return}]$   |
| Trade Date                    | January 29, 2019   |
| Settlement Date               | January 31, 2019   |
| Final Valuation Date          | January 26, 2024   |
| Maturity Date                 | January 31, 2024   |
| Underlying Return             | For each Underlying, the return of such Underlying is calculated as:<br>$\frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}}$   |
| Allocated Basket Return       | On the Final Valuation Date, the Allocated Basket Return is calculated as:<br>$(\text{Best Underlying Return} \times 84\% \text{ to } 88\%^*) + (\text{Second-Best Underlying Return} \times 16\% \text{ to } 12\%^*) + (\text{Worst Underlying Return} \times 0\%)$ |
|                               | *The actual applicable percentages will be determined on the Trade Date.   |
| Best Underlying Return        | The Underlying Return of the Underlying with the highest Underlying Return (whether positive or negative).   |
| Second-Best Underlying Return | The Underlying Return of the Underlying with the second-highest Underlying Return (whether positive or negative).  |
| Worst Underlying Return       | The Underlying Return of the Underlying with the lowest Underlying Return (whether positive or negative).  |
| Initial Level                 | With respect to each Underlying, the Closing Level of such Underlying on the Trade Date.   |
| Final Level                   | With respect to each Underlying, the Closing Level of such Underlying on the Final Valuation Date.   |
| CUSIP/ISIN                    | 61768W657 / US61768W6571   |
| Trustee                       | The Bank of New York Mellon  |
| Calculation Agent             | Morgan Stanley & Co. LLC<br>("MS & Co.")   |
| Investment Timeline           |  |

**Trade Date**

The Initial Levels are determined. The actual applicable percentages to be used in calculating the Allocated Basket Return are set.

The Final Levels and Allocated Basket Return are determined as of the Final Valuation Date.

At maturity, MSFL will pay you:

**If the Allocated Basket Return is greater than zero**, MSFL will pay you an amount equal to:

$$\$10 + [\$10 \times \text{Allocated Basket Return}]$$

**If the Allocated Basket Return is less than or equal to zero but the Final Basket Level is greater than or equal to the Downside Threshold**, MSFL will pay you a cash payment of:

**Maturity Date**

\$10 per Security

**If the Allocated Basket Return is less than**

**the Downside Threshold**, MSFL will pay you an amount calculated as follows:

$$\$10 + [\$10 \times (\text{Allocated Basket Return} + \text{Buffer})]$$

**Under these circumstances, you will lose some or a significant portion of your Principal Amount.**

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Investing in the Securities involves significant risks. You may lose SOME OR A SIGNIFICANT PORTION of your PRINCIPAL AMOUNT. Any payment on the Securities is subject to our creditworthiness. If WE were to default on OUR payment obligations, you may not receive any amounts owed to you under the Securities and you could lose your entire investment.

## Key Risks

An investment in the Securities involves significant risks. Some of the risks that apply to the Securities are summarized here, but we urge you to also read the “Risk Factors” section of the accompanying prospectus. You should also consult your investment, legal, tax, accounting and other advisers before you invest in the Securities.

**Your investment in the Securities may result in a loss of up to 90% of your initial investment.** The terms of the Securities differ from those of ordinary debt securities in that we will not pay you interest on the Securities or guarantee to pay you the full Principal Amount of the Securities at maturity. Instead, we will pay you at maturity for each \$10 Principal Amount of Securities that you hold an amount in cash based upon the allocated performance of the Basket, as measured on the Final Valuation Date. If the Allocated Basket Return is positive, MSFL will pay the Principal Amount plus a return equal to the Allocated Basket Return. If the Allocated Basket Return is equal to or less than zero but the Final Basket Level is greater than or equal to the Downside Threshold, MSFL will repay the Principal Amount at maturity. However, if the Final Basket Level is less than the Downside Threshold, MSFL will repay less than the full Principal Amount at maturity, resulting in a loss of principal to investors that is equal to the negative Allocated Basket Return in excess of the Buffer of 10%. **Accordingly, you could lose up to 90% of your initial investment.**

**You may incur a loss on your investment if you sell your Securities prior to maturity.** The 10% Buffer applies only at maturity. You should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, you may have to sell them at a loss relative to your initial investment even if the Basket has not declined by more than the Buffer.

**Changes in the value of one of the Underlyings may offset changes in the value of the others.** Movements in the values of the Underlyings may not correlate with each other. At a time when the value of one Underlying increases in value, the value of the other Underlyings may not increase as much, or may even decline in value. Therefore, in calculating the Allocated Basket Return, increases in the value of one Underlying may be moderated, or wholly offset, by lesser increases or declines in the value of the other Underlyings. Although the best-performing Underlying will be the most heavily weighted Underlying and the worst-performing Underlying will be weighted at zero, the return of the best-performing Underlying may not be positive or may not be large enough to counterbalance the negative Underlying Return from the second-best-performing Underlying. In such a case, the allocation of the weightings of the Underlyings based on their respective performances will not prevent you from losing some or a significant portion of your investment. If the Allocated Basket Return is negative and the Final Basket Level is less than the Downside Threshold, you will receive at maturity an amount that is less than the amount of your original investment in the Securities.

**No interest payments.** MSFL will not make any interest payments in respect of the Securities.

**The Securities are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the Securities.** You are dependent on our ability to pay all amounts due on the Securities at maturity and therefore you are subject to our credit risk. If we default on our obligations under the Securities, your investment would be at risk and you could lose some or all of your

investment. As a result, the market value of the Securities prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the Securities.

**As a finance subsidiary, MSFL has no independent operations and will have no independent assets.** As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

**The amount payable on the Securities is not linked to the levels of the Underlyings at any time other than the Final Valuation Date.** The Allocated Basket Return will be based on the Final Levels of the Underlyings on the Final Valuation Date, subject to postponement for non-Index Business Days and certain Market Disruption Events. Even if some or all of the Underlyings appreciate prior to the Final Valuation Date but then drop by the Final Valuation Date, the Payment at Maturity may be significantly less than it would have been had the Payment at Maturity been linked to the levels of the Underlyings prior to such drop. Although the actual levels of the Underlyings on the stated Maturity Date or at other times during the term of the Securities may be higher than their Final Levels, the Payment at Maturity will be based solely on the Final Levels of the Underlyings on the Final Valuation Date as compared to their Initial Levels.

**The market price of the Securities may be influenced by many unpredictable factors.** Several factors, many of which are beyond our control, will influence the value of the Securities in the secondary market and the price at which MS & Co. may be willing to purchase or sell the Securities in the secondary market, including:

o the value of each of the Underlyings at any time,

o the volatility (frequency and magnitude of changes in price or value) of each of the Underlyings,

o dividend rates on the securities included in each of the Underlyings,

o interest and yield rates in the market,

geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the Underlyings or stock markets generally and which may affect the Final Levels,

o the time remaining until the Securities mature, and

o any actual or anticipated changes in our credit ratings or credit spreads.

Some or all of these factors will influence the price that you will receive if you are able to sell your Securities prior to maturity, as the Securities are comprised of both a debt component and a performance-based component linked to the Underlyings, and these are the types of factors that also generally affect the values of debt securities and derivatives linked to the Underlyings. Generally, the longer the time remaining to maturity, the more the market price of the Securities will be affected by the other factors described above. For example, you may have to sell your Securities at a substantial discount from the Principal Amount of \$10 per Security if the values of the Underlyings at the time of sale are below, at or moderately above their Initial Levels or if market interest rates rise. You cannot predict the future performance of the Underlyings based on their historical performance. If the Final Basket Level is less than the Downside Threshold, you will receive at maturity an amount that is less (and could be significantly less) than the \$10 Principal Amount of each Security by an amount proportionate to the negative Allocated Basket Return in excess of the Buffer. There can be no assurance that there will be any positive Allocated Basket Return or that the Final Basket Level will not be less than the Downside Threshold. As a result, there can be no assurance that you will receive at maturity an amount in excess of 10% of the Principal Amount of the Securities, or that you will not lose some or a significant portion of your investment.

**The probability that the Final Basket Level will be less than the Downside Threshold will depend on the volatility of the Basket.** “Volatility” refers to the frequency and magnitude of changes in the level of the Basket. Higher expected volatility with respect to the Basket as of the Trade Date generally indicates a greater chance as of that date that the Final Basket Level will be less than the Downside Threshold, which would result in a loss of some or a significant portion of your investment at maturity. However, the Basket’s volatility can change significantly over the term of the Securities. The level of the Basket could fall sharply, resulting in a significant loss of principal. You should be willing to accept the downside market risk of the Basket and the potential loss of some or a significant portion of your investment at maturity.

**Investing in the Securities is not equivalent to investing in the Underlyings.** Investing in the Securities is not equivalent to investing in the Underlyings or investing in the component stocks of the Underlyings. Investors in the Securities will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute the Underlyings.

**The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the Securities in the Issue Price reduce the economic terms of the Securities, cause the estimated value of the Securities to be less than the Issue Price and will adversely affect secondary market prices.** Assuming no change in market conditions or any other

relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the Securities in secondary market transactions will likely be significantly lower than the Issue Price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the Issue Price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

The inclusion of the costs of issuing, selling, structuring and hedging the Securities in the Issue Price and the lower rate we are willing to pay as issuer make the economic terms of the Securities less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the Securities are not fully deducted upon issuance, for a period of up to 6 months following the Settlement Date, to the extent that MS & Co. may buy or sell the Securities in the secondary market, absent changes in market conditions, including those related to the Underlyings, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

**The estimated value of the Securities is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price.** These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the Securities than those generated by others, including other dealers in the market, if they attempted to value the Securities. In addition, the estimated value on the Trade Date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your Securities in the secondary market (if any exists) at any time. The value of your Securities at any time after the date of this free writing prospectus will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also “The market price of the Securities may be influenced by many unpredictable factors” above.

**There are risks associated with investments in securities linked to the value of foreign (and especially emerging markets) equity securities.** The MSCI EAFE<sup>®</sup> Index and the MSCI Emerging Markets Index<sup>SM</sup>, two of the Underlyings, are linked to the value of foreign equity securities. Investments in securities linked to the value of foreign equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross-shareholdings in companies in certain countries. Also, there is generally less publicly available information about foreign companies than about U.S. companies that are subject to the reporting requirements of the United States Securities and Exchange Commission, and foreign companies are subject to accounting, auditing and financial reporting standards and requirements different from those applicable to U.S. reporting companies. The prices of securities issued in foreign markets may be affected by political, economic, financial and social factors in those countries, or global regions, including changes in government, economic and fiscal policies and currency exchange laws. In addition, the

stocks included in the MSCI Emerging Markets Index<sup>SM</sup> have been issued by companies in various emerging markets countries, which pose further risks in addition to the risks associated with investing in foreign equity markets generally. Countries with emerging markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and may have less protection of property rights than more developed countries. The economies of countries with emerging markets may be based on only a few industries, may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme and volatile debt burdens or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. Moreover, the economies in such countries may differ favorably or unfavorably from the economy in the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources, self-sufficiency and balance of payment positions.

**The levels of the MSCI EAFE<sup>®</sup> Index and the MSCI Emerging Markets Index<sup>SM</sup> are subject to currency exchange rate risk.** Because the levels of the MSCI EAFE<sup>®</sup> Index and the MSCI Emerging Markets Index<sup>SM</sup> are related to the U.S. dollar value of stocks underlying the respective indices, holders of the Securities will be exposed to currency exchange rate risk with respect to the currencies in which the component securities of the MSCI EAFE<sup>®</sup> Index and the MSCI Emerging Markets Index<sup>SM</sup> trade. Exchange rate movements for a particular currency are volatile and are the result of numerous factors specific to that country including the supply of, and the demand for, those currencies, as well as government policy, intervention or actions, but are also influenced significantly from time to time by political or economic developments, and by macroeconomic factors and speculative actions related to each region. Further, currencies of emerging economies are often subject to more frequent and larger central bank interventions than the currencies of developed countries and are also more likely to be affected by drastic changes in monetary or exchange rate policies of the relevant country. The net exposure will depend on the extent to which the currencies of the component countries strengthen or weaken against the U.S. dollar and the relative weight of each currency. If, taking into account such weighting, the dollar strengthens against the currencies of the component securities of the MSCI EAFE<sup>®</sup> Index or the MSCI Emerging Markets Index<sup>SM</sup>, the level of the relevant Underlying will be adversely affected and the Payment at Maturity on the Securities may be reduced.

Of particular importance to potential currency exchange risk are:

o existing and expected rates of inflation;

o existing and expected interest rate levels;

o the balance of payments; and

o the extent of governmental surpluses or deficits in the countries represented in the relevant index and the United States.



All of these factors are, in turn, sensitive to the monetary, fiscal and trade policies pursued by the governments of the countries represented in the MSCI EAFE<sup>®</sup> Index and the MSCI Emerging Markets Index<sup>SM</sup>, the United States and other countries important to international trade and finance.

**The Securities will not be listed on any securities exchange and secondary trading may be limited.** The Securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the Securities. MS & Co. currently intends, but is not obligated, to make a market in the Securities and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the Securities, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the Securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Securities easily. Since other broker-dealers may not participate significantly in the secondary market for the Securities, the prices at which you may be able to trade your Securities is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at any time, MS & Co. were to cease making a market in the Securities, it is likely that there would be no secondary market for the Securities. Accordingly, you should be willing to hold your Securities to maturity.

**Potential conflict of interest.** As Calculation Agent, MS & Co. will determine the Initial Levels, the Final Levels, the Basket Weightings, the Allocated Basket Return, the Final Basket Level and whether any Market Disruption Event has occurred, and will calculate the amount payable at maturity. Moreover, certain determinations made by MS & Co., in its capacity as Calculation Agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of Market Disruption Events and the selection of a Successor Index or calculation of a Final Level in the event of a discontinuance of the Underlying or a Market Disruption Event. These potentially subjective determinations may adversely affect the payout to you at maturity. For further information regarding these types of determinations, see “Additional Terms of the Securities—Postponement of Final Valuation Date and Maturity Date,” “—Discontinuance of any Underlying; Alteration of Method of Calculation,” “—Calculation Agent and Calculations” below. In addition, MS & Co. has determined the estimated value of the Securities on the Trade Date.

**Hedging and trading activity by our subsidiaries could potentially adversely affect the value of the Securities.** One or more of our affiliates and/or third-party dealers expect to carry out hedging activities related to the Securities, including trading in the stocks that constitute the Underlyings, in futures or options contracts on the Underlyings or the constituent stocks of the Underlyings, as well as in other instruments related to the Underlyings. As a result, these entities may be unwinding or adjusting hedge positions during the term of the Securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the Final Valuation Date approaches. MS & Co. and some of our other affiliates also trade the stocks that constitute the Underlyings, in futures or options contracts on the constituent stocks of the Underlyings, as well as in other instruments related to the Underlyings, on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the Trade Date could potentially increase the Initial Levels of the Underlyings, and, therefore, could increase the levels at or above which the Underlyings must close on the Final Valuation Date so that investors do not suffer a loss on their initial investment in the Securities. Additionally, such



hedging or trading activities during the term of the Securities, including on the Final Valuation Date, could adversely affect the Closing Levels of the Underlyings on the Final Valuation Date, and, accordingly, the amount of cash payable at maturity.

**Uncertain tax treatment.** Please note that the discussions in this free writing prospectus concerning the U.S. federal income tax consequences of an investment in the Securities supersede the discussions contained in the accompanying prospectus supplement.

Subject to the discussion under “What Are the Tax Consequences of the Securities” in this free writing prospectus, although there is uncertainty regarding the U.S. federal income tax consequences of an investment in the Securities due to the lack of governing authority, in the opinion of our counsel, Davis Polk & Wardwell LLP (“our counsel”), under current law, and based on current market conditions, each Security should be treated as a single financial contract that is an “open transaction” for U.S. federal income tax purposes.

If the Internal Revenue Service (the “IRS”) were successful in asserting an alternative treatment for the Securities, the timing and character of income on the Securities might differ significantly from the tax treatment described herein. For example, under one possible treatment, the IRS could seek to recharacterize the Securities as debt instruments. In that event, U.S. Holders (as defined below) would be required to accrue into income original issue discount on the Securities every year at a “comparable yield” determined at the time of issuance and recognize all income and gain in respect of the Securities as ordinary income. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the Securities, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features. We do not plan to request a ruling from the IRS regarding the tax treatment of the Securities, and the IRS or a court may not agree with the tax treatment described in this free writing prospectus.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by Non-U.S. Holders (as defined below) should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Securities, possibly with retroactive effect.

**Both U.S. and Non-U.S. Holders should read carefully the discussion under “What Are the Tax Consequences of the Securities” in this free writing prospectus and consult their tax advisers regarding all aspects of the U.S. federal tax consequences of an investment in the Securities as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.**

Hypothetical Payments on the Securities

The table and examples below are hypothetical and provided for illustrative purposes only. They do not purport to be representative of every possible scenario concerning positive or negative Allocated Basket Returns. You cannot predict the Allocated Basket Return or the Final Level of any Underlying on the Final Valuation Date. You should not take these examples as an indication or assurance of the expected performance of the Basket. The examples illustrate the Payment at Maturity for a \$10.00 Security on a hypothetical offering of the Securities, based on the following terms:\*

|   |  |
|---|--|
| t | Principal amount (per Security): \$10.00                         |
| t | Buffer: 10%  |
| t | Downside Threshold: 90, which is 90% of the Initial Basket Level |
| t | S&P 500® Index Initial Level: 2,500                              |
| t | MSCI EAFE® Index Initial Level: 1,700                            |
| t | MSCI Emerging Markets Index <sup>SM</sup> Initial Level: 1,000   |

Basket Weightings: 84% for the Underlying with the highest Underlying Return, 16% for the Underlying with the second-best Underlying Return and 0% for the Underlying with the lowest Underlying Return.

\*The actual Initial Levels and Basket Weighting percentages will be determined on the Trade Date.

| Allocated Basket Return | Payment at Maturity<br>(Per Security) | Total Return on the Securities |
|-------------------------|---------------------------------------|--------------------------------|
| 100.00%                 | \$20.00                               | 100.00%                        |
| 90.00%                  | \$19.00                               | 90.00%                         |
| 80.00%                  | \$18.00                               | 80.00%                         |
| 70.00%                  | \$17.00                               | 70.00%                         |
| 60.00%                  | \$16.00                               | 60.00%                         |
| 50.00%                  | \$15.00                               | 50.00%                         |
| 40.00%                  | \$14.00                               | 40.00%                         |
| 30.00%                  | \$13.00                               | 30.00%                         |
| 20.00%                  | \$12.00                               | 20.00%                         |
| 10.00%                  | \$11.00                               | 10.00%                         |
| 5.00%                   | \$10.50                               | 5.00%                          |

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|          |         |         |
|----------|---------|---------|
| 0.00%    | \$10.00 | 0.00%   |
| -5.00%   | \$10.00 | 0.00%   |
| -10.00%  | \$10.00 | 0.00%   |
| -20.00%  | \$9.00  | -10.00% |
| -30.00%  | \$8.00  | -20.00% |
| -40.00%  | \$7.00  | -30.00% |
| -50.00%  | \$6.00  | -40.00% |
| -60.00%  | \$5.00  | -50.00% |
| -70.00%  | \$4.00  | -60.00% |
| -80.00%  | \$3.00  | -70.00% |
| -90.00%  | \$2.00  | -80.00% |
| -100.00% | \$1.00  | -90.00% |

**Example 1**

t

S&P 500<sup>®</sup> Index Final Level: 3,750  
(Underlying Return: 50%) (Basket  
Weighting: 84%)

t

MSCI EAFE<sup>®</sup> Index Final Level:  
2,125

(Underlying Return: 25%) (Basket  
Weighting: 16%)

t

MSCI Emerging Markets Index<sup>SM</sup>  
Final Level: 800  
(Underlying Return: -20%) (Basket  
Weighting: 0%)

t

Payment at Maturity: \$14.60  
(Return on \$10.00 investment:  
46.00%)

9

**Example 2**

t

S&P 500<sup>®</sup> Index Final Level: 1,000  
(Underlying Return: -60%) (Basket  
Weighting: 0%)

t

MSCI EAFE<sup>®</sup> Index Final Level:  
1,785

(Underlying Return: 5%) (Basket  
Weighting: 84%)

t

MSCI Emerging Markets Index<sup>SM</sup>  
Final Level: 500  
(Underlying Return: -50%) (Basket  
Weighting: 16%)

t

Payment at Maturity: \$10.00  
(Return on \$10.00 investment: 0.00%)

**Example 3**

t

S&P 500<sup>®</sup> Index Final Level: 1,250  
(Underlying Return: -50%) (Basket  
Weighting: 84%)

t

MSCI EAFE<sup>®</sup> Index Final Level: 680

(Underlying Return: -60%) (Basket  
Weighting: 16%)

t

MSCI Emerging Markets Index<sup>SM</sup>  
Final Level: 200  
(Underlying Return: -80%) (Basket  
Weighting: 0%)

t

Payment at Maturity: \$5.84  
(Return on \$10.00 investment:  
-41.60%)

In Example 1, the return of the best-performing Underlying (S&P 500<sup>®</sup> Index) is 50% and the return of the second-best-performing Underlying (MSCI EAFE<sup>®</sup> Index) is 25%.

$$\text{Allocated Basket Return} = [(50\% \times 84\%) + (25\% \times 16\%) + (-20\% \times 0\%)] = 46.00\%$$

$$\text{Final Basket Level} = 146.00$$

As a result, we pay \$10.00 + (\$10.00 × 46.00%), or \$14.60, at maturity.

In Example 2, the return of the best-performing Underlying (MSCI EAFE<sup>®</sup> Index) is 5% and the return of the second-best-performing Underlying (MSCI Emerging Markets Index<sup>SM</sup>) is -50%.

$$\text{Allocated Basket Return} = [(5\% \times 84\%) + (-50\% \times 16\%) + (-60\% \times 0\%)] = -3.80\%$$

$$\text{Final Basket Level} = 96.20$$

Because the Allocated Basket Return is less than zero, but the Final Basket Level is greater than the Downside Threshold, MSFL will pay you a Payment at Maturity equal to \$10.00 at maturity, resulting in a zero percent return on the Securities.

In Example 3, the return of the best-performing Underlying (S&P 500<sup>®</sup> Index) is -50% and the return of the second-best-performing Underlying (MSCI EAFE<sup>®</sup> Index) is -60%.

$$\text{Allocated Basket Return} = [(-50\% \times 84\%) + (-60\% \times 16\%) + (-80\% \times 0\%)] = -51.60\%$$

$$\text{Final Basket Level} = 48.40$$

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Because the Allocated Basket Return is less than zero and the Final Basket Level is below the Downside Threshold, MSFL will pay you an amount that is less than the Principal Amount by an amount proportionate to the negative Allocated Basket Return beyond the Buffer. As a result, we will pay  $\$10.00 + [\$10.00 \times (-51.60\% + 10.00\%)]$ , or \$5.84, at maturity, resulting in a 41.60% loss.

**If the Final Basket Level is below the Downside Threshold on the Final Valuation Date, you will lose some and up to 90% of your initial investment.**



What Are the Tax Consequences of the Securities?

**Prospective investors should note that the discussion under the section called “United States Federal Taxation” in the accompanying prospectus supplement does not apply to the Securities issued under this free writing prospectus and is superseded by the following discussion.**

The following summary is a general discussion of the principal U.S. federal income tax consequences and certain estate tax consequences of the ownership and disposition of the Securities. This discussion applies only to investors in the Securities who:

t purchase the Securities in the original offering; and

t hold the Securities as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”).

This discussion does not describe all of the tax consequences that may be relevant to a holder in light of the holder’s particular circumstances or to holders subject to special rules, such as:

t certain financial institutions;

t insurance companies;

t certain dealers and traders in securities or commodities;

t investors holding the Securities as part of a “straddle,” wash sale, conversion transaction, integrated transaction or constructive sale transaction;

t U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;

t partnerships or other entities classified as partnerships for U.S. federal income tax purposes;

t regulated investment companies;

t real estate investment trusts; or

t tax-exempt entities, including “individual retirement accounts” or “Roth IRAs” as defined in Section 408 or 408A of the Code, respectively.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the Securities, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partnership holding the Securities or a partner in such a partnership, you should consult your

tax adviser as to the particular U.S. federal tax consequences of holding and disposing of the Securities to you.

In addition, we will not attempt to ascertain whether any issuer of any shares to which a Security relates (such shares hereafter referred to as “Underlying Shares”) is treated as a “passive foreign investment company” (“PFIC”) within the meaning of Section 1297 of the Code or as a “U.S. real property holding corporation” (“USRPHC”) within the meaning of Section 897 of the Code. If any issuer of Underlying Shares were so treated, certain adverse U.S. federal income tax consequences might apply, to a U.S. Holder in the case of a PFIC and to a Non-U.S. Holder (as defined below) in the case of a USRPHC, upon the sale, exchange or settlement of the Securities. You should refer to information filed with the Securities and Exchange Commission or other governmental authorities by the issuers of the Underlying Shares and consult your tax adviser regarding the possible consequences to you if any issuer is or becomes a PFIC or USRPHC.

As the law applicable to the U.S. federal income taxation of instruments such as the Securities is technical and complex, the discussion below necessarily represents only a general summary. Moreover, the effect of any applicable state, local or non-U.S. tax laws is not discussed, nor are any alternative minimum tax consequences or consequences resulting from the Medicare tax on investment income.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date of this free writing prospectus, changes to any of which subsequent to the date hereof may affect the tax consequences described herein. Persons considering the purchase of the Securities should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

## **General**

Although there is uncertainty regarding the U.S. federal income tax consequences of an investment in the Securities due to the lack of governing authority, in the opinion of our counsel, under current law, and based on current market conditions, each Security should be treated as a single financial contract that is an “open transaction” for U.S. federal income tax purposes.

**Due to the absence of statutory, judicial or administrative authorities that directly address the treatment of the Securities or instruments that are similar to the Securities for U.S. federal income tax purposes, no assurance can be given that the Internal Revenue Service (the “IRS”) or a court will agree with the tax treatment described herein. Accordingly, you should consult your tax adviser regarding all aspects of the U.S. federal tax consequences of an investment in the Securities (including possible alternative treatments of the Securities). Unless otherwise stated, the following discussion is based on the treatment of the Securities as described in the previous paragraph.**

### **Tax Consequences to U.S. Holders**

This section applies to you only if you are a U.S. Holder. As used herein, the term “U.S. Holder” means a beneficial owner of a Security that is, for U.S. federal income tax purposes:

t a citizen or individual resident of the United States;

t a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia; or

t an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

### ***Tax Treatment of the Securities***

Assuming the treatment of the Securities as set forth above is respected, the following U.S. federal income tax consequences should result.

*Tax Treatment Prior to Settlement.* A U.S. Holder should not be required to recognize taxable income over the term of the Securities prior to settlement, other than pursuant to a sale or exchange as described below.

*Tax Basis.* A U.S. Holder’s tax basis in the Securities should equal the amount paid by the U.S. Holder to acquire the Securities.

*Sale, Exchange or Settlement of the Securities.* Upon a sale, exchange or settlement of the Securities, a U.S. Holder should recognize gain or loss equal to the difference between the amount realized on the sale, exchange or settlement and the U.S. Holder's tax basis in the Securities sold, exchanged or settled. Subject to the discussion above regarding the possible application of Section 1297 of the Code, any gain or loss recognized upon the sale, exchange or settlement of the Securities should be long-term capital gain or loss if the U.S. Holder has held the Securities for more than one year at such time, and short-term capital gain or loss otherwise.

***Possible Alternative Tax Treatments of an Investment in the Securities***

Due to the absence of authorities that directly address the proper tax treatment of the Securities, no assurance can be given that the IRS will accept, or that a court will uphold, the treatment described above. In particular, the IRS could seek to analyze the U.S. federal income tax consequences of owning the Securities under Treasury regulations governing contingent payment debt instruments (the "Contingent Debt Regulations"). If the IRS were successful in asserting that the Contingent Debt Regulations applied to the Securities, the timing and character of income thereon would be significantly affected. Among other things, a U.S. Holder would be required to accrue into income original issue discount on the Securities every year at a "comparable yield" determined at the time of their issuance, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of the contingent payment on the Securities. Furthermore, any gain realized by a U.S. Holder at maturity or upon a sale, exchange or other disposition of the Securities would generally be treated as ordinary income, and any loss realized would be treated as ordinary loss to the extent of the U.S. Holder's prior accruals of original issue discount and as capital loss thereafter. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the Securities, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features.

Other alternative federal income tax treatments of the Securities are also possible, which, if applied, could significantly affect the timing and character of the income or loss with respect to the Securities. In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; and whether these instruments are or should be subject to the "constructive ownership" rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While

the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Securities, possibly with retroactive effect. U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Securities, including possible alternative treatments and the issues presented by this notice.

### ***Backup Withholding and Information Reporting***

Backup withholding may apply in respect of the payment on the Securities at maturity and the payment of proceeds from a sale, exchange or other disposition of the Securities, unless a U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number and otherwise complies with applicable requirements of the backup withholding rules. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded, or credited against the U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. In addition, information returns may be filed with the IRS in connection with the payment on the Securities and the payment of proceeds from a sale, exchange or other disposition of the Securities, unless the U.S. Holder provides proof of an applicable exemption from the information reporting rules.

### **Tax Consequences to Non-U.S. Holders**

This section applies to you only if you are a Non-U.S. Holder. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Security that is, for U.S. federal income tax purposes:

- t an individual who is classified as a nonresident alien;
- t a foreign corporation; or
- t a foreign estate or trust.

The term "Non-U.S. Holder" does not include any of the following holders:

t a holder who is an individual present in the United States for 183 days or more in the taxable year of disposition and who is not otherwise a resident of the United States for U.S. federal income tax purposes;

- t certain former citizens or residents of the United States; or

a holder for whom income or gain in respect of the Securities is effectively connected with the conduct of a trade or business in the United States.

Such holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Securities.

***Tax Treatment upon Sale, Exchange or Settlement of the Securities***

*In general.* Assuming the treatment of the Securities as set forth above is respected, and subject to the discussions below concerning backup withholding and the possible application of Section 871(m) of the Code and the discussion above concerning the possible application of Section 897 of the Code, a Non-U.S. Holder of the Securities generally will not be subject to U.S. federal income or withholding tax in respect of amounts paid to the Non-U.S. Holder.

Subject to the discussions regarding the possible application of Sections 871(m) and 897 of the Code and FATCA, if all or any portion of a Security were recharacterized as a debt instrument, any payment made to a Non-U.S. Holder with respect to the Securities would not be subject to U.S. federal withholding tax, provided that:

the Non-U.S. Holder does not own, directly or by attribution, ten percent or more of the total combined voting power of all classes of Morgan Stanley stock entitled to vote;

the Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to Morgan Stanley through stock ownership;

the Non-U.S. Holder is not a bank receiving interest under Section 881(c)(3)(A) of the Code, and

the certification requirement described below has been fulfilled with respect to the beneficial owner.

*Certification Requirement.* The certification requirement referred to in the preceding paragraph will be fulfilled if the beneficial owner of a Security (or a financial institution holding a Security on behalf of the beneficial owner) furnishes to the applicable withholding agent an IRS Form W-8BEN (or other appropriate form) on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. Among the issues addressed in the notice is the degree, if any, to which any income with respect to instruments such as the Securities should be subject to U.S. withholding tax. It is possible that any Treasury regulations or other guidance promulgated after consideration of this issue could materially and adversely affect the withholding tax consequences of ownership and disposition of the Securities, possibly on a retroactive basis. Non-U.S. Holders should note that we currently do not intend to withhold on any payment made with respect to the Securities to Non-U.S. Holders (subject to compliance by such holders with the certification requirement described above and to the discussions regarding Sections 871(m) and 897 of the Code and FATCA). However, in the event of a change of law or any formal or informal guidance by the IRS, the U.S. Treasury Department or Congress, we may decide to withhold on payments made with respect to the Securities to Non-U.S. Holders, and we will not be required to pay any additional amounts with respect to amounts withheld. Accordingly, Non-U.S. Holders should consult their tax advisers regarding all aspects of the U.S. federal income tax consequences of an investment in the Securities, including the possible implications of the notice referred to above.

### ***Section 871(m) Withholding Tax on Dividend Equivalents***

Section 871(m) of the Code and Treasury regulations promulgated thereunder (“Section 871(m)”) generally impose a 30% (or a lower applicable treaty rate) withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities (each, an “Underlying Security”). Subject to certain exceptions, Section 871(m) generally applies to securities that substantially replicate the economic performance of one or more Underlying Securities, as determined based on tests set forth in the applicable Treasury regulations (a “Specified Security”). However, pursuant to an IRS notice, Section 871(m) will not apply to securities issued before January 1, 2021 that do not have a delta of one with respect to any Underlying Security. Based on our determination that the Securities do not have a delta of one with respect to any Underlying Security, our counsel is of the opinion that the Securities should not be Specified Securities and, therefore, should not be subject to Section 871(m).

Our determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on your particular circumstances, including whether you enter into other transactions with respect to an Underlying Security. If Section 871(m) withholding is required, we will not be required to pay any additional amounts with respect to the amounts so withheld. You should consult your tax adviser regarding the potential application of Section 871(m) to the Securities.

***U.S. Federal Estate Tax***

Individual Non-U.S. Holders and entities the property of which is potentially includible in such an individual's gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty exemption, the Securities may be treated as U.S. situs property subject to U.S. federal estate tax. Prospective investors that are non-U.S. individuals, or are entities of the type described above, should consult their tax advisers regarding the U.S. federal estate tax consequences of an investment in the Securities.

***Backup Withholding and Information Reporting***

Information returns may be filed with the IRS in connection with the payment on the Securities at maturity as well as in connection with the payment of proceeds from a sale, exchange or other disposition of the Securities. A Non-U.S. Holder may be subject to backup withholding in respect of amounts paid to the Non-U.S. Holder, unless such Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person for U.S. federal income tax purposes or otherwise establishes an exemption. Compliance with the certification procedures described above under "Tax Treatment upon Sale, Exchange or Settlement of the Securities – Certification Requirement" will satisfy the certification requirements necessary to avoid backup withholding as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

**FATCA**

Legislation commonly referred to as "FATCA" generally imposes a withholding tax of 30% on payments to certain non-U.S. entities (including financial intermediaries) with respect to certain financial instruments, unless various U.S. information reporting



and due diligence requirements have been satisfied. An intergovernmental agreement between the United States and the non-U.S. entity's jurisdiction may modify these requirements. FATCA generally applies to certain financial instruments that are treated as paying U.S.-source interest or other U.S.-source "fixed or determinable annual or periodical" income. If the Securities were recharacterized as debt instruments, FATCA would apply to any payment of amounts treated as interest and to payments of gross proceeds of the disposition (including upon retirement) of the Securities. However, under recently proposed regulations (the preamble to which specifies that taxpayers are permitted to rely on them pending finalization), no withholding will apply on payments of gross proceeds. If withholding were to apply to the Securities, we would not be required to pay any additional amounts with respect to amounts withheld. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the potential application of FATCA to the Securities.

**The discussion in the preceding paragraphs under "What Are the Tax Consequences of the Securities," insofar as it purports to describe provisions of U.S. federal income tax laws or legal conclusions with respect thereto, constitutes the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal income tax consequences of an investment in the Securities.**

### The S&P 500<sup>®</sup> Index

The S&P 500<sup>®</sup> Index, which is calculated, maintained and published by S&P Dow Jones Indices LLC (“S&P”), consists of stocks of 500 component companies selected to provide a performance benchmark for the U.S. equity markets. The calculation of the S&P 500<sup>®</sup> Index is based on the relative value of the float adjusted aggregate market capitalization of the 500 component companies as of a particular time as compared to the aggregate average market capitalization of 500 similar companies during the base period of the years 1941 through 1943. For additional information about the S&P 500<sup>®</sup> Index, see the information set forth under “S&P 500<sup>®</sup> Index” in the accompanying index supplement.

“Standard & Poor<sup>®s</sup>,” “S&P,” “S&P 500<sup>®</sup>,” “Standard & Poor’s 500” and “500” are trademarks of Standard and Poor’s Financial Services LLC. For more information, see “S&P 500<sup>®</sup> Index” in the accompanying index supplement.

### The S&P 500<sup>®</sup> Index Historical Information

The following table sets forth the published high and low Closing Levels, as well as the end-of-quarter Closing Levels, of the S&P 500<sup>®</sup> Index for each quarter in the period from January 1, 2014 through January 8, 2019. The Closing Level of the S&P 500<sup>®</sup> Index on January 8, 2019 was 2,574.41. We obtained the information in the table below from Bloomberg Financial Markets, without independent verification. The historical Closing Levels of the S&P 500<sup>®</sup> Index should not be taken as an indication of future performance, and no assurance can be given as to the Closing Level of the S&P 500<sup>®</sup> Index on the Final Valuation Date.

#### Quarter Begin Quarter End Quarterly High Quarterly Low Quarterly Close

|           |            |          |          |          |
|-----------|------------|----------|----------|----------|
| 1/1/2014  | 3/31/2014  | 1,878.04 | 1,741.89 | 1,872.34 |
| 4/1/2014  | 6/30/2014  | 1,962.87 | 1,815.69 | 1,960.23 |
| 7/1/2014  | 9/30/2014  | 2,011.36 | 1,909.57 | 1,972.29 |
| 10/1/2014 | 12/31/2014 | 2,090.57 | 1,862.49 | 2,058.90 |
| 1/1/2015  | 3/31/2015  | 2,117.39 | 1,992.67 | 2,067.89 |
| 4/1/2015  | 6/30/2015  | 2,130.82 | 2,057.64 | 2,063.11 |
| 7/1/2015  | 9/30/2015  | 2,128.28 | 1,867.61 | 1,920.03 |
| 10/1/2015 | 12/31/2015 | 2,109.79 | 1,923.82 | 2,043.94 |
| 1/1/2016  | 3/31/2016  | 2,063.95 | 1,829.08 | 2,059.74 |
| 4/1/2016  | 6/30/2016  | 2,119.12 | 2,000.54 | 2,098.86 |
| 7/1/2016  | 9/30/2016  | 2,190.15 | 2,088.55 | 2,168.27 |
| 10/1/2016 | 12/31/2016 | 2,271.72 | 2,085.18 | 2,238.83 |
| 1/1/2017  | 3/31/2017  | 2,395.96 | 2,257.83 | 2,362.72 |
| 4/1/2017  | 6/30/2017  | 2,453.46 | 2,328.95 | 2,423.41 |
| 7/1/2017  | 9/30/2017  | 2,519.36 | 2,409.75 | 2,519.36 |
| 10/1/2017 | 12/31/2017 | 2,690.16 | 2,529.12 | 2,673.61 |
| 1/1/2018  | 3/31/2018  | 2,872.87 | 2,581.00 | 2,640.87 |
| 4/1/2018  | 6/30/2018  | 2,786.85 | 2,581.88 | 2,718.37 |
| 7/1/2018  | 9/30/2018  | 2,930.75 | 2,713.22 | 2,913.98 |
| 10/1/2018 | 12/31/2018 | 2,925.51 | 2,351.10 | 2,506.85 |
| 1/1/2019  | 1/8/2019*  | 2,574.41 | 2,447.89 | 2,574.41 |

\* Available information for the indicated period includes data for less than the entire calendar quarter, and accordingly, the “Quarterly High,” “Quarterly Low” and “Quarterly Close” data indicated are for this shortened period.



The graph below illustrates the performance of the S&P 500<sup>®</sup> Index from January 1, 2008 through January 8, 2019, based on information from Bloomberg. *Past performance of the S&P 500<sup>®</sup> Index is not indicative of the future performance of the S&P 500<sup>®</sup> Index.*

**The MSCI EAFE® Index**

The MSCI EAFE® Index is a stock index calculated, published and disseminated by MSCI Inc. (“MSCI”). The MSCI EAFE® Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada, and it consists of the following 21 developed market countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. For additional information about the MSCI EAFE® Index, see the information set forth under “MSCI International Equity Indices—MSCI EAFE® Index” and “—MSCI Global Investable Market Indices Methodology” in the accompanying index supplement.

The “MSCI EAFE® Index” is a trademark of MSCI. For more information, see “MSCI International Equity Indices” in the accompanying index supplement.

**The MSCI EAFE® Index Historical Information**

The following table sets forth the published high and low Closing Levels, as well as the end-of-quarter Closing Levels, of the MSCI EAFE® Index for each quarter in the period from January 1, 2014 through January 8, 2019. The Closing Level of the MSCI EAFE® Index on January 8, 2019 was 1,762.37. We obtained the information in the table below from Bloomberg Financial Markets, without independent verification. The historical Closing Levels of the MSCI EAFE® Index should not be taken as an indication of future performance, and no assurance can be given as to the Closing Level of the MSCI EAFE® Index on the Final Valuation Date.

| <b>Quarter Begin</b> | <b>Quarter End</b> | <b>Quarterly High</b> | <b>Quarterly Low</b> | <b>Quarterly Close</b> |
|----------------------|--------------------|-----------------------|----------------------|------------------------|
| 1/1/2014             | 3/31/2014          | 1,940.23              | 1,796.86             | 1,915.69               |
| 4/1/2014             | 6/30/2014          | 1,992.69              | 1,882.24             | 1,972.12               |
| 7/1/2014             | 9/30/2014          | 1,995.49              | 1,846.08             | 1,846.08               |
| 10/1/2014            | 12/31/2014         | 1,848.79              | 1,714.64             | 1,774.89               |
| 1/1/2015             | 3/31/2015          | 1,900.90              | 1,697.01             | 1,849.34               |
| 4/1/2015             | 6/30/2015          | 1,949.49              | 1,842.46             | 1,842.46               |
| 7/1/2015             | 9/30/2015          | 1,894.42              | 1,609.50             | 1,644.40               |
| 10/1/2015            | 12/31/2015         | 1,779.25              | 1,654.98             | 1,716.28               |
| 1/1/2016             | 3/31/2016          | 1,716.28              | 1,492.43             | 1,652.04               |
| 4/1/2016             | 6/30/2016          | 1,716.51              | 1,520.94             | 1,608.45               |
| 7/1/2016             | 9/30/2016          | 1,734.72              | 1,573.30             | 1,701.69               |
| 10/1/2016            | 12/31/2016         | 1,704.84              | 1,614.17             | 1,684.00               |
| 1/1/2017             | 3/31/2017          | 1,812.06              | 1,676.93             | 1,792.98               |
| 4/1/2017             | 6/30/2017          | 1,916.37              | 1,774.47             | 1,883.19               |
| 7/1/2017             | 9/30/2017          | 1,981.48              | 1,874.10             | 1,973.81               |
| 10/1/2017            | 12/31/2017         | 2,050.79              | 1,971.41             | 2,050.79               |
| 1/1/2018             | 3/31/2018          | 2,186.65              | 1,989.61             | 2,005.67               |
| 4/1/2018             | 6/30/2018          | 2,066.80              | 1,938.95             | 1,958.64               |
| 7/1/2018             | 9/30/2018          | 2,011.48              | 1,905.44             | 1,973.60               |
| 10/1/2018            | 12/10/2018         | 1,970.26              | 1,683.36             | 1,719.88               |
| 1/1/2019             | 1/8/2019*          | 1,762.37              | 1,708.59             | 1,762.37               |

\* Available information for the indicated period includes data for less than the entire calendar quarter, and accordingly, the “Quarterly High,” “Quarterly Low” and “Quarterly Close” data indicated are for this shortened period.

The graph below illustrates the performance of the MSCI EAFE<sup>®</sup> Index from January 1, 2008 through January 8, 2019, based on information from Bloomberg. *Past performance of the MSCI EAFE<sup>®</sup> Index is not indicative of the future performance of the MSCI EAFE<sup>®</sup> Index.*

The MSCI Emerging Markets Index<sup>SM</sup>

The MSCI Emerging Markets Index<sup>SM</sup> is a stock index calculated, published and disseminated daily by MSCI Inc. (“MSCI”) and is intended to provide performance benchmarks for certain emerging equity markets including Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. For additional information about the MSCI Emerging Markets Index<sup>SM</sup>, see the information set forth under “MSCI Emerging Markets Index<sup>SM</sup>” in the accompanying index supplement.

“MSCI Emerging Markets Index<sup>SM</sup>” is a trademark of MSCI. For more information, see “MSCI Emerging Markets Index<sup>SM</sup>” and “MSCI Global Investable Market Indices Methodology” in the accompanying index supplement.

The MSCI Emerging Markets Index<sup>SM</sup> Historical Information

The following table sets forth the published high and low Closing Levels, as well as the end-of-quarter Closing Levels, of the MSCI Emerging Markets Index<sup>SM</sup> for each quarter in the period from January 1, 2014 through January 8, 2019. The Closing Level of the MSCI Emerging Markets Index<sup>SM</sup> on January 8, 2019 was 975.51. We obtained the information in the table below from Bloomberg Financial Markets, without independent verification. The historical Closing Levels of the MSCI Emerging Markets Index<sup>SM</sup> should not be taken as an indication of future performance, and no assurance can be given as to the Closing Level of the MSCI Emerging Markets Index<sup>SM</sup> on the Final Valuation Date.

**Quarter Begin Quarter End Quarterly High Quarterly Low Quarterly Close**

|           |            |          |          |          |
|-----------|------------|----------|----------|----------|
| 1/1/2014  | 3/31/2014  | 1,002.66 | 916.56   | 994.65   |
| 4/1/2014  | 6/30/2014  | 1,057.59 | 993.12   | 1,050.78 |
| 7/1/2014  | 9/30/2014  | 1,100.98 | 1,005.33 | 1,005.33 |
| 10/1/2014 | 12/31/2014 | 1,016.07 | 909.98   | 956.31   |
| 1/1/2015  | 3/31/2015  | 993.82   | 934.73   | 974.57   |
| 4/1/2015  | 6/30/2015  | 1,067.01 | 959.42   | 972.25   |
| 7/1/2015  | 9/30/2015  | 971.91   | 771.77   | 792.05   |
| 10/1/2015 | 12/31/2015 | 868.56   | 771.22   | 794.14   |
| 1/1/2016  | 3/31/2016  | 836.80   | 688.52   | 836.80   |
| 4/1/2016  | 6/30/2016  | 853.69   | 781.84   | 834.10   |
| 7/1/2016  | 9/30/2016  | 927.29   | 819.19   | 903.46   |
| 10/1/2016 | 12/31/2016 | 918.68   | 838.96   | 862.27   |
| 1/1/2017  | 3/31/2017  | 973.08   | 861.88   | 958.37   |
| 4/1/2017  | 6/30/2017  | 1,019.11 | 952.92   | 1,010.80 |
| 7/1/2017  | 9/30/2017  | 1,112.92 | 1,002.48 | 1,081.72 |
| 10/1/2017 | 12/31/2017 | 1,158.45 | 1,082.97 | 1,158.45 |
| 1/1/2018  | 3/31/2018  | 1,273.07 | 1,142.85 | 1,170.88 |
| 4/1/2018  | 6/30/2018  | 1,184.13 | 1,046.71 | 1,069.52 |
| 7/1/2018  | 9/30/2018  | 1,092.36 | 1,003.33 | 1,047.91 |
| 10/1/2018 | 12/10/2018 | 1,046.40 | 934.80   | 965.67   |
| 1/1/2019  | 1/8/2019*  | 977.96   | 949.57   | 975.51   |



\* Available information for the indicated period includes data for less than the entire calendar quarter, and accordingly, the “Quarterly High,” “Quarterly Low” and “Quarterly Close” data indicated are for this shortened period.

The graph below illustrates the performance of the MSCI Emerging Markets Index<sup>SM</sup> from January 1, 2008 through January 8, 2019, based on information from Bloomberg. *Past performance of the MSCI Emerging Markets Index<sup>SM</sup> is not indicative of the future performance of the MSCI Emerging Markets Index<sup>SM</sup>.*

#### Additional Terms of the Securities

If the terms discussed in this free writing prospectus differ from those discussed in the prospectus supplement, index supplement or prospectus, the terms contained in this free writing prospectus will control.

#### Some Definitions

We have defined some of the terms used in this free writing prospectus below:

“Closing Level” on any Index Business Day means (i) with respect to the SPX Index, the closing value of such Underlying, or any Successor Index (as defined under “—Discontinuance of an Underlying; Alteration of Method of Calculation” below) published at the regular weekday close of trading on that Index Business Day by the relevant Index Publisher, and (ii) with respect to the each of the MXEA Index and the MXEF Index, the closing value of such Underlying or any Successor Index reported by Bloomberg Financial Services, or any successor reporting service the Calculation Agent may select, on that Index Business Day. In certain circumstances, the Closing Level will be based on the alternate calculation of such Underlying as described under “—Discontinuance of an Underlying; Alteration of Method of Calculation.”

The Closing Level of either the MXEA Index or the MXEF Index reported by Bloomberg Financial Services may be lower or higher than the official Closing Level of such Underlying published by the Index Publisher of such Underlying.

“Index Publisher” means, with respect to the SPX Index, S&P Dow Jones Indices LLC or any successor thereto; and with respect to each of the MXEA and the MXEF Index, MSCI Inc. or any successor thereto.

“Index Business Day” means a day, for any Underlying, as determined by the Calculation Agent, on which trading is generally conducted on each of the Relevant Exchange(s) for such Underlying, other than a day on which trading on such exchange(s) is scheduled to close prior to the time of the posting of its regular final weekday closing price.

t “Market Disruption Event” means, with respect to any Underlying:

the occurrence or existence of any of:

(a) a suspension, absence or material limitation of trading of securities then constituting 20 percent or more of the value of such Underlying (or any relevant Successor Index (as defined below under “—Discontinuance of an Underlying; Alteration of Method of Calculation”)) on the Relevant Exchange for such securities for more than two hours of trading

or during the one-half hour period preceding the close of the principal trading session on such Relevant Exchange, or

(b) a breakdown or failure in the price and trade reporting systems of any Relevant Exchange as a result of which the reported trading prices for securities then constituting 20 percent or more of the value of such Underlying (or a Successor Index) during the last one-half hour preceding the close of the principal trading session on such Relevant Exchange are materially inaccurate, or

(c) the suspension, material limitation or absence of trading on any major U.S. securities market for trading in futures or options contracts or exchange-traded funds related to such Underlying (or a Successor Index) for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such market,

in each case as determined by the Calculation Agent in its sole discretion; and

(ii) a determination by the Calculation Agent in its sole discretion that any event described in clause (i) above materially interfered with our ability or the ability of any of our affiliates to unwind or adjust all or a material portion of the hedge position with respect to the Securities.

For the purpose of determining whether a Market Disruption Event exists at any time, if trading in a security included in such Underlying is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the value of such Underlying shall be based on a comparison of (x) the portion of the value of such Underlying attributable to that security relative to (y) the overall value of such Underlying, in each case immediately before that suspension or limitation.

For the purpose of determining whether a Market Disruption Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Relevant Exchange or market, (2) a decision to permanently discontinue trading in the relevant futures or options contract or exchange-traded fund will not constitute a Market Disruption Event, (3) a suspension of trading in futures or options contracts or exchange-traded funds on such Underlying by the primary securities market trading in such contracts or funds by reason of (a) a price change exceeding limits set by such securities exchange or market, (b) an imbalance of orders relating to such contracts or funds, or (c) a disparity in bid and ask quotes relating to such contracts or funds will constitute a suspension, absence or material limitation of trading in futures or options contracts or exchange-traded funds related to the Index and (4) a “suspension, absence or material limitation of trading” on any Relevant Exchange or on the primary market on which futures or options contracts or exchange-traded funds related to such Underlying are traded will not include any time when such securities market is itself closed for trading under ordinary circumstances.

“Relevant Exchange” means, with respect to any Underlying, the primary exchange(s) or market(s) of trading for (i) any security then included in such Underlying, or any relevant Successor Index, and (ii) any futures or options contracts related to such Underlying or to any security then included in such Underlying.

**Postponement of Final Valuation Date and Maturity Date**

If the scheduled Final Valuation Date is not an Index Business Day with respect to any Underlying or if a Market Disruption Event occurs on the Final Valuation Date with respect to any Underlying, the Closing Level with respect to each such affected Underlying will be determined on the immediately succeeding Index Business Day on which no Market Disruption Event occurs with respect to such affected Underlying. The Allocated Basket Return will be determined on the date on which the Closing Level for each of the Underlyings for the Final Valuation Date has been

determined; *provided* that the Closing Level for any affected Underlying will not be determined on a date later than the fifth scheduled Index Business Day after the scheduled Final Valuation Date, and if such date is not an Index Business Day or if there is a Market Disruption Event with respect to the affected Underlying on such date, the Calculation Agent will determine the Closing Level on such fifth Index Business Day in accordance with the formula for and method of calculating that Underlying last in effect prior to the commencement of the Market Disruption Event, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session of the Relevant Exchange on such Index Business Day of each security most recently constituting that affected Underlying without any rebalancing or substitution of such securities following the commencement of the Market Disruption Event.

If the Final Valuation Date is postponed so that it falls less than two business days prior to the scheduled Maturity Date, the Maturity Date will be the second business day following the Final Valuation Date as postponed.

#### **Alternate Exchange Calculation in case of an Event of Default**

If an event of default with respect to the Securities shall have occurred and be continuing, the amount declared due and payable upon any acceleration of the Securities (the “Acceleration Amount”) will be an amount, determined by the Calculation Agent in its sole discretion, that is equal to the cost of having a Qualified Financial Institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

o the lowest amount that a Qualified Financial Institution would charge to effect this assumption or undertaking, plus

o the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the Default Quotation Period for the Securities, which we describe below, the holders of the Securities and/or we may request a Qualified Financial Institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest—or, if there is only one, the only—quotation obtained, and as to which notice is so given, during the Default Quotation Period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the Qualified Financial Institution providing the quotation and notify the other party in writing of those grounds within two business days after the last day of the Default Quotation Period, in which case that quotation will be disregarded in determining the Acceleration Amount.

Notwithstanding the foregoing, if a voluntary or involuntary liquidation, bankruptcy or insolvency of, or any analogous proceeding is filed with respect to MSFL or Morgan Stanley, then depending on applicable bankruptcy law, your claim may be limited to an amount that could be less than the Acceleration Amount.

If the maturity of the Securities is accelerated because of an event of default as described above, we shall, or shall cause the Calculation Agent to, provide written notice to the Trustee at its New York office, on which notice the Trustee may conclusively rely, and to the Depository of the Acceleration Amount and the aggregate cash amount due, if any, with respect to the Securities as promptly as possible and in no event later than two business days after the date of such acceleration.

#### *Default Quotation Period*

The Default Quotation Period is the period beginning on the day the Acceleration Amount first becomes due and ending on the third business day after that day, unless:

- o no quotation of the kind referred to above is obtained, or

every quotation of that kind obtained is objected to within five business days after the due date as described above.

If either of these two events occurs, the Default Quotation Period will continue until the third business day after the first business day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five business days after that first business day, however, the Default Quotation Period will continue as described in the prior sentence and this sentence.

In any event, if the Default Quotation Period and the subsequent two business day objection period have not ended before the Final Valuation Date, then the Acceleration Amount will equal the Principal Amount of the Securities.

#### *Qualified Financial Institutions*

For the purpose of determining the Acceleration Amount at any time, a Qualified Financial Institution must be a financial institution organized under the laws of any jurisdiction in the United States or Europe, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

o A-2 or higher by Standard & Poor's Ratings Services or any successor, or any other comparable rating then used by that rating agency, or

o P-2 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

**Discontinuance of any Underlying; Alteration of Method of Calculation**

If the Index Publisher of an Underlying discontinues publication of such Underlying and the Index Publisher or another entity (including MS & Co.) publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to such discontinued Underlying (such index being referred to herein as a "Successor Index"), then any subsequent Closing Level of such Underlying will be



determined by reference to the published value of such Successor Index at the regular weekday close of trading on any date on which the Closing Level is to be determined, and, to the extent the value of the Successor Index differs from the value of the relevant Underlying at the time of such substitution, a proportionate adjustment will be made by the Calculation Agent to the relevant Initial Level.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause written notice thereof to be furnished to the Trustee, to us and to the Depository, as holder of the Securities, within three business days of such selection. We expect that such notice will be made available to you, as a beneficial owner of such Securities, in accordance with the standard rules and procedures of the Depository and its direct and indirect participants.

If the Index Publisher discontinues publication of an Underlying prior to, and such discontinuance is continuing on, any day on which a Closing Level must be determined and the Calculation Agent determines, in its sole discretion, that no Successor Index is available at such time, then the Calculation Agent will determine the Closing Level of such Underlying for each such date. The Closing Level of such Underlying will be computed by the Calculation Agent in accordance with the formula for and method of calculating such Underlying last in effect prior to such discontinuance, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session of the Relevant Exchange on each such date of each security most recently constituting such Underlying without any rebalancing or substitution of such securities following such discontinuance. Notwithstanding these alternative arrangements, discontinuance of the publication of an Underlying may adversely affect the value of the Securities.

If at any time the method of calculating an Underlying or Successor Index, or the value thereof, is changed in a material respect, or if such Underlying or Successor Index is in any other way modified so that such index does not, in the opinion of the Calculation Agent, fairly represent the value of such index had such changes or modifications not been made, then, from and after such time, the Calculation Agent will, at the close of business in New York City on each date on which the Closing Level is to be determined, make such calculations and adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at a value of a stock index comparable to such Underlying or Successor Index, as the case may be, as if such changes or modifications had not been made, and the Calculation Agent will calculate the Closing Level with reference to such Underlying or Successor Index, as adjusted. Accordingly, if the method of calculating such Underlying or Successor Index is modified so that the value of such index is a fraction of what it would have been if it had not been modified (e.g., due to a split in the index), then the Calculation Agent will adjust such index in order to arrive at a value of such Underlying or Successor Index as if it had not been modified (e.g., as if such split had not occurred).

## **Trustee**

The “Trustee” for each offering of notes issued under our Senior Debt Indenture, including the Securities, will be The Bank of New York Mellon, a New York banking corporation.

## **Agent**

The “agent” is MS & Co.

## **Calculation Agent and Calculations**

The “Calculation Agent” for the Securities will be MS & Co. As Calculation Agent, MS & Co. will determine, among other things, the Initial Levels, the Final Levels, the Basket Weightings, the Allocated Basket Return, the Final Basket Level and the Payment at Maturity.

All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you, the Trustee and us.

All calculations with respect to the Payment at Maturity will be rounded to the nearest one billionth, with five ten-billionths rounded upward (e.g., .9876543215 would be rounded to .987654322); all dollar amounts related to determination of the amount of cash payable per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate number of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Because the Calculation Agent is our affiliate, the economic interests of the Calculation Agent and its affiliates may be adverse to your interests, as an owner of the Securities, including with respect to certain determinations and judgments that the Calculation Agent must make in determining the Final Levels or whether a Market Disruption Event has occurred. See “—Discontinuance of any Underlying and/or Underlying Index; Alteration of Method of Calculation,” and the definition of Market Disruption Event. MS & Co. is obligated to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment.

## **Issuer Notice to Registered Security Holders, the Trustee and the Depositary**

In the event that the Maturity Date of the Securities is postponed due to a postponement of the Final Valuation Date, the Issuer shall give notice of such postponement and, once it has been determined, of the date to which the Maturity

Date has been rescheduled (i) to each registered holder of the Securities by mailing notice of such postponement by first class mail, postage prepaid, to such registered holder's last address as it shall appear upon the registry books, (ii) to the Trustee by facsimile confirmed by mailing such notice to the Trustee by first class mail, postage prepaid, at its New York office and (iii) to The Depository Trust Company (the "Depository") by telephone or facsimile confirmed by mailing such notice to the Depository by first class mail, postage prepaid. Any notice that is mailed to a registered holder of the Securities in the manner herein provided shall be conclusively presumed to have been duly given to such registered holder, whether or not such registered holder receives the notice. The Issuer shall give such notice as promptly as possible, and in no case later than (i) with respect to notice of postponement of the Maturity Date, the Business Day immediately preceding the scheduled Maturity Date and (ii) with respect to notice of the date to which the Maturity Date has been rescheduled, the Business Day immediately following the Final Valuation Date as postponed.

The Issuer shall, or shall cause the Calculation Agent to, (i) provide written notice to the Trustee and to the Depositary of the amount of cash to be delivered with respect to each stated principal amount of the Securities, on or prior to 10:30 a.m. (New York City time) on the Business Day preceding the Maturity Date, and (ii) deliver the aggregate cash amount due with respect to the Securities to the Trustee for delivery to the Depositary, as holder of the Securities, on the Maturity Date.

Additional Information About the Securities

**Use of Proceeds and Hedging**

The proceeds from the sale of the Securities will be used by us for general corporate purposes. We will receive, in aggregate, \$10 per Security issued. The costs of the Securities borne by you and described on page 2 above comprise the cost of issuing, structuring and hedging the Securities. See also “Use of Proceeds” in the accompanying prospectus.

On or prior to the Trade Date, we will hedge our anticipated exposure in connection with the Securities, by entering into hedging transactions with our affiliates and/or third-party dealers. We expect our hedging counterparties to take positions in constituent stocks of the Underlyings, in futures or options contracts on the Underlyings or the constituent stocks of the Underlyings, as well as in other instruments related to the Underlyings that they may wish to use in connection with such hedging. Such purchase activity could increase the Initial Levels of the Underlyings, and, therefore, could increase the levels at or above which the Underlyings must close on the Final Valuation Date so that you do not suffer a loss on your initial investment in the Securities. In addition, through our affiliates, we are likely to modify our hedge position throughout the term of the Securities, including on the Final Valuation Date, by purchasing and selling the stocks constituting the Underlyings, futures or options contracts on the Underlyings or the constituent stocks of the Underlyings, as well as other instruments related to the Underlyings that we may wish to use in connection with such hedging activities, including by purchasing or selling any such securities or instruments on the Final Valuation Date. As a result, these entities may be unwinding or adjusting hedge positions during the term of the Securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the Final Valuation Date approaches. We cannot give any assurance that our hedging activities will not affect the values of the Underlyings, and, therefore, adversely affect the value of the Securities or the amount payable at maturity.

**Benefit Plan Investor Considerations**

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (a “Plan”), should consider the fiduciary standards of ERISA in the context of the Plan’s particular circumstances before authorizing an investment in the Securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

In addition, we and certain of our affiliates, including MS & Co., may each be considered a “party in interest” within the meaning of ERISA, or a “disqualified person” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), with respect to many Plans, as well as many individual retirement accounts and Keogh plans (such accounts and plans, together with other plans, accounts and arrangements subject to Section 4975 of the Code, also “Plans”). ERISA Section 406 and Code Section 4975 generally prohibit transactions between Plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the Securities are acquired by or with the assets of a Plan with respect to which MS & Co. or any of its

affiliates is a service provider or other party in interest, unless the Securities are acquired pursuant to an exemption from the “prohibited transaction” rules. A violation of these “prohibited transaction” rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued five prohibited transaction class exemptions (“PTCEs”) that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Securities. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Code Section 4975(d)(20) provide an exemption for the purchase and sale of securities and the related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction, and provided further that the Plan pays no more, and receives no less, than “adequate consideration” in connection with the transaction (the so-called “service provider” exemption). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving the Securities.

Because we may be considered a party in interest with respect to many Plans, the Securities may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) or any person investing “plan assets” of any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the Securities will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the Securities that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such Securities on behalf of or with “plan assets” of any Plan or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (“Similar Law”) or (b) its purchase, holding and disposition of these Securities will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Securities on behalf of or with “plan assets” of any Plan consult with their counsel regarding the availability of exemptive relief.

The Securities are contractual financial instruments. The financial exposure provided by the Securities is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the



Securities. The Securities have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the Securities.

Each purchaser or holder of any Securities acknowledges and agrees that:

(i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (A) the design and terms of the Securities, (B) the purchaser or holder's investment in the Securities, or (C) the exercise of or failure to exercise any rights we have under or with respect to the Securities;

(ii) we and our affiliates have acted and will act solely for our own account in connection with (A) all transactions relating to the Securities and (B) all hedging transactions in connection with our obligations under the Securities;

(iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;

(iv) our interests are adverse to the interests of the purchaser or holder; and

(v) neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Each purchaser and holder of the Securities has exclusive responsibility for ensuring that its purchase, holding and disposition of the Securities do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any Securities to any Plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan. In this regard, neither this discussion nor anything provided in this document is or is intended to be investment advice directed at any potential Plan purchaser or at Plan purchasers generally and such purchasers of these Securities should consult and rely on their own counsel and advisers as to whether an investment in these Securities is suitable.

However, individual retirement accounts, individual retirement annuities and Keogh plans, as well as employee benefit plans that permit participants to direct the investment of their accounts, will not be permitted to purchase or hold the Securities if the account, plan or annuity is for the benefit of an employee of Morgan Stanley or Morgan Stanley Wealth Management or a family member and the employee receives any compensation (such as, for example, an addition to bonus) based on the purchase of the Securities by the account, plan or annuity.



## **Supplemental Plan of Distribution; Conflicts of Interest**

MS & Co. will act as the agent for this offering. We will agree to sell to MS & Co., and MS & Co. will agree to purchase, all of the Securities at the issue price indicated on the cover of this document. UBS Financial Services Inc. will act as placement agent at an issue price of \$10 per Security. All sales of the Securities will be made to certain fee-based advisory accounts for which UBS Financial Services Inc. is an investment advisor and will not receive a sales commission.

MS & Co. is our affiliate and a wholly owned subsidiary of Morgan Stanley, and it and other affiliates of ours expect to make a profit by selling, structuring and, when applicable, hedging the Securities. When MS & Co. prices this offering of Securities, it will determine the economic terms of the Securities, including the Basket Weighting percentages, such that for each Security the estimated value on the Trade Date will be no lower than the minimum level described in “Additional Information about Morgan Stanley, MSFL and the Securities” on page 2.

MS & Co. will conduct this offering in compliance with the requirements of Rule 5121 of the Financial Industry Regulatory Authority, Inc. (“FINRA”), regarding a FINRA member firm’s distribution of the securities of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account.

In order to facilitate the offering of the Securities, the agent may engage in transactions that stabilize, maintain or otherwise affect the price of the Securities. Specifically, the agent may sell more Securities than it is obligated to purchase in connection with the offering, creating a naked short position in the Securities, for its own account. The agent must close out any naked short position by purchasing the Securities in the open market. A naked short position is more likely to be created if the agent is concerned that there may be downward pressure on the price of the Securities in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the agent may bid for, and purchase, the Securities, the Underlyings or the constituent stocks of the Share Underlying Indices in the open market to stabilize the price of the Securities. Any of these activities may raise or maintain the market price of the Securities above independent market levels or prevent or retard a decline in the market price of the Securities. The agent is not required to engage in these activities, and may end any of these activities at any time. An affiliate of the agent has entered into a hedging transaction with us in connection with this offering of Securities. See “—Use of Proceeds and Hedging” above.

## **Form of Securities**

The Securities will be issued in the form of one or more fully registered global securities which will be deposited with, or on behalf of, the Depositary and will be registered in the name of a nominee of the Depositary. The Depositary’s nominee will be the only registered holder of the Securities. Your beneficial interest in the Securities will be

evidenced solely by entries on the books of the securities intermediary acting on your behalf as a direct or indirect participant in the Depositary. In this free writing prospectus, all references to payments or notices to you will mean payments or notices to the Depositary, as the registered holder of the Securities, for distribution to participants in accordance with the Depositary's procedures. For more information regarding the Depositary and book entry notes, please read "Form of Securities—The Depositary" in the accompanying prospectus supplement and "Securities Offered on a Global Basis Through the Depositary" in the accompanying prospectus.