

## BASE PROSPECTUS IN RESPECT OF THE WARRANTS AND CERTIFICATES

19 JUNE 2008

# Morgan Stanley

*as issuer and guarantor  
(incorporated under the laws of the State of Delaware in the United States of America)*

**MORGAN STANLEY (JERSEY) LIMITED**  
*as issuer  
(incorporated with limited liability in Jersey, Channel Islands)*

**MORGAN STANLEY B.V.**  
*as issuer  
(incorporated with limited liability in The Netherlands)*

### **Program for the Issuance of Warrants and Certificates**

Under the program (the "**Program**") described in this Base Prospectus, Morgan Stanley ("**Morgan Stanley**"), Morgan Stanley (Jersey) Limited ("**Morgan Stanley Jersey**") and Morgan Stanley B.V. ("**MSBV**") or any of Morgan Stanley's subsidiaries that accedes to the Program in accordance with the terms of the Distribution Agreement (as defined herein) (each, an "**Additional Issuer**" and, together with Morgan Stanley, Morgan Stanley Jersey and MSBV, the "**Issuers**" and each, an "**Issuer**") may offer from time to time Warrants (the "**Warrants**") and Certificates (the "**Certificates**" and, together with the Warrants, the "**Securities**"). Each Additional Issuer shall prepare a base prospectus and references herein to "this Base Prospectus" shall, where applicable, be deemed to be references to this Base Prospectus as supplemented or amended from time to time. To the extent not set forth in this Base Prospectus, the specific terms of any Securities will be included in the applicable Final Terms.

This Base Prospectus has been approved by the Financial Services Authority (the "**FSA**") in its capacity as United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Warrants and Certificates under the Program issued by Morgan Stanley, Morgan Stanley Jersey and MSBV within 12 months following the date of this document. Applications have been made for the Warrants and Certificates to be admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"), which is a regulated market for the purpose of Directive 2004/39/EC, during the period from and including the date hereof up to but excluding 19 June 2009.

**Any person (an "Investor") intending to acquire or acquiring any securities from any person (an "Offeror") should be aware that, in the context of an offer to the public as defined in section 102B of the Financial Services and Markets Act 2000 ("FSMA"), the Issuer may be responsible to the Investor for the Base Prospectus under section 90 of FSMA only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Base Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Base Prospectus and/or who is responsible for its contents it should take legal advice.**

**An Investor intending to acquire or acquiring any securities from an Offeror will do so, and offers and sales of the securities to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with Investors (other than Distribution Agents) in connection with the offer or sale of the securities and, accordingly, this Base Prospectus and any Final Terms will not contain such information and an Investor must obtain such information from the Offeror. Information in relation to an offer to the public will be made available at the time such sub-offer is made, and such information will also be provided by the relevant Offeror.**

Unlisted Securities may be issued pursuant to the Program and the Program provides that Securities may be listed on such other stock exchange(s) as may be specified in the relevant Final Terms. The Final Terms applicable to a Series will specify whether or not Securities of such Series have been admitted to the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange and/or admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system.

The approval of the FSA of this Base Prospectus relates only to the Securities which are to be admitted to trading on the regulated market of the London Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

Applications for admission of the Securities to the Official List of the FSA and trading on the Regulated Market of the London Stock Exchange have been made only in respect of Securities which give the right to acquire transferable securities or to receive a cash amount, as a consequence of the rights conferred by them being exercised and where the issuer of the underlying securities does not belong to the Morgan Stanley group of companies.

The payment of all amounts due in respect of Securities issued by Morgan Stanley Jersey, MSBV or an Additional Issuer will, unless specified otherwise in the Final Terms to this Base Prospectus or, in the case of an Additional Issuer, in the accession agreement pursuant to which such Additional Issuer accedes to the Program, be unconditionally and irrevocably guaranteed by Morgan Stanley (in such capacity, the "**Guarantor**") pursuant to a guarantee dated as of 19 June 2008.

Each Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International plc and Morgan Stanley & Co. Incorporated (the "**Distribution Agents**"), who have agreed to use reasonable efforts to solicit offers to purchase the Securities. Each Issuer may also sell Securities to the Distribution Agents as principal for their own accounts at a price to be agreed upon at the time of sale. The Distribution Agents may resell any Securities they purchase as principal at prevailing market prices, or at other prices, as they determine. Each Issuer or the Distribution Agents may reject any offer to purchase Securities, in whole or in part. See "*Subscription and Sale*" beginning on page 93.

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (the "**Transparency Directive**") entered into force on 20 January 2005. It requires Member States to take measures necessary to comply with the Transparency Directive by 20 January 2007 although a number of member states have not yet done so. If, as a result of the Transparency Directive or any legislation implementing the Transparency Directive, the Issuer or the Guarantor could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, the Issuer may seek an alternative admission to listing, trading and/or quotation for the Warrants and Certificates on a different section of the London Stock Exchange or by such other competent authority, stock exchange and/or quotation system inside or outside the European Union as it may decide. However, if such an alternative listing is not available or is, in the opinion of the relevant Issuer or the Guarantor (if applicable), burdensome, an alternative listing for the Securities may not be considered. Although no assurance is made as to the liquidity of the Securities as a result of admission to listing on the Official List of the FSA, de-listing the Securities may have a material effect on a holder's ability to resell the Securities in the secondary market.

The Securities will be governed by the laws of England and Wales.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

**Investing in the Securities involves risks. See "*Risk Factors Relating to the Securities*" beginning on page 6.**

**THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE**

**SUBJECT TO U.S. TAX LAW REQUIREMENTS UNLESS OTHERWISE SPECIFIED IN THE APPLICABLE FINAL TERMS. THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN EITHER REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE")). SEE "*SUBSCRIPTION AND SALE*" AND "*NO OWNERSHIP BY U.S. PERSONS.*"**

**Each investor must comply with all applicable laws and regulations in each country or jurisdiction in or from which the investor purchases, offers, sells or delivers the Securities or has in the investor's possession or distributes this Base Prospectus or any accompanying Final Terms.**

**MORGAN STANLEY**

The Morgan Stanley base prospectus (the "Morgan Stanley Base Prospectus") will comprise this base prospectus with the exception of (i) the information in the sections entitled (a) Morgan Stanley Jersey, (b) MSBV, (c) Jersey Taxation, (d) Netherlands Taxation, and (ii) Morgan Stanley Jersey's Annual Reports for the years ended 30 November 2006 and 30 November 2007, and MSBV's Annual Reports for the years ended 30 November 2006 and 30 November 2007 (which are incorporated by reference in this document).

The Morgan Stanley Jersey base prospectus (the "Morgan Stanley Jersey Base Prospectus") will comprise this base prospectus with the exception of the information in the sections entitled (a) MSBV (b) Netherlands Taxation and (c) MSBV's Annual Reports for the years ended 30 November 2006 and 30 November 2007.

The MSBV base prospectus (the "MSBV Base Prospectus") will comprise this base prospectus with the exception of the information in the sections entitled (a) Morgan Stanley Jersey (b) Jersey Taxation and (c) Morgan Stanley Jersey's Annual Reports for the years ended 30 November 2006 and 30 November 2007.

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

The previous paragraph should be read in conjunction with paragraph 3 and 4 on page (i) of this Base Prospectus.

No person has been authorised by the Issuers or the Guarantor to give any information or to make any representation not contained or incorporated by reference in the Base Prospectus or any other document entered into in relation to the Program, and, if given or made, that information or representation should not be relied upon as having been authorised by the Issuers, the Guarantor or any of the Distribution Agents. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Securities will, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of any of the Issuers or the Guarantor since the date hereof or, as the case may be, the date upon which this Base Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Base Prospectus by reference, or that any other information supplied in connection with the Program is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Distribution Agents expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Program. Investors should review, *inter alia*, the most recent financial statements of the relevant Issuer and, where applicable, the Guarantor when evaluating the Securities or an investment therein. Such financial statements shall not form a part of this Base Prospectus unless they have been expressly incorporated herein by way of a supplement to this Base Prospectus.

The Distribution Agents have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Distribution Agents as to the accuracy or completeness of this Base Prospectus or any document incorporated by reference herein or any further information supplied in connection with any Securities. The Distribution Agents accept no liability in relation to this Base Prospectus or any document incorporated by reference herein or their distribution or with regard to any other information supplied by or on behalf of the Issuers.

Each Issuer has confirmed to the Distribution Agents that this Base Prospectus is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus

the omission of which would, in the context of the Program or the issue of the Securities, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. Each Issuer has further confirmed to the Distribution Agents that this Base Prospectus (together with the relevant Final Terms) contains all such information as may be required by all applicable laws, rules and regulations.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus or any Final Terms comes are required by the Issuers, the Guarantor and the Distribution Agents to inform themselves about and to observe those restrictions.

Subject to the relevant Final Terms, the Issuers do not intend to provide post-issuance information in respect of the Securities.

Neither this Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which that offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. For a description of certain restrictions on offers, sales and deliveries of Securities and on the distribution of the Base Prospectus or any Final Terms and other offering material relating to the Securities, see "*Subscription and Sale*".

This Base Prospectus should be read and construed with any amendment or supplement hereto and with, in relation to any issue of Securities, the Final Terms (each the "Final Terms") relating thereto and with all documents incorporated by reference herein. Neither this Base Prospectus nor any Final Terms constitutes an offer of or an invitation to subscribe for or purchase any Securities and should not be considered as a recommendation by any Issuer, the Guarantor or the Distribution Agents that any recipient of the Base Prospectus or any Final Terms should subscribe for or purchase any Securities. Each recipient of the Base Prospectus or any Final Terms will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuers and, where applicable, the Guarantor and of the particular terms of any offered Securities.

None of the Distribution Agents or any of their affiliates assumes any obligation to purchase any Securities or to make a market in the Securities, and no assurances can be given that a liquid market for the Securities will exist.

All references in this Base Prospectus to "Sterling" and "£" are to the lawful currency of the United Kingdom, all references to "U.S. dollars," "U.S.\$" and "\$" are to the lawful currency of the United States of America, all references to "Japanese Yen" and "¥" are to the lawful currency of Japan, all references to "Australian dollars" and "AUD" are to the lawful currency of the Commonwealth of Australia, all references to "New Zealand dollars" and "NZD" are to the lawful currency of New Zealand, and all references to "euro", "€" and "EUR" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended (the "Treaty").

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

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF SECURITIES UNDER THE PROGRAM, ANY DISTRIBUTION AGENT OR ANY OTHER AGENT SPECIFIED FOR THAT PURPOSE IN THE APPLICABLE FINAL TERMS AS THE STABILIZING MANAGER (OR ANY PERSON ACTING FOR THE STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF ANY OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE IS NO ASSURANCE THAT THE**

**STABILIZING MANAGER (OR ANY AGENT OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZING ACTION. ANY STABILIZING ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF SECURITIES IS MADE AND, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME BUT MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF SECURITIES. ANY STABILIZING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR ANY PERSON ACTING FOR THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

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## SUMMARY

*This summary has been prepared in accordance with Article 5(2) of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read as an introduction to the Base Prospectus prepared by each Issuer relating to the Securities referred to below. Any decision to invest in any Securities should be based on a consideration of the relevant Base Prospectus as a whole, including the documents incorporated by reference. Following implementation of the relevant provisions of the Prospectus Directive in a Member State of the European Economic Area, no civil liability will attach to the Issuer or the Guarantor (as applicable) solely on the basis of the summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the relevant Base Prospectus. Where a claim relating to the information contained in the relevant Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the relevant Base Prospectus before the legal proceedings are initiated.*

*Words and expressions defined in the "Terms and Conditions of the Securities" below or elsewhere in this Base Prospectus have the same meanings in this summary.*

### **Essential characteristics and risks associated with the Issuers and the Guarantor**

#### *Morgan Stanley*

The auditors of Morgan Stanley for the periods 1 December 2004 to 30 November 2005, 1 December 2005 to 30 November 2006 and 1 December 2006 to 30 November 2007 are Deloitte & Touche LLP, an independent registered public accounting firm.

Morgan Stanley was originally incorporated for an unlimited term under the laws of the State of Delaware on 1 October 1981 under registered number 0923632, and its predecessor companies date back to 1924.

On 31 May 1997, Morgan Stanley Group, Inc. was merged with and into Dean Witter Discover & Co. ("**Dean Witter Discover**") in a merger of equals. At that time, Dean Witter Discover changed its corporate name to Morgan Stanley, Dean Witter, Discover & Co. ("**MSDWD**"). On 24 March 1998 MSDWD changed its corporate name to Morgan Stanley Dean Witter & Co, and to Morgan Stanley on 20 June 2002.

As at the date of this Base Prospectus, Morgan Stanley's legal and commercial name is "Morgan Stanley".

Morgan Stanley has its registered office at The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, U.S.A., and its principal executive offices at 1585 Broadway, New York, New York 10036, U.S.A., telephone number +1 (212) 761-4000.

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. It maintains significant market positions in each of its business segments - Institutional Securities, Global Wealth Management Group and Asset Management.

Morgan Stanley's objects and purposes are set out in Article III of its Certificate of Incorporation and enable it to engage in any lawful act or activity for which corporations may be organised and incorporated under the General Corporation Law of the State of Delaware.

The Directors of Morgan Stanley as of the date of this Base Prospectus are the following: John J. Mack, Roy J. Bostock, Erskine B. Bowles, Howard J. Davies, C. Robert Kidder, Donald T. Nicolaisen, Charles H. Noski, Hutham S. Olayan, Charles E. Phillips Jr, O. Griffith Sexton and Dr. Laura D'Andrea Tyson.

As at 29 February 2008, Morgan Stanley had 47,050 employees worldwide.

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

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

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

There are a number of factors which could cause Morgan Stanley's actual results to differ, in some instances materially, from those anticipated. The factors set out below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties which face Morgan Stanley's business.

The results of Morgan Stanley's operations may be materially affected by market fluctuations and by economic and other factors such as political, economic and market conditions, the availability and cost of capital, the level and volatility of equity prices, commodity prices and interest rates, currency values and other market indices, technological changes and events, the availability and cost of credit, inflation, and investor sentiment and confidence in the financial markets.

Morgan Stanley faces strong competition from other financial services firms, which could lead to pricing pressures that could materially adversely affect its revenue and profitability.

The financial services industry faces substantial litigation and regulatory risks, and Morgan Stanley may face damage to its professional reputation and legal liability if its services are not regarded as satisfactory or for other reasons.

Prospective investors should consider the section entitled "Risk Factors" in the Registration Document in respect of Morgan Stanley referred to in the section entitled "Incorporation by Reference" in this Base Prospectus and consult with their own professional advisers if they consider it necessary. An investment in the Securities issued by Morgan Stanley bears the risk that Morgan Stanley is not able to fulfil its obligations created by the issuance of such Securities on the Issue Date.

#### *Morgan Stanley Jersey*

Morgan Stanley Jersey was incorporated in St. Helier, Jersey, Channel Islands (registration number 35857) as a company with unlimited duration on 24 September 1986. It has its registered office at 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands. Morgan Stanley Jersey's objects and purposes are not specified in any document and are therefore unlimited.

Morgan Stanley Jersey's business primarily consists of issuing financial instruments and the hedging of obligations relating thereto. Morgan Stanley Jersey's auditors are Deloitte & Touche LLP, Chartered Accountants and Registered Auditors.

Morgan Stanley Jersey has no subsidiaries and is wholly owned by Morgan Stanley.

The directors of Morgan Stanley Jersey are J. Hodes, C.E.C. Hood and K. Woodruff. Morgan Stanley Jersey has no employees.

At 30 November 2007, the authorised share capital of Morgan Stanley Jersey comprised an unlimited number of shares of no par value designated as Ordinary Shares, an unlimited number of shares of no par value designated as Nominal Shares and an unlimited number of shares of no par value designated as Unclassified Shares available for issue as separate classes of Preference Shares.

The profit or loss before tax for the financial years ended 30 November 2007 and 2006 was nil and nil respectively. The current assets of Morgan Stanley Jersey have risen from U.S.\$4,001,459,000 in 2006 to U.S.\$5,729,417,000 in 2007 with total creditors rising from U.S.\$4,001,003,000 in 2006 to U.S.\$5,728,961,000 in 2007.

All material assets of Morgan Stanley Jersey are obligations of (or securities issued by) one or more Morgan Stanley group companies. The obligations of Morgan Stanley Jersey pursuant to such hedging transactions are guaranteed by Morgan Stanley. If any of these Morgan Stanley group companies incur losses with respect to any of their activities (irrespective of whether those activities relate to Morgan Stanley Jersey or not) their ability to fulfil their obligations to Morgan Stanley Jersey could be impaired, thereby exposing holders of securities issued by Morgan Stanley Jersey to a risk of loss.

Prospective investors should consider the section entitled "Risk Factors" in the Registration Document in respect of Morgan Stanley Jersey referred to in the section entitled "Incorporation by Reference" in this Base Prospectus and consult with their own professional advisers if they consider it necessary.

#### *MSBV*

MSBV was incorporated as a private company with limited liability under the laws of The Netherlands on 6 September 2001 for an unlimited duration. MSBV is registered at the commercial register of the Chamber of Commerce and Industries (*Kamer van Koophandel*) for Amsterdam, The Netherlands under number 34161590. It has its corporate seat at Amsterdam, The Netherlands and its offices are located at Locatellikade 1, 1076 AZ Amsterdam, The Netherlands. Telephone number +31 20 57 55 600.

MSBV's objects are set out in Article 3 of its Articles of Association and enable it, *inter alia*, to issue notes, warrants and other securities. MSBV's auditors are Deloitte Accountants B.V. (members of the Royal Netherlands Institute of Registered Accountants).

MSBV has no subsidiaries and is ultimately owned by Morgan Stanley.

The directors of MSBV are C.E.C. Hood, J.A. Solan, J.Y. Bahurel, R.D.C. Jackson-Proes and TMF Management B.V. MSBV has no employees.

The authorised share capital of MSBV comprises 900 ordinary shares of nominal value EUR 100. The issued, allotted and fully paid up share capital of MSBV comprises 180 ordinary shares of nominal value EUR 100.

MSBV's net revenue for the financial years ended 30 November 2007 and 2006 was EUR 2,573,000 and EUR 908,000 respectively, representing issuance fees received on the issuance of financial instruments less guarantee fees payable. The profit or loss before tax for the financial years ended 30 November 2007 and 2006 was a profit of EUR 2,962,000 and a profit of EUR 1,075,000 respectively. During the period, no dividends were paid.

The current assets of MSBV rose from EUR 3,893,257,000 in 2006 to EUR 10,182,479,000 in 2007 with a total amount owing to creditors rising from EUR 3,890,086,000 in 2006 to EUR 10,177,111,000 in 2007. The principal reason for the increase in debt was an increase in client demand for financial instruments.

All material assets of MSBV are obligations of (or securities issued by) one or more Morgan Stanley group companies. The obligations of MSBV pursuant to such transactions are substantially guaranteed by Morgan Stanley. If any of these Morgan Stanley group companies incur losses with respect to any of their activities (irrespective of whether those activities relate to MSBV or not) their ability to fulfil their obligations to MSBV could be impaired, thereby exposing holders of securities issued by MSBV to a risk of loss.

Prospective investors should consider the section entitled "Risk Factors" in the Registration Document in respect of MSBV referred to in the section entitled "Incorporation by Reference" in this Base Prospectus and consult with their own professional advisers if they consider it necessary.

#### **Essential characteristics and risks associated with the Securities**

Morgan Stanley, Morgan Stanley Jersey and MSBV may offer from time to time Warrants and Certificates (together, "**Securities**"). Applications have been made for the Securities issued under the Program to be admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange. The payment of all amounts due in respect of Securities issued by Morgan Stanley Jersey or MSBV will, unless specified otherwise in the Final Terms be unconditionally and irrevocably guaranteed by Morgan Stanley.

Each Issuer is offering the Securities on a continuing basis through the Distribution Agents, who have agreed to use reasonable efforts to solicit offers to purchase the Securities. Each Issuer may also sell Securities to the Distribution Agents as principal for their own accounts at a price to be agreed upon at the time of sale. The Distribution Agents may resell any Securities they purchase as principal at prevailing market prices, or at other prices, as they determine. Each Issuer or the Distribution Agents may reject any offer to purchase Securities, in whole or in part.

Each Issuer will issue Securities in bearer form, which may be in either definitive form or global form. Securities in definitive bearer form will be serially numbered. Securities may be denominated or payable in any currency, be issued at any price and have any maturity, in each case subject to all applicable consents being obtained and compliance with all applicable legal and regulatory requirements. MSBV may also issue Nordic Securities in dematerialised and uncertificated book-entry form.

Securities may be redeemed at par or at such other redemption amount (detailed in a formula or otherwise) or by delivery of securities of an issuer that is not affiliated with Morgan Stanley, as may be specified in the applicable Final Terms.

Securities will be governed by the laws of England and Wales.

The net proceeds from the sale of Securities offered by the Base Prospectus will be used by the Issuers for general corporate purposes, in connection with hedging its obligations under the Securities, or both.

Certain documents relating to the Securities will be available, during usual business hours on any weekday, for inspection by physical means at The Bank of New York, One Canada Square, London E14 5AL and also at the principal executive offices of Morgan Stanley and the registered offices of Morgan Stanley Jersey and MSBV.

The Issuers may issue Securities with return determined by reference to currency prices, commodity prices or to single securities, baskets of securities or indices or other assets or instruments. Any such Securities may entail significant risks not associated with a similar investment in fixed or floating rate debt securities, including a return that may be significantly less than the return available on an investment in fixed or floating rate debt securities. In some cases such Securities may also carry the risk of a total or partial loss of principal.

## RISK FACTORS RELATING TO THE SECURITIES

*Prospective investors should read the entire Base Prospectus (and where appropriate, any relevant final terms). Words and expressions defined elsewhere in this Base Prospectus have the same meanings in this section.*

*Prospective investors should consider the section entitled "Risk Factors" in the Registration Document in respect of Morgan Stanley, MS Jersey and MSBV referred to in the section entitled "Incorporation by Reference" in this Base Prospectus and consult with their own professional advisers if they consider it necessary.*

*Each of the Issuers and the Guarantor believe that the following factors may affect its ability to fulfil their respective obligations under Notes issued under the Program. Most of these factors are contingencies which may or may not occur and neither the Issuers nor the Guarantor are in a position to express a view on the likelihood of any such contingency occurring.*

*Each of the Issuers and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Program.*

**Investors should consult their financial and legal advisors as to any specific risks entailed by an investment in Securities that are denominated or payable in, or the payment of which is linked to the value of, a currency other than the currency of the country in which such investor resides or in which such investor conducts its business, which is referred to as their "home currency." These Securities are not appropriate investments for investors who are not sophisticated in foreign currency transactions. The Issuers disclaim any responsibility to advise prospective purchasers of any matters arising under the laws of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments on the Securities. These persons should consult their own legal and financial advisors concerning these matters. Investors should also consult their financial and legal advisors as to risks entailed by an investment in Securities that are linked to currency prices, commodity prices, single securities, baskets of securities or indices.**

A wide range of Securities may be issued under the Program. A number of these Securities may have features which contain particular risks for potential investors. Set out below is a description of the most common features of such Securities. **Each investor should carefully consider whether the Securities, as described herein and in the applicable Final Terms, are suited to its particular circumstances before deciding to purchase any Securities.**

### ***Index-linked Securities and dual currency Securities.***

The Issuer may issue Securities with return determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, the Issuer may issue Securities payable in one or more currencies which may be different from the currency in which the Securities are denominated. Potential investors should be aware that:

- (i) the market price of such Securities may be very volatile;
- (ii) payment may occur at a different time or in a different currency than expected;
- (iii) they may lose all or a substantial portion of their investment;
- (iv) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in currencies or other indices;
- (v) if a Relevant Factor is applied to Securities in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on such Securities is likely to be magnified; and
- (vi) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant factor, the greater the effect on yield.

***Securities are not ordinary debt securities.***

The terms of Securities differ from those of ordinary debt securities because such Securities do not pay interest and at maturity may return less than the amount invested or nothing, or may return securities of an issuer that is not affiliated with Morgan Stanley, Morgan Stanley Jersey or MSBV, the value of which is less than the amount invested, depending on the performance of the underlying asset. Prospective investors who consider purchasing the Securities should reach an investment decision only after carefully considering the suitability of the Securities in light of their particular circumstances. The price of Securities may fall in value as rapidly as it may rise, and investors in Securities will sustain a total loss of their investment if the Securities expire out of the money.

***The value of Securities linked to a single security, or to baskets of securities or indices may be influenced by unpredictable factors.***

The value of the Securities may be influenced by several factors beyond the relevant Issuer's and, where applicable, the Guarantor's control, including: (i) the market price or value of the applicable underlying security, index, or basket of securities or indices, (ii) the volatility (frequency and magnitude of changes in price) of the underlying security, index, basket of securities or indices, (iii) the dividend rate on any underlying securities, (iv) geopolitical conditions and economic, financial and political, regulatory or judicial events that affect stock markets generally and which may affect the market price of the underlying security, index, basket of securities or indices, (v) interest and yield rates in the market, (vi) the time remaining to the maturity of the Securities and (vii) the relevant Issuer's and, where applicable, the Guarantor's creditworthiness.

Some or all of these factors will influence the price investors will receive if an investor sells its Securities prior to maturity. For example, investors may have to sell certain Securities at a substantial discount from the amount invested if the market price or value of the applicable underlying security, basket of securities or index is at, below, or not sufficiently above the initial market price or value or if market interest rates rise.

***Securities linked to a single emerging market security, or a basket of securities or indices composed, in part or in whole, of emerging market securities.***

Fluctuations in the trading prices of the underlying emerging market equity will affect the value of Securities linked to emerging market securities. Changes may result over time from the interaction of many factors directly or indirectly affecting economic and political conditions in the related countries or member nations, including economic and political developments in other countries. Of particular importance to potential risks are: (i) rates of inflation; (ii) interest rate levels; (iii) balance of payments; and (iv) the extent of governmental surpluses or deficits in the relevant country. All of these factors are, in turn, sensitive to the monetary, fiscal and trade policies pursued by the related countries, the governments of the related countries and member nations (if any), and other countries important to international trade and finance. Government intervention could materially and adversely affect the value of the Securities. Governments use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes to affect the trading of the underlying equity. Thus a special risk in purchasing the Securities linked to emerging market securities is that their trading value and amount payable at maturity could be affected by the actions of governments, fluctuations in response to other market forces and the movement of currencies across borders. Emerging markets stocks may be more volatile than the stocks in more developed markets.

***Securities linked to commodities.***

Commodity markets are influenced by, among other things, changing supply and demand relationships, weather, governmental, agricultural, commercial and trade programs and policies designed to influence commodity prices, world political and economic events, changes in interest rates, factors affecting the exchange(s) or quotation system(s) on which any such commodities may be traded.

Where a Security linked to a commodity references a futures contract, this reference should be taken as if the futures contract had the specified commodity as the underlying commodity. Investments in futures and options contracts involve additional risks including, without limitation, leverage (margin is usually a percentage of the face value of the contract and exposure can be nearly unlimited).

A holder of a futures position may find such positions become illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a holder from promptly liquidating unfavourable positions and subject it to substantial losses. Futures contract prices in various commodities occasionally have exceeded the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the liquidation of unfavourable positions and subject an investor in a Security linked to such contract prices to substantial losses.

Commodity future prices reflect the expectations of the market players on the future value of the commodity and may not be consistent with the current prices of the relevant commodity.

***No affiliation with underlying companies.***

The underlying issuer for any single security or basket security or the publisher of an underlying index will not be an affiliate of Morgan Stanley, Morgan Stanley Jersey or MSBV, unless otherwise specified in the applicable Final Terms. Morgan Stanley or its subsidiaries may presently or from time to time engage in business with any underlying company, or any specified entity, including entering into loans with, or making equity investments in, the underlying company, or specified entity, or its affiliates or subsidiaries or providing investment advisory services to the underlying company, or specified entity, including merger and acquisition advisory services. Moreover, no Issuer has the ability to control or predict the actions of the underlying company, index publisher, or specified entity, including any actions, or reconstitution of index components, of the type that would require the determination agent to adjust the payout to the investor at maturity. No underlying company, index publisher, or specified entity, for any issuance of Securities is involved in the offering of the Securities in any way or has any obligation to consider the investor's interest as an owner of the Securities in taking any corporate actions that might affect the value of the Securities. None of the money an investor pays for the Securities will go to the underlying company, or specified entity, for such Securities.

***Exchange rates and exchange controls may affect Securities' value or return.***

*General Exchange Rate and Exchange Control Risks.* An investment in a Security denominated in, or the payment of which is linked to the value of, currencies other than the investor's home currency entails significant risks. These risks include the possibility of significant changes in rates of exchange between its home currency and the other relevant currencies and the possibility of the imposition or modification of exchange controls by the relevant governmental authorities. These risks generally depend on economic and political events over which the Issuers have no control.

*Exchange Rates Will Affect the Investor's Investment.* In recent years, rates of exchange between some currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Security. Depreciation against the investor's home currency or the currency in which a Security is payable would result in a decrease in the effective yield of the Security and could result in an overall loss to an investor on the basis of the investor's home currency. In addition, depending on the specific terms of a Security, changes in exchange rates relating to any of the relevant currencies could result in a decrease in its effective yield and in the investor's loss of all or a substantial portion of the value of that Security.

*The Issuers Have No Control Over Exchange Rates.* Currency exchange rates can either float or be fixed. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country's central bank, the imposition of regulatory controls or taxes, or changes in interest rate to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders.

As a consequence, these government actions could adversely affect yields or payouts in the investor's home currency for (i) Securities denominated or payable in currencies other than U.S. dollars and (ii) Currency-Linked Securities.

The Issuers will not make any adjustment or change in the terms of the Securities in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting any currency. The investor will bear those risks.

*Some Currencies May Become Unavailable.* Governments have imposed from time to time, and may in the future impose, exchange controls that could also affect the availability of a Specified Currency (as defined herein). Even if there are no actual exchange controls, it is possible that the applicable currency for any security would not be available when payments on that security are due.

*Currency Exchange Information Will Be Provided in the Final Terms.* The applicable Final Terms or base prospectus supplement, where relevant, will include information with respect to any relevant exchange controls and any relevant historic exchange rate information for any Security. The investor should not assume that any historic information concerning currency exchange rates will be representative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future.

***Currency exchange conversions may affect payments on some Securities.***

The applicable Final Terms may provide for (i) payments on a non-U.S. dollar denominated Security to be made in U.S. dollars or (ii) payments in respect of Securities to be made in a currency other than U.S. dollars. In these cases, Morgan Stanley & Co. International plc, in its capacity as Exchange Rate Agent (the "**Exchange Rate Agent**"), or such other exchange rate agent identified in the applicable Final Terms, will convert the applicable currency into U.S. dollars or U.S. dollars into the applicable currency. The investor will bear the costs of the conversion through deductions from those payments.

***Emerging markets currencies.***

Where the Securities are denominated in an emerging market currency or linked to one or more emerging market currencies, such emerging market currencies can be significantly more volatile than currencies of more developed markets. Emerging markets currencies are highly exposed to the risk of a currency crisis happening in the future and this could trigger the need for the determination agent (Morgan Stanley International plc or an affiliate) to make adjustments to the terms and conditions of the Securities.

***Secondary trading of the Securities may be limited.***

There may be little or no secondary market for the Securities. Although an Issuer may apply to have certain issuances of Securities admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, approval for any listing is subject to meeting the relevant listing requirements. Even if there is a secondary market, it may not provide enough liquidity to allow the investor to sell or trade the Securities easily. Morgan Stanley & Co. International plc currently intends to, and other affiliates of Morgan Stanley may from time to time, act as a market maker for the Securities, but they are not required to do so. If at any time Morgan Stanley & Co. International plc and other affiliates of the Issuers were to cease acting as market makers, it is likely that there would be little or no secondary market for the Securities.

***Investors have no shareholder rights.***

As an owner of Securities, investors will not have voting rights or rights to receive dividends, interest or other distributions, as applicable, or any other rights with respect to any underlying security or index.

***Potential conflicts of interest between the investor and the determination agent.***

As determination agent for Securities linked to a single security, index, basket of securities or indices or other underlying instruments, assets or obligations, Morgan Stanley & Co. International plc or an affiliate will determine the payout to the investor at maturity. Morgan Stanley & Co. International plc and other affiliates may also carry out hedging activities related to any Securities linked to a single security, index, basket of securities or indices or to other instruments, assets or obligations including trading in the

underlying securities or indices as well as in other instruments related to the underlying securities or indices. Morgan Stanley & Co. International plc and some of Morgan Stanley's other subsidiaries may also trade the applicable underlying securities or indices and other financial instruments related to the underlying securities or indices on a regular basis as part of their general broker-dealer and other businesses. Any of these activities could influence the determination agent's determination of adjustments made to any Securities linked to a single security, index, basket of securities or indices or other underlying instruments, assets or obligations and any such trading activity could potentially affect the price of the underlying securities or indices or other underlying instruments, assets or obligations and, accordingly, could affect the investor's payout on any Securities.

***Because the Global Warrants (as defined below) may be held by or on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer.***

Securities issued under the Program may be represented by one or more global warrants (each, a "**Global Warrant**"). Such Global Warrants may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Warrant, investors will not be entitled to receive definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Warrants. While the Securities are represented by one or more Global Warrants held by Euroclear or Clearstream, Luxembourg, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

While the Securities are represented by one or more Global Warrants, the Issuer will discharge its payment obligations under the Securities by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Warrant must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Securities. Neither the relevant Issuer nor the Guarantor has responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Warrants.

Holders of beneficial interests in the Global Warrants will not have a direct right to vote in respect of the relevant Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg to appoint appropriate proxies.

***United Kingdom Stamp Duty.***

Potential purchasers of Physical-Settlement Securities should note that each Global Warrant representing Physical-Settlement Securities may constitute an instrument which is subject to United Kingdom stamp duty on issue by reference to the amount of consideration given for the Physical-Settlement Securities so represented. However, each Global Warrant is to be executed and (where applicable) authenticated and delivered outside the United Kingdom and should not be brought into the United Kingdom save for the purposes of enforcement. So long as each Global Warrant is held outside the United Kingdom, no requirement to pay United Kingdom stamp duty will arise. However, if the Global Warrant were brought into the United Kingdom to be used as evidence (for example, for enforcement purposes) or for any other purposes, in certain circumstances United Kingdom stamp duty may be required to be paid on the Global Warrant. If stamp duty is payable on such Global Warrant, interest will be payable (in addition to the stamp duty) in respect of the period from 30 days after the date of execution of the Global Warrant to the date of payment. Furthermore penalties may also be payable if the Global Warrant is not stamped within 30 days of being brought into the United Kingdom. If the Global Warrant is subject to United Kingdom stamp duty, it may be inadmissible in evidence in an English court unless duly stamped.

***Modification and waiver.***

The conditions of the Securities contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

***Change of law.***

The conditions of the Securities are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice in England after the date of this Base Prospectus.

#### **WHERE THE INVESTOR CAN FIND MORE INFORMATION ABOUT MORGAN STANLEY**

Morgan Stanley files reports, proxy statements and other information with the United States Securities and Exchange Commission (the "SEC"). The investor may read and copy any of these documents at the SEC's public reference room at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, the SEC maintains a website that contains reports, proxy statements and other information that Morgan Stanley files electronically. The address of the SEC's website is <http://www.sec.gov>. The information contained on this website, and any information available at the SEC's public reference room, shall not form part of this Base Prospectus, unless such information has been expressly incorporated herein by way of a supplement to this Base Prospectus.

Morgan Stanley's common stock, par value US\$0.01 per share, is listed on the New York Stock Exchange, Inc. under the symbol "MS." The investor may inspect annual, quarterly and current reports, proxy statements and other information concerning Morgan Stanley and its consolidated subsidiaries at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 (such reports, proxy statements and other information shall not form a part of this Base Prospectus unless they have been expressly incorporated herein by way of a supplement to this Base Prospectus).

## INCORPORATION BY REFERENCE

The following documents and/or information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

<b>Document filed</b>	<b>Information incorporated by reference</b>	<b>Page</b>
1. Registration Document dated 19 June 2008 (the " <b>Registration Document</b> ")	The entire document (with the exception of documents and/or information incorporated by reference into the Registration Document by way of the section entitled "Information Incorporated by Reference" therein).	-
<b>Morgan Stanley</b>		
2. Second Quarter Earnings Results on Form 8-K dated 18 June 2008	Whole document	-
3. Current Report on Form 8-K dated 3 June 2008	Information in paragraph entitled "Item 8.01 Other Events"	2
4. Current Report on Form 8-K dated 25 October 2007	Whole document	-
5. Quarterly Report on Form 10-Q for the quarterly period ended 29 February 2008	Whole document	-
6. Proxy Statement dated 27 February 2008	Whole document	-
7. Annual Report on Form 10-K for the fiscal year ended 30 November 2007	(a) Report of Independent Registered Public Accounting Firm	100
	(b) Consolidated Statements of Financial Condition	101-102
	(c) Consolidated Statements of Cash Flow	103
	(d) Consolidated Statements of Income	105
	(e) Notes to the Consolidated Financial Statements	107-181
8. Annual Report on Form 10-K for the fiscal year ended 30 November 2006	(a) Report of Independent Registered Public Accounting Firm	109
	(b) Consolidated Statements of Financial Condition	61-62
	(c) Consolidated Statements of Cash Flow	63
	(d) Consolidated Statements of Income	65
	(e) Notes to the Consolidated Financial Statements	67-124
<b>Morgan Stanley (Jersey) Limited</b>		
9. Annual Report for the year ended 30 November 2007	(a) Independent Auditors' Report	3

	(b)	Balance Sheet	5
	(c)	Statement of Cash Flow	6
	(d)	Statement of Income	8
	(e)	Notes	9-17
10. Annual Report for the year ended 30 November 2006	(a)	Independent Auditors' Report	3
	(b)	Balance Sheet	4
	(c)	Statement of Cash Flow	5
	(d)	Statement of Income	7
	(e)	Notes	8-17
<b>Morgan Stanley B.V.</b>			
11. Annual Report for the year ended 30 November 2007	(a)	Independent Auditors' Report	2
	(b)	Balance Sheet	3
	(c)	Statement of Cash Flow	5
	(d)	Statement of Income	6
	(e)	Notes	18-19
12. Annual Report for the year ended 30 November 2006	(a)	Independent Auditors' Report	2
	(b)	Balance Sheet	3
	(c)	Statement of Cash Flow	4
	(d)	Statement of Income	5
	(e)	Notes	14-15

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

The information about Morgan Stanley, Morgan Stanley Jersey and MSBV incorporated by reference in this Base Prospectus, (the "**Incorporated Information**") is considered to be part of this Base Prospectus. Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the FSA in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

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

## KEY FEATURES OF THE SECURITIES

*The following summary describes the key features of the Securities that each Issuer is offering under the Program in general terms only. Investors should read the summary together with the more detailed information that is contained in this Base Prospectus and in the applicable Final Terms.*

<b>Issuers</b>	Morgan Stanley, Morgan Stanley Jersey, MSBV and any Additional Issuer.
<b>Guarantor</b>	In the case of Securities issued by Morgan Stanley Jersey, MSBV or an Additional Issuer, unless specified otherwise in the applicable Final Terms or, in the case of an Additional Issuer, the accession agreement pursuant to which such Additional Issuer accedes to the Program, Morgan Stanley.
<b>Distribution Agents</b>	Morgan Stanley & Co. International plc and Morgan Stanley & Co. Incorporated.
<b>Principal Securities Agent</b>	The Bank of New York.
<b>Issuance in Series</b>	Securities will be issued in series (each, a " <b>Series</b> "). Each Series may comprise one or more tranches (" <b>Tranches</b> " and each, a " <b>Tranche</b> ") issued on different issue dates.
<b>Terms and Conditions</b>	<p>A Final Terms (a "<b>Final Terms</b>") will be prepared in respect of each Tranche of Securities. The terms and conditions applicable to each Tranche issued by Morgan Stanley, Morgan Stanley Jersey or MSBV will be those set out herein under the heading "<i>Terms and Conditions of the Securities</i>" as supplemented, modified or replaced by the applicable Final Terms. The terms and conditions applicable to each Tranche issued by an Additional Issuer will be those set out in the relevant Supplemental Base Prospectus, as supplemented, modified or replaced by the applicable Final Terms.</p> <p>Any Issuer may issue Securities that are Share Securities, Share Basket Securities, Index Securities, Index Basket Securities, Currency Securities, Commodity Securities and Bond Securities (each as defined in Condition 1 of "<i>Terms and Conditions of the Securities</i>").</p>
<b>Forms of Securities</b>	Each Tranche of Securities will (unless otherwise specified in the applicable Final Terms) at all times be represented by a Global Warrant (the " <b>Global Warrant</b> "). The Global Warrant will be deposited on the issue date therefor with a common depository for Euroclear, Clearstream, Luxembourg and/or any other relevant Clearing System. Securities in definitive bearer form will only be issued if so specified in the applicable Final Terms. Securities may be issued by MSBV in registered and in uncertificated book entry form with a Nordic Central Securities Depository which is expected to be Finnish APK or, as applicable, Swedish VPC.
<b>Style of Securities</b>	Securities may be exercisable on any day during a specified exercise period (" <b>American Style Securities</b> "), on a specified expiration date (" <b>European Style Securities</b> ") or on specified dates during a specified exercise period (" <b>Bermudan Style Securities</b> "), as specified in the applicable Final Terms. If so specified in the applicable Final Terms, Securities may be deemed exercised on the expiration date thereof.

<b>Settlement of Securities</b>	Upon exercise, Securities may entitle the Securityholder to receive from the relevant Issuer a Cash-Settlement amount (as specified or calculated in accordance with the applicable Final Terms) (" <b>Cash-Settlement Securities</b> "), or may entitle the Securityholder to receive delivery of or to deliver an amount of securities (as specified or calculated in accordance with the relevant Supplement) (" <b>Physical-Settlement Securities</b> "), as specified in the applicable Final Terms.
<b>Minimum Exercise Number</b>	Securities are exercisable in the minimum number (or, if so specified, integral multiples thereof) specified in the applicable Final Terms.
<b>Status</b>	The Securities will be direct and general obligations of the relevant Issuer.
<b>Guarantee</b>	The payment of all amounts due in respect of Securities issued by Morgan Stanley Jersey, MSBV or an Additional Issuer will, unless specified otherwise in the applicable Final Terms or, in the case of an Additional Issuer, in the accession agreement pursuant to which such Additional Issuer accedes to the Program, be unconditionally and irrevocably guaranteed by Morgan Stanley pursuant to a guarantee dated as of 19 June 2008.
<b>Taxation</b>	The Securityholders shall be liable for any applicable taxes, duties and other charges due in relation to, <i>inter alia</i> , the issue, transfer, transmission and/or settlement of the Securities. In the case of Cash-Settlement Securities, the relevant Issuer shall be entitled to withhold or deduct from any amounts otherwise payable to the Securityholders such amount as is necessary for the payment of such taxes, duties and other charges. In the case of Physical-Settlement Securities, the relevant Issuer's obligation to deliver an amount of securities shall be subject to payment by the relevant Securityholders, or shall be reduced by such amount to take account, of an amount in respect of such taxes, duties and other charges.
<b>Benefit Plan Investors</b>	The Securities may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (" <b>ERISA</b> "), any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include "plan assets" within the meaning of ERISA by reason of any such plan's or account's investment therein.
<b>Listing</b>	Applications have been made for the Securities issued under the Program during the period of 12 months from the date of this Base Prospectus to be admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange. The applicable Final Terms will specify whether an issue of Securities will be admitted to the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as the relevant Issuer and any Distribution Agent may agree. Securities issued under the Program may also be unlisted.

<b>Clearance Systems</b>	Euroclear, Clearstream, Luxembourg and/or any other clearing systems as may be specified in the applicable Final Terms.
<b>Governing Law</b>	The Securities will be governed by English law.
<b>Selling Restrictions</b>	<b>The Securities may not be offered, sold or delivered <i>at any time</i>, directly or indirectly, within the United States or to or for the account of U.S. Persons (as defined in any of Regulation S under the Securities Act, the Code or the United States Commodity Exchange Act).</b> For a description of certain restrictions on offers, sales and deliveries of the Securities and on the distribution of offering material in the United States and in certain other countries, see " <i>Subscription and Sale</i> " and " <i>No Ownership by U.S. Persons.</i> "

## PRO FORMA FINAL TERMS FOR WARRANTS AND CERTIFICATES

FINAL TERMS dated [•]

Series Number: [•]  
Tranche: [•]

Common Code: [•]  
ISIN: [•]

[•]

[•]  
as Issuer

**[MORGAN STANLEY  
as Guarantor]**

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

#### **Issue of [Aggregate Nominal Amount of Tranche] [Title of Warrants/Certificates]**

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of [Warrants/Certificates] in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the [Warrants/Certificates]. Accordingly any person making or intending to make an offer of the [Warrants/Certificates] may only do so in:

- (i) in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 32 of Part A below, provided such person is one of the persons mentioned in Paragraph 32 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Distribution Agent has authorised, nor do they authorise, the making of any offer of [Warrants/Certificates] in any other circumstances.]

[THE BASE PROSPECTUS REFERRED TO BELOW (AS COMPLETED BY THESE FINAL TERMS) HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF [WARRANTS/CERTIFICATES] IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (2003/71/EC) (EACH, A "**RELEVANT MEMBER STATE**") WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN THAT RELEVANT MEMBER STATE, FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF THE [WARRANTS/CERTIFICATES]. ACCORDINGLY ANY PERSON MAKING OR INTENDING TO MAKE AN OFFER IN THAT RELEVANT MEMBER STATE OF THE [WARRANTS/CERTIFICATES] MAY ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY DISTRIBUTION AGENT TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE OR SUPPLEMENT A PROSPECTUS PURSUANT TO ARTICLE 16 OF THE PROSPECTUS DIRECTIVE, IN EACH CASE, IN RELATION TO SUCH OFFER. NEITHER THE ISSUER NOR ANY DISTRIBUTION AGENT HAS AUTHORISED, NOR DO THEY AUTHORISE, THE MAKING OF ANY OFFER OF [WARRANTS/CERTIFICATES] IN ANY OTHER CIRCUMSTANCES.]

THE [WARRANTS/CERTIFICATES] DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE [WARRANTS/CERTIFICATES] DESCRIBED HEREIN MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN EITHER

REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED). SEE "SUBSCRIPTION AND SALE" AND "NO OWNERSHIP BY U.S. PERSONS" IN THE BASE PROSPECTUS DATED 19 JUNE 2008. IN PURCHASING THE [WARRANTS/CERTIFICATES], PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. THE [WARRANTS/CERTIFICATES] ARE NOT RATED.

This document constitutes Final Terms relating to the issue of [Warrants/Certificates] described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Securities (the "Conditions") set forth in the Base Prospectus dated 19 June 2008 [and the supplemental Base Prospectus dated [•]]<sup>1</sup> which [together] constitute[s] a base prospectus (the "Base Prospectus") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). The [Warrants/Certificates] shall constitute Securities for the purposes of the Conditions. This document constitutes the Final Terms of the [Warrants/Certificates] described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer [, the Guarantor] and the offer of the [Warrants/Certificates] is only available on the basis of the combination of these Final Terms and the Base Prospectus. Copies of the Base Prospectus are available from the offices of Morgan Stanley & Co. International plc at 25 Cabot Square, Canary Wharf, London E14 4QA.

### Information Concerning Investment Risk

[•]

#### General

- |    |                                                             |                                                                                                                      |
|----|-------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| 1. | Issuer:                                                     | [Morgan Stanley/Morgan Stanley (Jersey) Limited/Morgan Stanley B.V.]                                                 |
| 2. | Guarantor:                                                  | [Morgan Stanley]                                                                                                     |
| 3. | Aggregate Number of [Warrants/Certificates] in the Series:  | [•]                                                                                                                  |
| 4. | Aggregate Number of [Warrants/Certificates] in the Tranche: | [•]                                                                                                                  |
| 5. | Issue Date:                                                 | [•]                                                                                                                  |
| 6. | Issue Price:                                                | [currency][amount] per [Warrant/Certificate]                                                                         |
| 7. | [Warrant/Certificate] Style: (Condition 4)                  | [American/European/Bermudan] Style [Warrants/Certificates]                                                           |
|    | (i) [Exercise Period:]                                      | [As defined in Condition 1]                                                                                          |
|    | (ii) [Potential Exercise Dates:]                            | [Each day from and including the Commencement Date to and including the Latest Exercise Time on the Expiration Date] |
|    | (iii) [Commencement Date:]                                  | [•]                                                                                                                  |

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<sup>1</sup> Only include details of a supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Program.

8. Type: The [Warrants/Certificates] are [Index / Index Basket / Share / Share Basket / Bond / Currency / Commodity / [Warrants/Certificates]]

*For Share and Share Basket [Warrants/Certificates] only*

- (i) Underlying Security: [•]
- (ii) Relevant Issuer: [•]
- (iii) Exchange(s): [•]
- (iv) Related Exchange: [•][All Exchanges]
- (v) Exchange Business Day: [•]
- (vi) Initial Date: [•]
- (vii) Additional Disruption Events: Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging shall apply [specify if any are not applicable, or any further Additional Disruption Events]

*For Index and Index Basket [Warrants/Certificates] only*

- (i) Index/Indices: [•]
- (ii) Exchange(s): [•][specify whether Multi-exchange Index]
- (iii) Related Exchange(s): [•][All Exchanges]
- (iv) Exchange Business Day: [•]

*For Commodity [Warrants/Certificates] only*

- (i) Commodity/Commodity Basket/Commodity Index: [•][if applicable, specify whether Non Metal, Base Metal or Precious Metal]
- (ii) Commodity Reference Price: [•]
- (iii) Specified Price: [[high][low][average of high and low][closing price][opening price][bid] [asked] [average of high and low prices][settlement price][official settlement price][official price][morning fixing][afternoon fixing][spot price][Other (specify)]]
- (iv) Delivery Date: [•]
- (v) Pricing Date: [•]
- (vi) Commodity Disruption Events: [Price Source Disruption][Trading Disruption] [Disappearance of Commodity Reference Price] [Material Change in Formula] [Material Change in Content] [Tax Disruption] [Trading Limitation] [specify any applicable additional Commodity Disruption Events][Not Applicable]

(vii) Common Pricing: [Applicable/Not Applicable] (*where Commodity Basket only*)

*For Currency  
[Warrants/Certificates] only*

(i) Settlement Currency [Nordic Securities: SEK, € or any other currency as may be approved by the relevant NCSD Rules]

(ii) Reference Currency [•]

(iii) Specified Amount [•]

(iv) Specified Rate [*select one from definition of Specified Rate in Condition 8.5*]

(v) Settlement Rate Option [Currency Reference Dealers]

(vi) Valuation Date [•]

(vii) Averaging Dates [[•]/Not Applicable]

(viii) Other special terms and conditions [•]

9. Minimum Transfer Amount: [•]  
(Condition 2.3)

#### **Exercise**

10. Expiration Date: [•]

11. Latest Exercise Time: [•] [(local time in the place where the Clearance System through which the relevant [Warrant/Certificate] is exercised is located)]

12. Minimum Exercise Number: [[•]/Not applicable]  
(Condition 5.10)

13. Permitted Multiple: [[•]/Not applicable]  
(Condition 5.10)

14. Deemed Exercise: [[•]/Not applicable]  
(Condition 5.6)

#### **Issuer Call Option**

15. Call Option [Applicable/Not Applicable]

(Condition) [*If not applicable, delete the remaining sub-paragraphs of this paragraph*]

(i) Optional Settlement Date(s): [•]

(ii) Optional Settlement Amount(s) of each Security and method, if any, of calculation of such amount(s): [•]

(iii) Notice period: [•]

## Settlement

16. Settlement Basis: (Condition 4) The [Warrants/Certificates] are [Physical/Cash] Settlement [Warrants/Certificates].

*For Physical-Settlement  
[Warrants/Certificates] only:<sup>2</sup>*

17. Ratio: [•] [Warrant(s)/Certificate(s)] relates to [•]  
[Underlying Security/Securities]
18. Strike Price Payment Date: [•]
19. Strike Price: [•]
20. Settlement Price: [[•]/Not applicable]
21. Physical-Settlement Date: [As defined in Condition 1]

*For Cash-Settlement  
[Warrants/Certificates] only:*

22. Cash-Settlement Amount: [•]
23. Determination Date: [•]  
(Condition 5.8.1)
24. Valuation Time: [•]
25. Valuation Date: [•]
26. Averaging Dates: [•]
27. Settlement Currency: [•]
28. Cash-Settlement Payment Date: [•]

*For all [Warrants/Certificates]:*

## Additional details

29. Determination Agent: [As defined in the Conditions]
30. Listing: [Application has been made for the Securities to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed on the Official List of the FSA]
- [Not Applicable]
- [Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and

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<sup>2</sup> Note that if Physical-Settlement Warrants/Certificates are to be listed, the underlying must be "transferable securities" and must not be linked to any member of the Morgan Stanley group. See Article 2 (1)(m)(ii) of the Prospectus Directive.

amending Directive 2001/34/EC (the "**Transparency Directive**") entered into force on 20 January 2005. It requires Member States to take measures necessary to comply with the Transparency Directive by 20 January 2007 although a number of member states have not yet done so. If, as a result of the Transparency Directive or any legislation implementing the Transparency Directive, the Issuer or the Guarantor could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, the Issuer may seek an alternative admission to listing, trading and/or quotation for the [Warrants/Certificates] on a different section of the London Stock Exchange or by such other competent authority, stock exchange and/or quotation system inside or outside the European Union as it may decide. However, if such an alternative listing is not available or is, in the opinion of the relevant Issuer or the Guarantor (if applicable), burdensome, an alternative listing for the Securities may not be considered. Although no assurance is made as to the liquidity of the Securities as a result of admission to listing on the Official List of the FSA, de-listing the Securities may have a material effect on a holder's ability to resell the Securities in the secondary market.]

31. Clearance Systems: [Euroclear and Clearstream, Luxembourg]  
 [The Securities are Swedish Securities]  
 [The Securities are Finnish Securities]  
 [Nordic Securities, specify relevant NCSD and NCSD  
 Finnish Securities: Finnish CSD: APK Suomen Arvopaperikeskus Oy, Urho Kekkosen katu 5 C, Box 1110, FI-00101 Helsinki, Finland  
 Swedish Securities: Swedish CSD: VPC AB, Regeringsgatan 65, Box 7822, SE-103 97 Stockholm  
 NCSD Issuing Agent: [•]/give relevant name and address]
32. Non-exempt offer: [Not applicable] [An offer of the [Warrants/Certificates] may be made by the Distribution Agents [and *specify, if applicable*] other than pursuant to Article 3(2) of the Prospective Directive in *specify relevant Member State(s) - which must be jurisdictions where the Base Prospectus and any supplements have been passported*] (Public Offer Jurisdictions) during the period from *specify date* until *specify date* (Offer Period). See further paragraph 10 of Part B below.

33. Additional Selling Restrictions: [•]

**[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of [Warrants/Certificates] described herein pursuant to the Program for the Issuance of Warrants and Certificates of [Morgan Stanley/Morgan Stanley (Jersey) Limited/Morgan Stanley B.V.]

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By: .....  
Duly authorised

[Signed on behalf of the Guarantor:

By: .....  
Duly authorised]

## PART B – OTHER INFORMATION

### 1. LISTING

Listing and admission to Trading: [Application has been made by the Issuer (or on its behalf) to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed on the Official List of the FSA with effect from [•].]

[Application is expected to be made by the Issuer (or on its behalf) to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed on the Official List of the FSA with effect from [•].]

[Not Applicable.]

(Where documenting a fungible issue need to indicate that original Securities are already admitted to trading.)

[Estimate of total expenses related to admission to trading: [•]]<sup>3</sup>

### 2. RATINGS

Ratings: The Securities to be issued have been rated:

[S & P: [•]]

[Moody's: [•]]

[Fitch: [•]]

[[Other]: [•]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]<sup>4</sup>

(The above disclosure should reflect the rating allocated to Securities of the type being issued under the Program generally or, where the issue has been specifically rated, that rating.)

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Securities has an interest material to the offer."

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer [•]

(If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

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<sup>3</sup> Delete for Securities with a denomination per Security of less than EUR50,000

<sup>4</sup> Delete for Securities with a denomination per Security of EUR50,000 or more

[(ii)] Estimated net proceeds: • (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses: • [Include breakdown of expenses and taxes, if any.]

(If the Securities are derivative securities to which Annex XII of the Prospectus Directive applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

5. **[PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, [EXPLANATION OF EFFECT ON VALUE OF THE UNDERLYING OF WARRANTS/CERTIFICATES AND ASSOCIATED RISKS]<sup>5</sup> AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]<sup>6</sup>. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

6. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [•]

Names and addresses of additional Paying Agent(s) (if any): [•]

7. **TERMS AND CONDITIONS OF THE OFFER**

Offer Price: [Issue Price][specify]

Conditions to which the offer is subject: [Not Applicable/ Offers of the Securities are conditional upon their issue]

Description of the application process: [Not Applicable/give details]

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<sup>5</sup> Delete for Securities with a denomination per Security of EUR50,000 or more

<sup>6</sup> Delete for Securities with a denomination per Security of EUR50,000 or more

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/ <i>give details</i> ]
Details of the minimum and/or maximum amount of application:	[Not Applicable/ <i>give details</i> ]
Details of the method and time limited for paying up and delivering the Securities:	[Not Applicable/ The Securities will be issued on the Issue Date against payment to the Issuer of the net subscription moneys]
Manner in and date on which results of the offer are to be made public:	[Not Applicable/ <i>give details</i> ]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/ <i>give details</i> ]
Categories of potential investors to which the Securities are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/ Offers may be made by Offerors authorised to do so by the Issuer in [ <i>insert jurisdiction where the Base Prospectus has been approved and published and jurisdictions into which it has been passported</i> ] to any person [ <i>insert suitability criteria, if any are deemed appropriate, pursuant to any applicable conduct of business rules</i> ]. In other EEA countries, offers will only be made pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus.]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/ <i>give details</i> ]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/ <i>give details</i> ]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/ <i>give details</i> ]

## TERMS AND CONDITIONS OF THE SECURITIES

*The following are the terms and conditions of the Securities which (subject to completion and amendment) will be applicable to each Series of Securities issued by Morgan Stanley, Morgan Stanley (Jersey) Limited or Morgan Stanley B.V. provided that the relevant Final Terms in relation to any Series of Securities may supplement these terms and conditions and/or may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace the following terms and conditions for the purposes of such Series of Securities.*

This security is one of a series (each, a "**Series**") of Warrants (the "**Warrants**") or Certificates (the "**Certificates**") and, together with the Warrants, the "**Securities**") issued by Morgan Stanley ("**Morgan Stanley**") pursuant to a securities agency agreement dated 30 November 2000 (as modified and restated on 4 December 2001, 30 June 2005, 11 July 2006 and 22 June 2007, and as further modified and restated on 19 June 2008, the "**Securities Agreement**", which expression shall include any further amendments or supplements thereto) to which Morgan Stanley (Jersey) Limited and Morgan Stanley B.V. acceded and by which they are bound pursuant to the terms of accession agreements dated respectively as of 10 June 2002 and as of 16 April 2004. The other parties to the Securities Agreement are (1) Morgan Stanley, and (2) The Bank of New York (as successor to JPMorgan Chase Bank, N.A., London Branch), as principal Securities Agent (the "**Principal Securities Agent**", which expression includes any successor or substitute principal Securities Agent appointed in accordance with the Securities Agreement) and any other Securities Agents appointed under the Securities Agreement, the "**Securities Agents**"). In the following provisions of these terms and conditions (the "**Conditions**"), each reference to the "**Issuer**" is a reference to whichever of Morgan Stanley, Morgan Stanley (Jersey) Limited and Morgan Stanley B.V. is identified as the Issuer in the relevant Final Terms (as defined below). The payment obligations of Morgan Stanley (Jersey) Limited and Morgan Stanley B.V. in respect of Securities issued by them under the Program are (unless otherwise stated in the relevant Final Terms) guaranteed by Morgan Stanley (the "**Guarantor**") under the terms of a guarantee dated 19 June 2008.

In relation to a Series of Securities, the expression "**Securities**" shall, unless the context otherwise requires, include any further Warrants or, as the case may be, Certificates issued pursuant to Condition 19 (*Further Issues*) of these Conditions and forming a single series with such Series. The Securityholders (as defined below) are entitled to the benefit of, and are bound by and are deemed to have notice of, all the provisions of the Securities Agreement, these Conditions and the Final Terms (as defined below) relating to the relevant Securities.

Each Series of Securities may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Securities. Each Tranche will be the subject of a set of Final Terms supplemental hereto (each, "**Final Terms**"), a copy of which will, in the case of a Tranche in relation to which application has been made for admission to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange, and copies of which may be obtained free of charge from the specified office of the Principal Securities Agent. In the case of a Tranche in relation to which application has not been made for admission to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by a holder of Securities of that Tranche.

References in the Conditions to Securities are to the Securities of the relevant Series and references to the Issuer, the Guarantor, the Principal Securities Agent, the Determination Agent, any holder or the Securityholders are to those persons in relation to the Securities of the relevant Series. Capitalised terms used but not defined in these Conditions will have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Securities of the relevant Series.

### 1. DEFINITIONS

As used in these Conditions, the following expressions shall have the following meanings in respect of any Securities or Series of Securities:

"**Affiliate**" means any entity which is (a) an entity controlled, directly or indirectly, by the Issuer, (b) an entity that controls, directly or indirectly, the Issuer or (c) an entity directly or indirectly under common control with the Issuer;

"**Bond Securities**" means Securities relating to bonds or other debt securities;

"**Business Day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close in London;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day, unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day;
- (iii) "**Nearest**" means that the relevant date shall be the first preceding day that is a Business Day, if the relevant date would otherwise fall on a day other than a Sunday or a Monday, and will be the first following day that is a Business Day, if the relevant date would otherwise fall on a Sunday or a Monday;
- (iv) "**Preceding**" means that the relevant date will be the first preceding day that is a Business Day; and
- (v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Cash-Settlement Payment Date**" means, in respect of each Exercise Date, the date specified or otherwise determined as provided in the relevant Final Terms or, if such date is not a Currency Business Day, the next succeeding Currency Business Day;

"**CEA**" means the United States Commodity Exchange Act, as amended;

"**Clearance System**" means Euroclear, Clearstream, Luxembourg and/or any other clearance system located outside the United States specified in the relevant Final Terms in which Securities of the relevant Series are for the time being held, or, in relation to an Underlying Security, in which that Underlying Security is, for the time being, held;

"**Clearance System Business Day**" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions;

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*;

"**Commencement Date**" means the date specified as such in the relevant Final Terms, or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day;

"**Commodity Securities**" means any Series of Securities that relate to a commodity or commodities or to a commodity index;

"**Currency Business Day**" means, unless otherwise specified in the applicable Final Terms and subject as provided in Condition 9.5 with respect to Currency Securities, for the purpose of the definition of Cash-Settlement Payment Date in respect of any Series of Securities, any day (1) that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close (x) in The City of New York or London, or (y) in relation to sums payable in currencies other than U.S. dollars, euro or Australian dollars, in the principal financial centre of the country of the relevant currency, (z) in relation to sums payable in Australian dollars, in Sydney and (2) in relation to sums payable in euro, a day that is also a TARGET Settlement Day;

"**Currency Securities**" means Securities relating to a currency exchange rate or currency exchange rates;

**"Determination Agent"** means Morgan Stanley & Co. International plc ("**MSI plc**") or, in respect of any Series of Securities, such other determination agent as may be specified in the relevant Final Terms;

**"Disrupted Day"** has the meaning ascribed thereto in Condition 7.1.2;

**"EC Treaty"** means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997), as further amended from time to time;

**"Euro"**, **"euro"**, **"€"** and **"EUR"** each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty;

**"Euroclear"** means Euroclear Bank S.A./N.V.;

**"European Economic and Monetary Union"** means economic and monetary union pursuant to the EC Treaty;

**"Exercise Date"** means, in respect of any Security, the day on which such Security is deemed to have been exercised in accordance with Condition 5.6 (*Deemed Exercise*), if applicable, or on which an Exercise Notice relating to that Security is delivered in accordance with the provisions of Condition 5.1 (*Exercise Notice*);

**"Exercise Notice"** means any notice in the form scheduled to the Securities Agreement (or such other form as may from time to time be agreed by the Issuer and the Principal Securities Agent) which is delivered by a Securityholder in accordance with Condition 5.1 (*Exercise Notice*);

**"Exercise Period"** means, unless otherwise specified in the relevant Final Terms, the period beginning on (and including) the Commencement Date and ending on (and including) the Expiration Date;

**"Expiration Date"** means:

- (i) in respect of any Share Security, Share Basket Security, Index Security or Index Basket Security, the date specified as such in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), unless such date is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Latest Exercise Time on such date. If such date is a Disrupted Day due to the occurrence of such an event, then the Expiration Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Expiration Date is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Expiration Date, notwithstanding the fact that such day is a Disrupted Day. Notwithstanding the foregoing, if a Security is exercised on a Scheduled Trading Day that would have been an Expiration Date but for the occurrence of an event giving rise to a Disrupted Day, such Scheduled Trading Day shall be deemed to be the Expiration Date for the purpose of determining whether an Exercise Date has occurred during the Exercise Period; and
- (ii) in respect of any Bond Security or Commodity Security, the date specified as such in the relevant Final Terms or, if that date is not a Business Day, a Clearance System Business Day and, if specified in the relevant Final Terms, an Exchange Business Day or a Currency Business Day, the next following day that is a Business Day, a Clearance System Business Day and, as the case may be, an Exchange Business Day or a Currency Business Day;

**"Finnish CSD"** means a duly authorised Finnish central securities depository (*Fi.: Arvopaperikeskus*) under the Finnish Act on Book-Entry Securities System (*Fi.: laki arvo-osuujärjestelmästä 17.5.1991/826*), which is expected to be APK Suomen Arvopaperikeskus Oy, Urho Kekkosen katu 5 C, Box 1110, FI-00101 Helsinki, Finland;

**"Finnish Securities"** means any Tranche of Securities issued by Morgan Stanley B.V. and designated by the Issuer as "Finnish Securities" in paragraph 31 ("Clearance System") of the relevant Final Terms;

**"Index Basket Securities"** means Securities relating to a basket of Indices;

**"Index Securities"** means Securities relating to a single Index;

**"Initial Date"** means the date specified as such in the relevant Final Terms;

**"Latest Exercise Time"** means 10:00 a.m. (local time in the place where the Clearance System through which the relevant Security is exercised is located), unless specified otherwise in the relevant Final Terms;

**"NCS D"** means the Finnish CSD or the Swedish CSD, as applicable;

**"NCS D Issuing Agent"** means a duly authorised issuing agent under the relevant NCS D Rules and designated as such by the Issuer in Part A, paragraph 31 of the relevant Final Terms;

**"NCS D Register"** means the book entry register maintained by the relevant NCS D on behalf of the Issuer in respect of the relevant Tranche of Nordic Securities;

**"NCS D Rules"** means any Finnish or, as applicable, Swedish legislation, regulations, rules and operating procedures applicable to and/or issued by the relevant NCS D (including, but not limited to, the Finnish Act on Book-Entry Securities System (Fi.: *laki arvo-osuujärjestelmästä 17.5.1991/826*) and the Swedish Financial Instruments Accounts Act (Sw.: *lag (1998:1479) om kontoföring av finansiella instrument*));

**"Nordic Securities"** means Finnish Securities or Swedish Securities, as applicable;

**"Optional Settlement Amount (Call)"** means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms;

**"Optional Settlement Date (Call)"** has the meaning given in the applicable Final Terms;

**"Physical-Settlement Date"** means, in relation to Underlying Securities to be delivered following exercise of a Security on an Exercise Date, and unless otherwise specified in the relevant Final Terms, the first day on which settlement of a sale of such Underlying Securities on that Exercise Date customarily would take place through the relevant Clearance System, unless a Settlement Disruption Event prevents delivery of such Underlying Securities on that day;

**"Potential Exercise Date"** means:

- (i) in respect of any Share Security, Share Basket Security, Index Security or Index Basket Security, each date specified as such in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), unless such date is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Latest Exercise Time on such date. If such date is a Disrupted Day due to the occurrence of such an event, then the Potential Exercise Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Potential Exercise Date is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Potential Exercise Date. Notwithstanding the fact that such day is a Disrupted Day. Notwithstanding the foregoing, if a Security is exercised on a Scheduled Trading Day that would have been a Potential Exercise Date prior to the occurrence of an event giving rise to a Disrupted Day, such Scheduled Trading Day shall be deemed to be the Potential Exercise Date for the purpose of determining whether an Exercise Date has occurred during the Exercise Period; and
- (ii) in respect of any Bond Security or Commodity Security, the dates specified in the relevant Final Terms (or, if any such date is not a Business Day, a Clearance System Business Day and, if so specified in the relevant Final Terms, an Exchange Business Day and/or a Currency Business Day, the next following date that is a Business Day, a Clearance System Business Day and, as the case may be, an Exchange Business Day and/or a Currency Business Day);

**"Principal Financial Centre"** means, in respect of any Series of Securities and any currency, the financial centre(s) for that currency specified as such in the relevant Final Terms, or, if none is specified, the financial centre or centres determined by the Determination Agent in its sole and absolute discretion;

**"Reference Dealers"** means, in respect of any Series of Securities, the dealers specified as such in the relevant Final Terms;

**"Securities Act"** means the United States Securities Act of 1933, as amended;

**"Securityholder"** has the meaning ascribed thereto in Condition 2.2 (*Title*);

**"Settlement Currency"** means, in respect of any Series of Securities, the currency specified as such in the relevant Final Terms;

**"Settlement Cycle"** means, in respect of an Underlying Security or Index, the period of Settlement Cycle Days following a trade in such Underlying Security or the securities or other property underlying such Index, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period) and for this purpose **"Settlement Cycle Day"** means a day on which the relevant Clearance System at the relevant time is (or, but for the occurrence of a Settlement Disruption Event would have been) open for the acceptance and execution of settlement instructions or, if none, a day selected by the Determination Agent;

**"Settlement Election Date"** means, in respect of any Series of Securities, the date specified in the relevant Final Terms or, if such date is not a Business Day and a Clearance System Business Day, the next following day that is a Business Day and a Clearance System Business Day;

**"Share Basket Securities"** means Securities relating to a basket of Underlying Securities that are shares;

**"Share Securities"** means Securities relating to a single Underlying Security that is a share;

**"Specified Office"** means, in respect of any Series of Securities, any office or branch of the Reference Dealer located in the city specified for such purpose in the relevant Final Terms. If a city is not so specified, the Specified Office will be deemed to be an office or branch of such Reference Dealer located in the Principal Financial Centre of the Reference Currency unless no quotations are available from the relevant office or branch of such Reference Dealer in which case, the Specified Office of the relevant Reference Dealer shall be the office or branch of such Reference Dealer located in any major financial market for the purchase and sale of the Reference Currency and the Settlement Currency outside the country where the Reference Currency is the lawful currency, as selected by the Determination Agent;

**"Specified Time"** means, in respect of any Series of Securities and the determination of the Spot Rate, the time specified as such in the relevant Final Terms;

**"Strike Price"** means, in respect of any Series of Securities, the price, level or amount specified as such or otherwise determined as provided in the relevant Final Terms;

**"Strike Price Payment Date"** has the meaning ascribed thereto in the relevant Final Terms;

**"Swedish CSD"** means a duly authorised Swedish central securities depository (Sw.: *central värdepappersförvarare*) under the Swedish Financial Instruments Accounts Act (Sw.: *lag (1998:1479) om kontoföring av finansiella instrument*), which is expected to be VPC AB, Regeringsgatan 65, Box 7822, SE-103 97 Stockholm, Sweden;

**"Swedish Securities"** means any Tranche of Securities issued by Morgan Stanley B.V. and designated by the Issuer as "Swedish Securities" in paragraph 31 ("Clearance Systems") of the relevant Final Terms;

**"TARGET2"** means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TARGET Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in euro;

**"Taxes"** has the meaning ascribed thereto in Condition 4.5.1 (*Physical-Settlement Securities*);

"**Underlying Securities**" means shares, bonds, other debt securities, other securities or other property specified as such in the relevant Final Terms, and "**Underlying Security**" shall be construed accordingly; and

"**Underlying Security Issuer**" means, in respect of Underlying Securities, the issuer of the relevant Underlying Securities.

## 2. **FORM, TITLE AND TRANSFER**

### 2.1 *Form:*

Each Tranche of Securities will (unless so specified in the relevant Final Terms) at all times be represented by a Global Warrant (each a "**Global Warrant**") in bearer form (with the exception of the Nordic Securities described below). The Global Warrant will be deposited on the issue date (the "**Issue Date**") specified in the relevant Final Terms with a common depository (the "**Common Depository**") for the relevant Clearance System(s). Securities in definitive bearer form will be issued only if so specified in the relevant Final Terms.

### 2.2 *Title:*

The person for the time being appearing in the books of the relevant Clearance System as the holder of a Security shall be treated for all purposes by the Issuer, the Securities Agents, the relevant Clearance System and all other persons dealing with such person as the holder thereof (a "**Securityholder**" or a "**holder**") and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary, except that (i) Euroclear shall not be treated as the holder of any Security held in an account with Clearstream, Luxembourg on behalf of Euroclear's accountholders and (ii) Clearstream, Luxembourg shall not be treated as the holder of any Security held in an account with Euroclear on behalf of Clearstream, Luxembourg's accountholders.

### 2.3 *Transfer:*

All transactions in (including transfers of) Securities, in the open market or otherwise, must be effected through an account at the Clearance System(s) in which the Securities to be transferred are held. Interests in the Global Warrant will be transferable in a minimum amount of such number of Securities (the "**Minimum Transfer Amount**") as is specified in the relevant Final Terms and in accordance with the rules and procedures for the time being of the relevant Clearance System.

The Securities may not be offered, sold, delivered or otherwise transferred within the United States or to or for the account or benefit of U.S. persons (as such terms are used in Regulation S under the Securities Act, the United States Internal Revenue Code of 1986, as amended, and the CEA) and will bear a legend to such effect.

### 2.4 *Nordic Securities:*

Securities designated as "Finnish Securities" or "Swedish Securities" in the applicable Final Terms will be issued in uncertificated and dematerialised book-entry form in accordance with the NCSD Rules. In respect of Nordic Securities, "**Securityholder**" and "**holder**" means the person in whose name a Nordic Security is registered in the NCSD Register and the reference to a person in whose name a Nordic Security is registered shall include also any person duly authorised to act as a nominee (Sw. *förvaltare*) and so registered for the Nordic Security. Title to Nordic Securities shall pass by registration in the NCSD Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined above) of any Nordic Security shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it and no person shall be liable for so treating the holder. The Issuer shall be entitled to obtain information from the NCSD Register in accordance with the NCSD Rules. As the Nordic Securities will be in uncertificated and dematerialised book-entry form, the Conditions as so amended shall be deemed to be incorporated by reference in, and to form part of, the deed of covenant executed by Morgan Stanley B.V. dated 19 June 2008 (the "**MSBV Deed Of Covenant**") by which the Nordic Securities are constituted. No physical global or definitive warrants or certificates will be

issued in respect of Nordic Securities and the provisions relating to presentation, surrender or replacement of bearer instruments shall not apply.

### 3. STATUS OF SECURITIES

#### 3.1 *Status of Securities:*

The Securities of each Series constitute direct and general obligations of the Issuer which rank *pari passu* among themselves.

#### 3.2 *Status of Guarantee:*

The Guarantor's obligations in respect of Securities issued by Morgan Stanley (Jersey) Limited or Morgan Stanley B.V. (other than Securities the Final Terms relating to which specifies that such Securities are not guaranteed by Morgan Stanley) constitute direct and general obligations of the Guarantor which rank *pari passu* between themselves.

#### 3.3 *The Issuer is not obliged to purchase or hold Underlying Securities:*

By exercising a Security, the holder thereof shall be deemed to have agreed to such form of settlement as the Issuer may elect in accordance with Conditions 4.6 (*Optional Physical-Settlement*) and 4.7 (*Optional Cash-Settlement*), if applicable.

### 4. RIGHTS ON EXERCISE OF SECURITIES

#### 4.1 *American Style Securities:*

If the Securities are specified in the relevant Final Terms as being "**American Style Securities**", then this Condition 4.1 is applicable and the Securities are exercisable not later than the Latest Exercise Time on any day during the Exercise Period which is a Business Day, a Clearance System Business Day and, if so specified in the relevant Final Terms, a Scheduled Trading Day, an Exchange Business Day and/or a Currency Business Day, subject to Condition 4.9 (*Securities void on expiry*) and to prior termination of the Securities as provided in Conditions 7.3 (*Adjustments affecting Underlying Securities*) to 12 (*Provisions relating to all Securities*) and 15 (*Force Majeure and Illegality*).

#### 4.2 *European Style Securities:*

If the Securities are specified in the relevant Final Terms as being "**European Style Securities**", then this Condition 4.2 is applicable and the Securities are exercisable only not later than the Latest Exercise Time on the Expiration Date, subject to Condition 4.9 (*Securities void on expiry*) and to prior termination of the Securities as provided in Conditions 7.3 (*Adjustments affecting Underlying Securities*) to 12 (*Provisions relating to all Securities*) and 15 (*Force Majeure and Illegality*).

#### 4.3 *Bermudan Style:*

If the Securities are specified in the relevant Final Terms as being "**Bermudan Style Securities**", then this Condition 4.3 is applicable and the Securities are exercisable only not later than the Latest Exercise Time on each Potential Exercise Date, subject to Condition 4.9 (*Securities void on expiry*) and to prior termination of the Securities as provided in Conditions 7.3 (*Adjustments affecting Underlying Securities*) to 12 (*Provisions relating to all Securities*) and 15 (*Force Majeure and Illegality*).

#### 4.4 *Cash-Settlement Securities:*

If the Securities are specified in the relevant Final Terms as being "**Cash-Settlement Securities**", then, subject to Condition 4.6 (*Optional Physical-Settlement*) if applicable, upon exercise each Security entitles the holder thereof to receive from the Issuer on the Cash-Settlement Payment Date an amount (the "**Cash-Settlement Amount**") calculated in accordance with the relevant Final Terms in the currency (the "**Settlement Currency**") specified in the relevant Final Terms (less any amount in respect of Taxes, as defined below). The Cash-Settlement Amount will be

rounded down to the nearest minimum unit of the Settlement Currency, with Securities exercised at the same time by the same Securityholder being aggregated for the purpose of determining the aggregate Cash-Settlement Amount payable in respect of such Securities.

4.5 *Physical-Settlement Securities:*

4.5.1 *Full Physical-Settlement Securities:* If the Securities are specified in the relevant Final Terms as being "**Full Physical-Settlement Securities**", then, subject to Condition 4.7 (*Optional Cash-Settlement*) if applicable, upon the exercise of a Security by a Securityholder, the Issuer will deliver or procure the delivery of all the Underlying Securities in respect of such Security on the Physical-Settlement Date to the account of the Clearance System specified, or as may otherwise be specified, for that purpose by such Securityholder in the relevant Exercise Notice, following payment by such Securityholder to or to the order of the Issuer on or before the Strike Price Payment Date of the Strike Price (plus an amount equal to all applicable stamp tax, stamp duty reserve tax, estate, inheritance, gift, transfer, capital gains, corporation, income, property, withholding, other taxes, duties and charges ("**Taxes**") due by reason of the exercise of such Security and the purchase for, and credit to or to the order of such Securityholder of such Underlying Securities and, in the case of Bond Securities, accrued interest, if any, on the Bond Security Entitlement computed by the Determination Agent in accordance with customary trade practices employed with respect to bonds or such other debt securities), all as more fully described in Condition 5 (*Exercise*).

4.5.2 *Part Physical-Settlement Securities:* If the Securities are specified in the relevant Final Terms as being "**Part Physical-Settlement Securities**", then, subject to Condition 4.7 (*Optional Cash-Settlement*) if applicable, upon the exercise of a Security by a Securityholder, the Issuer will deliver or procure the delivery of all the Underlying Securities in respect of such Security on the Physical-Settlement Date to the account of the Clearance System specified, or as may otherwise be specified, for that purpose by such Securityholder in the relevant Exercise Notice. The number of Underlying Securities to be so delivered shall be an amount of Underlying Securities, rounded down if not a whole number, whose market value (as determined by the Determination Agent in its sole and absolute discretion) on the Exercise Date (less any commissions which the Issuer may charge at such rate as it deems fit in its sole and absolute discretion and any applicable Taxes due by reason of the exercise of such Security and the purchase for, and credit to or to the order of such Securityholder of such Underlying Securities) is equal to the excess, if any, of the Settlement Price over the Strike Price (plus, in the case of Bond Securities, any accrued interest, as specified in Condition 4.5.1 above). Where a Securityholder becomes entitled to receive Underlying Securities in respect of more than one Security, any rounding adjustment referred to in this Condition 4.5.2 shall be applied only to the aggregate number of Underlying Securities deliverable in respect of such Securities.

4.5.3 *Other Physical-Settlement Securities:* If the Securities are specified in the relevant Final Terms as being "**Other Physical-Settlement Securities**", then, subject to Condition 4.7 (*Optional Cash-Settlement*) if applicable, upon the exercise of a Security by a Securityholder, the Issuer will deliver or procure the delivery of such amount of Underlying Securities, or the Securities will be settled in any other manner, as may be specified in, or determined in accordance with, the relevant Final Terms.

4.5.4 In these Conditions, references to "Physical-Settlement Securities" shall, where the context so admits, comprise Full Physical-Settlement Securities, Part Physical-Settlement Securities and Other Physical-Settlement Securities.

4.6 *Optional Physical-Settlement:*

If this Condition 4.6 is specified in the relevant Final Terms as being applicable, then, upon the exercise of a Security by a Securityholder, the Issuer may elect not to pay the Cash-Settlement Amount to that Securityholder in accordance with Condition 4.4 (*Cash-Settlement Securities*), but instead deliver or procure the delivery of Underlying Securities in accordance with Condition

4.5.1 (*Full Physical-Settlement Securities*) or Condition 4.5.2 (*Part Physical-Settlement Securities*).

4.7 *Optional Cash-Settlement:*

If this Condition 4.7 is specified in the relevant Final Terms as being applicable, then, upon the exercise of a Security by a Securityholder, the Issuer may elect not to deliver or procure the delivery of Underlying Securities in accordance with Condition 4.5.1 (*Full Physical-Settlement Securities*) or Condition 4.5.2 (*Part Physical-Settlement Securities*), but instead to pay the Cash-Settlement Amount to that Securityholder in accordance with Condition 4.4 (*Cash-Settlement Securities*).

4.8 *Notification of election:*

If Condition 4.6 (*Optional Physical-Settlement*) or Condition 4.7 (*Optional Cash-Settlement*) is specified in the relevant Final Terms as being applicable, the Issuer will, by the close of business (London time) on the Settlement Election Date, notify the relevant Clearance System(s), the Principal Securities Agent, the Determination Agent and the relevant Securityholder whether it has elected to pay the Cash-Settlement Amount in accordance with Condition 4.4 (*Cash-Settlement Securities*) or deliver or procure the delivery of Underlying Securities in accordance with Condition 4.5.1 (*Full Physical-Settlement Securities*) or Condition 4.5.2 (*Part Physical-Settlement Securities*). Notice to the relevant Securityholder shall be given by facsimile or telex to the number specified in the relevant Exercise Notice, and any notice so given shall be deemed received by the relevant Securityholder.

4.9 *Securities void on expiry:*

Subject to Condition 5.6 (*Deemed Exercise*), Securities with respect to which an Exercise Notice has not been duly completed and delivered to the relevant Clearance System and to the Principal Securities Agent, in the manner set out in Condition 5 (*Exercise*), before the Latest Exercise Time shall become void for all purposes and shall cease to be transferable.

4.10 *Delivery outside the United States:*

Notwithstanding the foregoing, no cash, securities or other property shall be delivered in the United States (as defined in Regulation S under the Securities Act the United States Internal Revenue Code of 1926, as amended, and in the CEA) in connection with the settlement of, or exercise of, Securities.

5. **EXERCISE**

5.1 *Exercise Notice:*

5.1.1 Subject to Condition 4.9 (*Securities void on expiry*) and to prior termination of the Securities as provided in Conditions 7.3 (*Adjustments affecting Underlying Securities*) to 12 (*Provisions relating to all Securities*) and 15 (*Force Majeure and Illegality*), Securities may be exercised by a Securityholder (at his own expense) at such time and on such day(s) as provided in Condition 4.1 (*American Style Securities*), 4.2 (*European Style Securities*) or 4.3 (*Bermudan Style Securities*), as applicable, by delivery from a location outside the United States, or by the sending of a tested telex confirmed in writing from a location outside the United States, of a duly completed and signed Exercise Notice to (i) the relevant Clearance System, (ii) the Securities Agents and (iii) the Determination Agent.

5.1.2 Subject to Condition 4.9 (*Securities void on expiry*), any Exercise Notice delivered after the Latest Exercise Time on any day shall: (a) in the case of Bermudan Style Securities and European Style Securities, be void and (b) in the case of American Style Securities, be deemed to have been delivered on the next following day on which such Securities are exercisable (unless no such day occurs on or prior to the Expiration Date, in which case that Exercise Notice shall be void).

5.2 *Form of Exercise Notice for Cash-Settlement Securities:*

Each Exercise Notice shall be in the form (for the time being current) available from each Securities Agent, and must:

- (a) specify the name, address, telephone, facsimile and telex details of the Securityholder in respect of the Securities being exercised;
- (b) specify the number of Securities of the relevant Series being exercised by the Securityholder (which must not be less than the Minimum Exercise Number);
- (c) specify the number of the Securityholder's account at the relevant Clearance System to be debited with the Securities being exercised and irrevocably instruct, or, as the case may be, confirm that the Securityholder has irrevocably instructed, the relevant Clearance System to debit the Securityholder's account with the Securities being exercised and credit the same to the account of the Principal Securities Agent;
- (d) where applicable, specify the number of the Securityholder's account at the relevant Clearance System to be credited with the Cash-Settlement Amount for the Securities being exercised;
- (e) include an irrevocable undertaking to pay any applicable Taxes due by reason of exercise of the relevant Securities and an authority to the Issuer and the relevant Clearance System to deduct an amount in respect thereof from any Cash-Settlement Amount due to such Securityholder or otherwise (on, or at any time after, the Cash-Settlement Payment Date) and to debit a specified account of the Securityholder at the relevant Clearance System with an amount or amounts in respect thereof; and
- (f) give a certification as to the non-U.S. beneficial ownership of the Securities being exercised therewith.

5.3 *Form of Exercise Notice for Physical-Settlement Securities:*

If the Securities are specified in the relevant Final Terms as being Physical-Settlement Securities or if Condition 4.6 (*Optional Physical-Settlement*) is specified in the relevant Final Terms as being applicable, the Exercise Notice shall also:

- (a) in the case of Full Physical-Settlement Securities, irrevocably instruct the relevant Clearance System to debit on the Strike Price Payment Date a specified account of the Securityholder with the aggregate Strike Price in respect of the Securities being exercised (plus any applicable Taxes and, in the case of Bond Securities, any accrued interest, as specified in Condition 4.5.1 above), and to transfer such amount to such account as shall have been specified by the Issuer to the relevant Clearance System for that purpose;
- (b) include an irrevocable undertaking to pay any applicable Taxes due by reason of the transfer (if any) of Underlying Securities to the account at the relevant Clearance System specified, or as otherwise specified, by the Securityholder and an authority to the Issuer and the relevant Clearance System to debit a specified account of the Securityholder with an amount in respect thereof;
- (c) specify the number of the Securityholder's account with the relevant Clearance System to be credited with the relevant Underlying Securities or, as the case may be, the delivery details for such Underlying Securities; and
- (d) specify such other details as the relevant Final Terms may require.

5.4 *Verification of Securityholder:*

- 5.4.1 To exercise Securities, the holder thereof must duly complete an Exercise Notice. The relevant Clearance System shall, in accordance with its normal operating procedures, verify that each person exercising Securities is the holder thereof according to the

records of such Clearance System and that such holder has an account at the relevant Clearance System which contains Securities in an amount being exercised and funds equal to any applicable Taxes and the aggregate Strike Price (if any) in respect of the Securities being exercised.

5.4.2 If, in the determination of the relevant Clearance System or the Principal Securities Agent:

- (a) the Exercise Notice is not complete or not in proper form;
- (b) the person submitting an Exercise Notice is not validly entitled to exercise the relevant Securities or not validly entitled to deliver such Exercise Notice; or
- (c) sufficient Securities or sufficient funds equal to any applicable Taxes and the aggregate Strike Price (if any) are not available in the specified account(s) with the relevant Clearance System on the Exercise Date,

that Exercise Notice will be treated as void and a new duly completed Exercise Notice must be submitted if exercise of the holder's Securities is still desired.

5.4.3 Any determination by the relevant Clearance System or the Principal Securities Agent as to any of the matters set out in Condition 5.4.2 above shall, in the absence of manifest error, be conclusive and binding upon the Issuer, the Securityholder and the beneficial owner of the Securities exercised.

5.4.4 In the case of Securities the exercise of which would require the Issuer to deliver indebtedness in bearer form, the Securityholder shall provide an Ownership Certificate as described under "Forms of Notes - Limitations on Issuance of, Payment on, and Delivery of Bearer Notes" below.

5.5 *Notification to Principal Securities Agent and Common Depositary:*

5.5.1 Subject to the verification set out in Condition 5.4.1 above, the relevant Clearance System will:

- (a) confirm to the Principal Securities Agent (copied to the Issuer and the Determination Agent) the number of Securities being exercised and the number of the account to be credited with the Cash-Settlement Amount or, as the case may be, with the Underlying Securities; and
- (b) promptly notify the Common Depositary of receipt of the Exercise Notice and the number of the Securities to be exercised.

5.5.2 Upon exercise of part of the Global Warrant, the Common Depositary will note such exercise on the Schedule to the Global Warrant and the number of Securities so exercised as represented by the Global Warrant shall be cancelled *pro tanto*.

5.6 *Deemed Exercise:*

If "**Deemed Exercise**" is specified in the relevant Final Terms to be applicable in relation to a Series of Securities, where an Exercise Notice has not been duly completed and delivered by the Latest Exercise Time on the Expiration Date in respect of any Securities of such Series, each such Security shall be deemed to have been exercised at that time on such date and/or upon such other terms as may be specified in the relevant Final Terms, subject in each case to prior termination as provided for in Conditions 7.3 (*Adjustments affecting Underlying Securities*) to 12 (*Provisions relating to all Securities*) and 15 (*Force Majeure and Illegality*). Notwithstanding such deemed exercise, the Issuer shall be under no obligation to settle any such Security until the holder has delivered an Exercise Notice in the prescribed form in accordance with Conditions 5.2 (*Form of Exercise Notice for Cash-Settlement Securities*) and/or 5.3 (*Form of Exercise Notice for Physical-Settlement Securities*) above, **provided that** where the holder has not delivered an Exercise Notice within 30 Business Days and Clearance System Business Days of the day on

which such Securities were deemed to have been exercised, such Securities shall become void for all purposes.

5.7 *Debit of Securityholder's Account:*

5.7.1 The relevant Clearance System will on or before the Cash-Settlement Payment Date or the Physical-Settlement Date, as the case may be, debit the relevant account of the Securityholder and credit the relevant account of the Principal Securities Agent (in favour of the Issuer) with: (i) the Securities being exercised, (ii) the aggregate Strike Price (if any) in respect of the Securities being exercised (plus any applicable Taxes and, in the case of Bond Securities, any accrued interest, as specified in Condition 4.5.1 above), and (iii) any other amounts and/or amounts of Underlying Securities as may be specified in the relevant Final Terms.

5.7.2 If any of the items set out in Condition 5.7.1 are not so credited to the relevant account of the Principal Securities Agent (in favour of the Issuer), then the Issuer shall be under no obligation to transfer any Underlying Securities or make any delivery or make any payment of any nature to the relevant Securityholder in respect of the Securities being exercised, and the Exercise Notice delivered in respect of such Securities shall thereafter be void for all purposes.

5.8 *Payment and delivery:*

5.8.1 In respect of Securities which have been exercised and which are specified in the relevant Final Terms as being Cash-Settlement Securities, or in respect of which the Issuer has elected Cash-Settlement in accordance with Condition 4.7 (*Optional Cash-Settlement*):

(a) the Determination Agent shall, on the date specified therefor (the "**Determination Date**") in the relevant Final Terms, determine, in its sole and absolute discretion, the Cash-Settlement Amount (if any) to be paid on the relevant Cash-Settlement Payment Date in respect of the relevant Securities and notify the Issuer and the Principal Securities Agent of such Cash-Settlement Amount on the Business Day immediately following the Determination Date, **provided that** the Determination Agent has received confirmation from the relevant Clearance System of the number of Securities which have been exercised; and

(b) the Issuer will transfer to the Principal Securities Agent the Cash-Settlement Amount in respect of the Securities being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, for value on the Cash-Settlement Payment Date, and the Principal Securities Agent will cause the Securityholder's account with the relevant Clearance System to be credited with such amount for value on the Cash-Settlement Payment Date.

5.8.2 In respect of Securities which have been exercised and which are specified in the relevant Final Terms as being Physical-Settlement Securities, or in respect of which the Issuer has elected Physical-Settlement in accordance with Condition 4.6 (*Optional Physical-Settlement*), subject, in the case of Full Physical-Settlement Securities, to transfer of the Strike Price (plus any applicable Taxes and, in the case of Bond Securities, any accrued interest, as specified in Condition 4.5.1 above) from the relevant account of the Securityholder to the relevant account of the Principal Securities Agent (in favour of the Issuer) as aforesaid, the Issuer shall, on the Physical-Settlement Date, deliver or procure the delivery of the relevant number of Underlying Securities in respect of each Security for credit to the account specified, or as may otherwise be specified, in the relevant Exercise Notice. The Issuer shall be entitled, if it so elects, to divide any Underlying Securities to be transferred into such number of lots of such size as it desires to facilitate its delivery obligations.

5.8.3 Exercise of the Securities and payments and deliveries by the Issuer and the Securities Agents will be subject in all cases to all applicable fiscal and other laws, regulations and

practices in force at the relevant time (including, without limitation, any relevant exchange control laws or regulations and the rules and procedures of the relevant Clearance System) and none of the Issuer or any Securities Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices. None of the Issuer or any Securities Agent shall under any circumstances be liable for any acts or defaults of any Clearance System in the performance of the Clearance System's duties in relation to the Securities.

5.9 *Effect of Exercise Notice:*

5.9.1 Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Securityholder to exercise the Securities specified therein, provided that the person exercising and delivering such Exercise Notice is the person then appearing in the records of the relevant Clearance System as the holder of the relevant Securities. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become void and shall be deemed not to have been so delivered.

5.9.2 After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 5.1.2) by a Securityholder, such Securityholder shall not be permitted to transfer either legal or beneficial ownership of the Securities exercised thereby. Notwithstanding this, if any Securityholder does so transfer or attempt to transfer such Securities, the Securityholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related hedging operations in reliance on the relevant Exercise Notice and subsequently: (i) entering into replacement hedging operations in respect of such Securities; or (ii) paying any amount on the subsequent exercise of such Securities without having entered into any replacement hedging operations.

5.10 *Minimum Number of Securities Exercisable:*

The Securities are exercisable in the minimum number (the "**Minimum Exercise Number**") specified in the relevant Final Terms (or, if a "**Permitted Multiple**" is specified in the relevant Final Terms, higher integral multiples of the Minimum Exercise Number) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the Securityholders in accordance with Condition 16 (*Notices*).

5.11 *Exercise and Settlement of Nordic Securities:*

Nordic Securities may only be exercised by delivery of a duly completed Exercise Notice to the NCSD Issuing Agent in respect of the relevant Tranche of Nordic Securities and these Conditions shall be construed accordingly. The NCSD Issuing Agent (or such other person designated by the then applicable NCSD Rules as responsible for such actions) shall perform the verification and debiting of the relevant securities accounts referred to in Conditions 5.4 (*Verification of Securityholder*) and 5.7 (*Debit of Securityholder's Account*) (or, as the case may be under the then applicable NCSD Rules, request and/or effect the transfer by the holder of the relevant Nordic Securities to an account blocked for further transfers until such debiting may occur) and notify the Principal Securities Agent in accordance with Condition 5.5 (*Notification to Principal Securities Agent and Common Depositary*). Cash-Settlement and, to the extent applicable, settlement in respect of Physical-Settlement Securities, will occur in accordance with the NCSD Rules and payments will be effected to the holder recorded as such on the fifth business day (as defined by the then applicable NCSD Rules) before the due date for such payment, or such other business day falling closer to the due date as may then be stipulated in said NCSD Rules (such date being the "**Record Date**" for the purposes of the Nordic Securities). Claims for any amount payable in respect of the Nordic Securities shall become void unless made within a period of ten years after the relevant due date.

5.12 Notwithstanding the foregoing, no cash, securities or other property shall be delivered in the United States (as defined in Regulation S under the Securities Act, in the CEA and in the Internal

Revenue Code of 1986, as amended) in connection with the settlement of, or exercise of, Securities.

6. **ISSUER CALL OPTION**

If the Call Option is specified in the applicable Final Terms as being applicable, the Securities may be redeemed at the option of the Issuer in whole or, if so specified in the applicable Final Terms, in part on any Optional Settlement Date at the relevant Optional Settlement Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Securities specified in such notice on the relevant Optional Settlement Date (Call) at the Optional Settlement Amount (Call) plus accrued interest (if any) to such date).

7. **PROVISIONS RELATING TO SHARE SECURITIES, SHARE BASKET SECURITIES, INDEX SECURITIES AND INDEX BASKET SECURITIES**

This Condition 7 is applicable only in relation to Securities specified in the relevant Final Terms as being Share Securities, Share Basket Securities, Index Securities or Index Basket Securities.

7.1 *Valuation, Market Disruption and Averaging Dates:*

7.1.1 **"Valuation Date"** means, unless otherwise specified in the relevant Final Terms, each Exercise Date (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 7.1.2. If any Valuation Date is a Disrupted Day, then:

- (a) in the case of an Index Security or Share Security, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine in its sole and absolute discretion:
  - (i) in respect of an Index Security, the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that eighth Scheduled Trading Day); and
  - (ii) in respect of a Share Security, its good faith estimate of the value for the Underlying Security as of the Valuation Time on that eighth Scheduled Trading Day;
- (b) in the case of an Index Basket Security, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine, in its sole and absolute discretion, the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the

occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day); and

- (c) in the case of a Share Basket Security, the Valuation Date for each Underlying Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Underlying Security affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Underlying Security, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Underlying Security. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Underlying Security, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine, in its sole and absolute discretion, its good faith estimate of the value for that Underlying Security as of the Valuation Time on that eighth Scheduled Trading Day.

7.1.2 For the purposes hereof:

**"Disrupted Day"** means (a) except with respect to a Multi-exchange Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred, and (b) with respect to any Multi-exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred;

**"Early Closure"** means (a) except with respect to a Multi-exchange Index, the closure on any Exchange Business Day of the relevant Exchange (or, in the case of an Index Security or Index Basket Security, any relevant Exchange(s) relating to securities or other property that comprise(s) 20 per cent. or more of the level of the relevant Index) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day and (b) with respect to any Multi-exchange Index, the closure on any Exchange Business Day of the Exchange in respect of any Component or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into such Exchange or Related Exchange system for execution at the relevant Determination Time on such Exchange Business Day;

**"Exchange Disruption"** means (a) except with respect to a Multi-exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent in its sole and absolute discretion) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Underlying Securities on the Exchange (or, in the case of an Index Security or Index Basket Security, on any relevant Exchange(s) in securities or other property that comprise(s) 20 per cent. or more of the level of the relevant Index), or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Underlying Security or the relevant Index on any relevant Related Exchange and (b) with respect to any Multi-exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general

to effect transactions in, or obtain market values for, (i) any Component on the Exchange in respect of such Component; or (ii) futures or options contracts relating to the Index on the Related Exchange;

**"Market Disruption Event"** means (a) in respect of an Underlying Security or Index other than a Multi-exchange Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Determination Agent determines is material (such determination to be at the Determination Agent's sole and absolute discretion), at any time during the one hour period that ends at the relevant Valuation Time, or (iii) an Early Closure. For the purposes of determining whether a Market Disruption Event in respect of an Index exists at any time, if a Market Disruption Event occurs in respect of a security or other property included in the Index at any time, then the relevant percentage contribution of that security or other property to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security or other property and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event; and (b) with respect to any Multi-exchange Index either (i)(A) the occurrence or existence, in respect of any Component, of (1) a Trading Disruption, (2) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component is principally traded, OR (3) an Early Closure; AND (B) the aggregate of all Components in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (A) a Trading Disruption, (B) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange; or (c) an Early Closure;

For the purposes of determining whether a Market Disruption Event exists in respect of a Component at any time, if a Market Disruption Event occurs in respect of such Component at that time, then the relevant percentage contribution of that Component to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component to (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market "opening data";

**"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date (ignoring for the purposes of this definition any postponement of the Potential Exercise Date or Expiration Date as a result of the occurrence of a Disrupted Day and assuming that the original Potential Exercise Date or original Expiration Date, as the case may be, would have been a Valuation Date); and

**"Trading Disruption"** means (a) except with respect to a Multi-exchange Index any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Underlying Security on the Exchange (or, in the case of an Index Security or Index Basket Security, on any relevant Exchange(s) relating to securities or other property that comprise(s) 20 per cent. or more of the level of the relevant Index), or (ii) in futures or options contracts relating to the Share or the relevant Index on any relevant Related Exchange and (b) with respect to any Multi-exchange Index, any suspension of or limitation imposed on trading by the Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or Related Exchange or otherwise (i) relating to any Component on the Exchange in respect of such Component; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

- 7.1.3 If Averaging Dates are specified in the relevant Final Terms as being applicable, then, notwithstanding any other provisions of these Conditions, the following provisions will

apply to the valuation of the relevant Index, Underlying Security or Basket in relation to a Valuation Date:

- (a) **"Averaging Date"** means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).
- (b) For purposes of determining the Settlement Price in relation to a Valuation Date, the Settlement Price will be:
  - (i) in respect of an Index Security or a Share Security that is a Cash-Settlement Security or a Part Physical-Settlement Security, the arithmetic mean of the Relevant Prices of the Index or the Underlying Securities on each Averaging Date;
  - (ii) in respect of an Index Basket Security, the arithmetic mean of the amounts for the Basket determined by the Determination Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Price are so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the relevant Final Terms); and
  - (iii) in respect of a Share Basket Security that is a Cash-Settlement Security or a Part Physical-Settlement Security, the arithmetic mean of the amounts for the Basket determined by the Determination Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the values calculated for the Underlying Securities of each Underlying Security Issuer as the product of (1) the Relevant Price of such Underlying Security and (2) the number of such Underlying Securities comprised in the Basket.
- (c) If an Averaging Date is a Disrupted Day, then if, in relation to **"Averaging Date Disruption"**, the consequence specified in the relevant Final Terms is:
  - (i) **"Omission"**, then such Averaging Date will be deemed not to be a relevant Averaging Date for the purposes of determining the relevant Settlement Price, **provided that**, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 7.1.1 will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such Averaging Date were a Valuation Date that was a Disrupted Day;
  - (ii) **"Postponement"**, then Condition 7.1.1 will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the relevant Security; or
  - (iii) **"Modified Postponement"**, then:
    - (1) in the case of an Index Security or a Share Security, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the

Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and (B) the Determination Agent shall determine, in its sole and absolute discretion, the relevant level or price for that Averaging Date in accordance with (x) in the case of an Index Security, Condition 7.1.1(a)(2)(i) and (y) in the case of a Share Security, Condition 7.1.1(a)(2)(ii);

- (2) in the case of an Index Basket Security or a Share Basket Security, the Averaging Date for each Underlying Security or Index not affected by the occurrence of a Disrupted Day shall be the date specified in the relevant Final Terms as an Averaging Date in relation to the relevant Valuation Date and the Averaging Date for an Underlying Security or Index affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Underlying Security or Index. If the first succeeding Valid Date in relation to such Underlying Security or Index has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Underlying Security or Index, and (B) the Determination Agent shall determine, in its sole and absolute discretion, the relevant level or amount for that Averaging Date in accordance with (x) in the case of an Index Basket Security, Condition 7.1.1(b)(2) and (y) in the case of a Share Basket Security, Condition 7.1.1(c)(2); and
  - (3) "**Valid Date**" shall mean a Scheduled Trading Day that is not a Disrupted Day and which another Averaging Date in respect of the relevant Valuation Date does not or is not deemed to occur.
- (d) If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash-Settlement Payment Date or, as the case may be, the relevant Physical-Settlement Date or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

## 7.2 *Adjustments to Indices:*

This Condition 7.2 is applicable only in relation to Securities specified in the relevant Final Terms as being Index Securities or Index Basket Securities.

### 7.2.1 *Successor Index:*

If a relevant Index is (a) not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor acceptable to the Determination Agent in its sole and absolute discretion or (b) replaced by a successor index using, in the determination of the Determination Agent (such determination to be at the

Determination Agent's sole and absolute discretion), the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that index (the "**Successor Index**") will be deemed to be the Index.

#### 7.2.2 *Index Adjustment Events:*

If (i) on or prior to any Valuation Date, or any Averaging Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent securities (or other property) and capitalisation and other routine events) (an "**Index Modification**") or permanently cancels the Index and no Successor Index exists (an "**Index Cancellation**") or (ii) on any Valuation Date, or any Averaging Date, the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**") and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**", then (A) in the case of an Index Modification or an Index Disruption, the Determination Agent shall determine if such Index Adjustment Event has a material effect on the Securities and, if so, shall calculate in its sole and absolute discretion the relevant Settlement Price or Final Price, as the case may be, using, *in lieu* of a published level for that Index, the level for that Index as at that Valuation Date or, as the case may be, that Averaging Date as determined by the Determination Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change, failure or cancellation, but using only those securities or other property that comprised that Index immediately prior to that Index Adjustment Event and (B) in the case of an Index Cancellation, the Issuer may, at any time thereafter and in its sole and absolute discretion, determine that the Securities shall be terminated as of any later date. If the Issuer so determines that the Securities shall be terminated, then the Securities shall cease to be exercisable (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Securityholders to receive the Underlying Securities or payment of the Cash-Settlement Amount, as the case may be, pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Security with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Security after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion. The Issuer's obligations under the Securities shall be satisfied in full upon payment of such amount. If the Issuer determines that the relevant Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the exercise, settlement, or payment terms of the relevant Securities and/or any other adjustment (including without limitation, the substitution of the Index) which adjustment shall be effective on such date as the Determination Agent shall determine.

#### 7.2.3 *Correction of Index Levels:*

If the level of an Index published by the Index Sponsor and which is utilised by the Determination Agent for any calculation or determination (the "**Original Determination**") under the Securities is subsequently corrected and the correction (the "**Corrected Value**") is published by the Index Sponsor by such time as may be specified in the relevant Final Terms (or, if none is so specified, within one Settlement Cycle after the original publication and prior to the final Valuation Date), then the Determination Agent will notify the Issuer and the Fiscal Agent of the Corrected Value as soon as reasonably practicable and shall determine the relevant value (the "**Replacement Determination**") using the Corrected Value. If the result of the Replacement Determination is different from the result of the Original Determination, to the extent that it determines to be necessary, the Determination Agent may adjust any relevant terms accordingly.

7.3 *Adjustments affecting Underlying Securities:*

This Condition 7.3 is applicable only in relation to Securities specified in the relevant Final Terms as being Share Securities or Share Basket Securities.

7.3.1 *Adjustments for Potential Adjustment Events:*

(a) Following the declaration by the Underlying Security Issuer of the terms of a Potential Adjustment Event, the Determination Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Underlying Securities and, if so, will (i) make such adjustment as it in its sole and absolute discretion considers appropriate, if any, to the Strike Price, the formula for the Cash-Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the relevant Final Terms, the number of Underlying Securities to which each Security relates, the number of Underlying Securities comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered in respect of such Securities and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the relevant Securities as the Determination Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and (ii) determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s).

(b) *For the purposes hereof:*

**"Extraordinary Dividend"** means the dividend per Underlying Security, or portion thereof, which the Determination Agent determines should be characterised as an Extraordinary Dividend.

**"Potential Adjustment Event"** means any of the following:

- (i) a subdivision, consolidation or reclassification of relevant Underlying Securities (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Securities to existing holders by way of bonus, capitalisation or similar issue; or
- (ii) a distribution, issue or dividend to existing holders of the relevant Underlying Securities of (A) such Underlying Securities, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Security Issuer equally or proportionately with such payments to holders of such Underlying Securities, or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Underlying Security Issuer as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Determination Agent in its sole and absolute discretion; or
- (iii) an Extraordinary Dividend; or
- (iv) a call by the Underlying Security Issuer in respect of relevant Underlying Securities that are not fully paid; or
- (v) a repurchase by the Underlying Security Issuer or any of its subsidiaries of relevant Underlying Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (vi) in respect of the Underlying Security Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares

of common stock or other shares of the capital stock of the Underlying Security Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, Securities, debt instruments or stock rights at a price below their market value, as determined by the Determination Agent in its sole and absolute discretion, **provided that** any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or

- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Underlying Securities; or
- (viii) any other event specified as such in the relevant Final Terms.

#### 7.3.2 *European currency related adjustments:*

If any relevant Underlying Securities were originally quoted, listed and/or dealt as of the Initial Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the EC Treaty, and are at any time thereafter quoted, listed and/or dealt exclusively in euro on the Exchange or, where no Exchange is specified in the relevant Final Terms, the principal market on which such Underlying Securities are traded, then the Determination Agent will adjust any amount or quantity that is payable or deliverable in respect of the Securities and/or any other settlement, payment or other terms of the Securities as the Determination Agent determines appropriate to preserve the economic terms of the Securities. The Determination Agent will make any conversion necessary for purposes of any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Determination Agent prevailing as of the Valuation Time. No adjustments under this Condition 7.3.2 will affect the currency denomination of any payment obligations of the Issuer under the Securities.

#### 7.3.3 *Correction of Underlying Security Prices:*

If any price published on the Exchange and which is utilised by the Determination Agent for any calculation or determination (the "**Original Determination**") under the Securities is subsequently corrected and the correction (the "**Corrected Value**") is published by the Exchange by such time as may be specified in the relevant Final Terms (or, if none is so specified, within one Settlement Cycle after the original publication and prior to the final Valuation Date), then the Determination Agent will notify the Issuer and the Fiscal Agent of the Corrected Value as soon as reasonably practicable and shall determine the relevant value (the "**Replacement Determination**") using the Corrected Value. If the result of the Replacement Determination is different from the result of the Original Determination, to the extent that it determines to be necessary, the Determination Agent may adjust any relevant terms accordingly.

#### 7.4 *Extraordinary Events:*

This Condition 7.4 is applicable only in relation to Securities specified in the relevant Final Terms as being Share Securities or Share Basket Securities.

##### 7.4.1 *Merger Event or Tender Offer:*

- (a) Following the occurrence of any Merger Event or Tender Offer, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Securities shall continue.
- (b) If the Issuer determines that the relevant Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the Strike Price, the formula for the Cash-Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the relevant Final Terms, the number of Underlying Securities to which each Security relates, the number of Underlying Securities

comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered under such Securities and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Securities and/or any other adjustment (including without limitation, in relation to Share Basket Securities, the cancellation of terms applicable in respect of Underlying Securities affected by the relevant Merger Event or Tender Offer) which adjustment shall be effective on such date as the Determination Agent shall determine.

- (c) If the Issuer determines that the relevant Securities shall be terminated, then the relevant Securities shall cease to be exercisable as of the Merger Date (in the case of a Merger Event) or Tender Offer Date (in the case of a Tender Offer) (or, in the case of any Securities which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to receive Underlying Securities or the Cash-Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below) (in the case of a Merger Event) or Tender Offer Settlement Amount (in the case of a Tender Offer).

- (d) For the purposes hereof:

**"Merger Date"** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Determination Agent in its sole and absolute discretion.

**"Merger Event"** means, in respect of any relevant Underlying Securities, as determined by the Determination Agent, acting in a commercially reasonable manner, any: (i) reclassification or change of such Underlying Securities that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Securities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Security Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Security Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Securities outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Securities of the Underlying Security Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Securities (other than such Underlying Securities owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Security Issuer or its subsidiaries with or into another entity in which the Underlying Security Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Securities outstanding but results in the outstanding Underlying Securities (other than Underlying Securities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Securities immediately following such event (a **"Reverse Merger"**), in each case if the Merger Date is on or before, (A) in respect of Securities where settlement by delivery applies, the later to occur of the Expiration Date and the Physical-Settlement Date or, (B) in any other case, the final Valuation Date.

**"Merger Event Settlement Amount"** means an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Security with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Security after that date but for the

occurrence of the Merger Event, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

**"Tender Offer"** means, in respect of any Underlying Securities, as determined by the Determination Agent, acting in a commercially reasonable manner, a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Underlying Security Issuer, as determined by the Determination Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Determination Agent deems relevant.

**"Tender Offer Date"** means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained, as determined by the Determination Agent in its sole and absolute discretion.

**"Tender Offer Settlement Amount"** means an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Security with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Security after that date but for the occurrence of the Tender Offer, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

7.4.2 *Nationalisation, Insolvency and Delisting:*

- (a) If in the determination of the Determination Agent, acting in a commercially reasonable manner:
- (1) all the Underlying Securities or all or substantially all the assets of the Underlying Security Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof ("**Nationalisation**"); or
  - (2) by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency, dissolution or winding-up of or any analogous proceeding affecting a Underlying Security Issuer, (1) all the Underlying Securities of that Underlying Security Issuer are required to be transferred to a trustee, liquidator or other similar official or (2) holders of the Underlying Securities of that Underlying Security Issuer become legally prohibited from transferring them ("**Insolvency**"); or
  - (3) the Exchange announces that pursuant to the rules of such Exchange, the Underlying Securities cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) ("**Delisting**"),

then the Issuer will, in its sole and absolute discretion, determine whether or not the Securities shall continue.

- (b) If the Issuer determines that the relevant Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the Strike Price, the formula for the Cash-Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the relevant Final Terms, the number of Underlying Securities to which each Security relates, the number of Underlying Securities comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered under such Securities and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Securities and/or any other adjustment (including without limitation, in relation to Share Basket Securities or Index Basket Securities, the cancellation of terms applicable in respect of Underlying Securities or any Index, as the case may be, affected by the relevant Additional Disruption Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.
- (c) If the Issuer determines that the relevant Securities shall be terminated, then the relevant Securities shall cease to be exercisable (or, in the case of any Securities which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to receive Underlying Securities or the Cash-Settlement Amount, as the case may be, pursuant to such exercise shall cease) as of the Announcement Date and the Issuer's obligations under the Securities shall be satisfied in full upon payment of an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Security with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Security after that date but for the occurrence of such Nationalisation, Insolvency or Delisting, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.
- (d) For the purposes hereof, "**Announcement Date**" means, as determined by the Determination Agent in its sole and absolute discretion: (i) in the case of a Nationalisation, the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (ii) in the case of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency and (iii) in the case of a Delisting, the date of the first public announcement by the Exchange that the Underlying Securities will cease to be listed, traded or publicly quoted in the manner described in (a)(iii) above. In respect of any such event, if the announcement of such event is made after the actual closing time for the regular trading session on the relevant Exchange, without regard to any after hours or any other trading outside of regular trading session hours, the Announcement Date shall be deemed to be the next following Scheduled Trading Day.

7.5 *Additional Disruption Events:*

- (a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Securities shall continue.
- (b) If the Issuer determines that the relevant Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the Strike Price, the formula for the Cash-Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the relevant Final Terms, the number of Underlying Securities to which each Security relates, the number of Underlying Securities comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered under such Securities and, in

any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Securities and/or any other adjustment (including without limitation, in relation to Share Basket Securities or Index Basket Securities, the cancellation of terms applicable in respect of any Underlying Securities or Index, as the case may be, affected by the relevant Additional Disruption Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

- (c) If the Issuer determines that the relevant Securities shall be terminated, then the relevant Securities shall cease to be exercisable (or, in the case of any Securities which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to receive Underlying Securities or the Cash-Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Security with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Security after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.
- (d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Fiscal Agent and the Determination Agent of the occurrence of an Additional Disruption Event.

7.6 In relation to Share Securities, Share Basket Securities, Index Securities or Index Basket Securities, the following expressions have the meanings set out below:

**"Additional Disruption Event"** means, with respect to a series of Share Securities or Share Basket Securities (unless otherwise specified in the relevant Final Terms) a Change of Law, Hedging Disruption, Increased Cost of Hedging or Loss of Stock Borrow (as defined below), and any further event or events specified in the applicable Final Terms as an Additional Disruption Event applicable with respect to such Securities.

**"Basket"** means:

- (i) in respect of an Index Basket Security, a basket composed of each Index specified in the relevant Final Terms in the relative proportions specified in such Final Terms; and
- (ii) in respect of a Share Basket Security and a Bond Security, a basket composed of Underlying Securities of each Underlying Security Issuer specified in the relevant Final Terms in the relative proportions or number of Underlying Securities of each Underlying Security Issuer specified in such Final Terms;

**"Change in Law"** means that, on or after the Initial Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (X) it has become illegal to hold, acquire or dispose of any relevant Underlying Securities, or (Y) it will incur a materially increased cost in performing its obligations with respect to the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

**"Component"** means, in respect of an Index, any securities comprising such Index;

**"Exchange"** means (1) in respect of an Underlying Security relating to a Share Security or Share Basket Security or an Index relating to an Index Security or Index Basket Security other than a Multi-exchange Index, each exchange or quotation system specified as such for the relevant Underlying Security or Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the relevant Underlying Security (in the case of a Share Security or Share Basket Security) or the securities

comprised in the relevant Index (in the case of an Index Security or Index Basket Security) has temporarily relocated (**provided that** the Determination Agent has determined that there is comparable liquidity relative to such Underlying Security or, as the case may be, the securities comprised in such Index on such temporary substitute exchange or quotation system as on the original Exchange) or if none is specified, the principal exchange or quotation system for trading in such Underlying Security or Index, as determined by the Determination Agent, and (2) in respect of a Multi-exchange Index, and in respect of each Component, the principal stock exchange on which such Component is principally traded, as determined by the Determination Agent;

**"Exchange Business Day"** means (1) in respect of an Underlying Security relating to a Share Security or Share Basket Security or an Index relating to an Index Security or Index Basket Security other than a Multi-exchange Index, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time or (2) with respect to an Index Security or Index Basket Security relating to a Multi-exchange Index, any Scheduled Trading Day on which (a) the Index Sponsor publishes the level of the Index and (b) the Related Exchange is open for trading during its regular trading session, notwithstanding that any Exchange or Related Exchange closing prior to its Scheduled Closing Time;

**"Hedging Disruption"** means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) which the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the relevant Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s);

**"Increased Cost of Hedging"** means that the Issuer would incur a materially increased (as compared with circumstances existing on the Initial Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Securities or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), **provided that** any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging;

**"Index"** means, in respect of any Index Security or Index Basket Security and subject to Condition 7.2 (*Adjustments to Indices*), each index specified as such in the relevant Final Terms;

**"Index Sponsor"** means, in respect of an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Scheduled Trading Day;

**"Loss of Stock Borrow"** means that the Issuer is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) Underlying Securities with respect to the relevant Securities in an amount which the Issuer deems necessary to hedge the risk of entering into and performing its obligations with respect to the Securities (not to exceed the number of Underlying Securities) at a rate as determined by the Issuer;

**"Multi-exchange Index"** means any Index specified as such in the relevant Final Terms;

**"Related Exchange"** means, subject to the proviso below, in respect of an Underlying Security relating to a Share Security or Share Basket Security or an Index relating to an Index Security or Index Basket Security, each exchange or quotation system specified as such for such Underlying Security or Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Underlying Security or such Index has temporarily relocated (**provided that** the Determination Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Underlying Security or such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), **provided**,

**however, that** where "**All Exchanges**" is specified as the Related Exchange in the relevant Final Terms, "**Related Exchange**" shall mean each exchange or quotation system where trading has a material effect (as determined by the Determination Agent) on the overall market for futures or options contracts relating to such Underlying Security or such Index;

**"Relevant Price"** on any day means:

- (i) in respect of an Underlying Security to which a Share Security or a Share Basket Security relates, the price per Underlying Security determined by the Determination Agent as provided in the relevant Final Terms as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be, or, if no means for determining the Relevant Price are so provided: (a) in respect of any Underlying Security for which the Exchange is an auction or "open outcry" exchange that has a price as of the Valuation Time at which any trade can be submitted for execution, the Relevant Price shall be the price per Underlying Security as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be, as reported in the official real-time price dissemination mechanism for such Exchange; and (b) in respect of any Underlying Security for which the Exchange is a dealer exchange or dealer quotation system, the Relevant Price shall be the mid-point of the highest bid and lowest ask prices quoted as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be (or the last such prices quoted immediately before the Valuation Time), without regard to quotations that "lock" or "cross" the dealer exchange or dealer quotation system;
- (ii) in respect of an Index to which an Index Security or an Index Basket Security relates, the level of such Index determined by the Determination Agent as provided in the relevant Final Terms as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be, or, if no means for determining the Relevant Price are so provided, the level of the Index as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be;

**"Scheduled Closing Time"** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours;

**"Scheduled Trading Day"** means (1) except with respect to a Multi-exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions and (2) with respect to a Multi-exchange Index, any day on which (a) the Index Sponsor is scheduled to publish the level of the Index and (b) the Related Exchange is scheduled to be open for trading for its regular trading session;

**"Settlement Price"** means, in respect of a Share Security, a Share Basket Security, an Index Security or an Index Basket Security, the price, level or amount as determined by the Determination Agent, in its sole and absolute discretion, in accordance with the relevant Final Terms; and

**"Valuation Time"** means, in respect of Share Securities, Share Basket Securities, Index Securities or Index Basket Securities, the time on the relevant Valuation Date or Averaging Date, as the case may be, specified as such in the relevant Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange in relation to each Underlying Security or Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

## 8. PROVISIONS RELATING TO BOND SECURITIES

This Condition 8 is applicable only in relation to Securities specified in the relevant Final Terms as being Bond Securities.

### 8.1 *Conversion:*

8.1.1 Following the occurrence of any Conversion, the Issuer will, in its sole and absolute discretion, determine whether or not the Securities will continue and, if so, the Determination Agent will determine, in its sole and absolute discretion, any adjustments to be made.

8.1.2 If the Issuer determines that the Securities shall continue, the Determination Agent may make such adjustment as it, in its sole and absolute discretion considers appropriate, to the Strike Price, the formula for the Cash-Settlement Amount set out in the relevant Final Terms, the Bond Security Entitlement, the number of Underlying Securities to which each Security relates, the number of Underlying Securities comprised in a Basket, the amount, number of or type of bonds or other debt securities which may be delivered under such Securities and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Securities and/or any other adjustment and determine, in its sole and absolute discretion, the effective date(s) of such adjustment.

8.1.3 If the Issuer determines that the Securities shall be terminated, then the Securities shall cease to be exercisable (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Securityholders to receive Underlying Securities or the Cash-Settlement Amount, as the case may be, pursuant to such exercise, shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of the Conversion Settlement Amount.

8.1.4 For the purposes hereof:

**"Conversion"** means, as determined by the Determination Agent, acting in a commercially reasonable manner, in respect of any relevant Underlying Securities any irreversible conversion by the Underlying Security Issuer, of such Underlying Securities into other securities.

**"Conversion Settlement Amount"** means an amount which the Determination Agent, acting in a commercially reasonable manner, determines is the fair value to the Securityholder of a Security with terms that would preserve the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the Security but for the occurrence of the Conversion, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

### 8.2 *Correction to published prices:*

For the purposes of determining the Spot Price for any day, if applicable, as specified in the relevant Final Terms for the purposes of calculating the Cash-Settlement Amount or any other amount in respect of a Bond Security, if the price published or announced on a given day and used or to be used by the Determination Agent to determine a Spot Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement by such time as may be specified in the relevant Final Terms (or, if none is so specified, within thirty days of the original publication or announcement, and the Determination Agent determines (in its sole and absolute discretion) that an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Securityholder, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of actual cost) to the Issuer of funding that amount for the period from and including the day on which a payment originally was made, to but excluding the day of payment of the refund or payment resulting from that correction (all

as determined by the Determination Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall agree with the Principal Securities Agent and shall be notified to the relevant Securityholder(s) by facsimile or telex to the number specified in the relevant Exercise Notice.

8.3 *In relation to Bond Securities, the following expressions have the meanings set out below:*

**"Exchange"** means each securities exchange or trading market specified as such in the relevant Final Terms (including any successor to that securities exchange or trading market) for so long as the Underlying Securities are listed or otherwise included in that securities exchange or trading market. If the specified Exchange ceases to list or otherwise include the Underlying Securities and the Underlying Securities are listed or otherwise included in any other securities exchange or trading market, the Determination Agent will, in its sole and absolute discretion, select an alternative securities exchange or trading market;

**"Exchange Business Day"** means, in respect of any Bond Security, any day that is a trading day on the Exchange (or on each Exchange if more than one is specified) other than a day on which trading on the Exchange is scheduled to close prior to its regular weekday closing time;

**"Spot Price"** means, in respect of any Bond Security:

- (i) if the Strike Price is stated as an amount in the relevant currency, the price for the Underlying Securities, stated as an amount in the relevant currency, equal in amount to the nominal amount (the **"Bond Security Entitlement"**) specified in the relevant Final Terms of the relevant Underlying Securities to which one Security relates; and
- (ii) if the Strike Price is stated as a percentage of the nominal value of the Underlying Securities, the price of the Underlying Securities stated as a percentage of their nominal value,

in each case, as of the Valuation Time on the relevant Exercise Date, as determined by the Determination Agent in its sole and absolute discretion; and

**"Valuation Time"** means in the case of Bond Securities, the time specified as such in the relevant Final Terms.

## 9. PROVISIONS RELATING TO CURRENCY SECURITIES

This Condition 9 is applicable only in relation to Securities specified in the relevant Final Terms as being Currency Securities.

9.1 *Valuation Date:* **"Valuation Date"** means, in respect of any Series of Currency Securities, the date(s) specified as such in the relevant Final Terms, **provided that** where the Valuation Date is not a Currency Business Day then the Valuation Date shall be the first preceding day that is a Currency Business Day, unless otherwise specified in the relevant Final Terms. Unless otherwise specified in the relevant Final Terms and subject to Condition 9.2 (*Averaging*), the Valuation Date will be the two Currency Business Days prior to the Exercise Date.

9.2 *Averaging:* If Averaging Dates are specified in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the determination of the Settlement Rate in relation to a Valuation Date:

9.2.1 **"Averaging Date"** means, in respect of a Valuation Date, each date specified as such or otherwise determined as provided in the relevant Final Terms, **provided that** if any such date is not a Currency Business Day, such date shall be the first preceding day that is a Currency Business Day, unless otherwise specified in the relevant Final Terms.

9.2.2 For purposes of determining the Settlement Rate in relation to a Valuation Date, the Settlement Rate will be the arithmetic mean of the Spot Rates on each Averaging Date (or, if different, the day on which rates for each Averaging Date would, in the ordinary course, be published or announced by the relevant price source).

9.2.3 Unless otherwise specified in the relevant Final Terms, in the case where it becomes impossible to obtain the Spot Rate on an Averaging Date (or, if different, the day on which rates for that Averaging Date would, in the ordinary course, be published or announced by the relevant price source), such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Rate. If through the operation of this Condition 9.2.3, there would not be an Averaging Date with respect to the relevant Valuation Date, the provisions of Conditions 9.3 (*Currency Disruption Events*) and 9.4 (*Currency Disruption Fallbacks*) shall apply for purposes of determining the relevant Spot Rate on the final Averaging Date with respect to that Valuation Date as if such Averaging Date were a Valuation Date on which a Price Source Disruption had occurred.

9.3 *Currency Disruption Events:*

9.3.1 If so specified in the Final Terms relating to any Series of Securities, the following shall constitute "**Currency Disruption Events**" for the purposes of such Series:

- (a) "**Price Source Disruption**", which means it becomes impossible, as determined by the Determination Agent, acting in a commercially reasonable manner, to determine the Settlement Rate on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source in accordance with the relevant price source); and
- (b) any other (if any) currency disruption event specified in the relevant Final Terms.

9.3.2 If the relevant Final Terms specifies that any Currency Disruption Event shall be applicable to such Series, then, where the Determination Agent determines, acting in a commercially reasonable manner, that such Currency Disruption Event has occurred and is continuing in respect of such Series:

- (a) in the case of Price Source Disruption, on the day that is the Valuation Date in respect of such Series (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source); and
- (b) in the case of any other Currency Disruption Event, on such day as may be specified for this purpose in the relevant Final Terms,

then the Settlement Rate for such Series will be determined, or the Securities of such Series shall be settled following exercise, as the case may be, in accordance with the terms of the Currency Disruption Fallback first applicable pursuant to Condition 9.4 (*Currency Disruption Fallbacks*).

9.4 *Currency Disruption Fallbacks:*

9.4.1 If so specified in the Final Terms relating to any Series of Securities, the following shall constitute "**Currency Disruption Fallbacks**" for the purposes of such Series, and the relevant Final Terms shall specify which Currency Disruption Fallback(s) shall apply to such Series, to which Currency Disruption Event each such Currency Disruption Fallback shall apply and, where more than one Currency Disruption Fallback may apply to a Currency Disruption Event, the order in which such Currency Disruption Fallback(s) shall apply to such Currency Disruption Event:

- (a) "**Determination Agent Determination of Settlement Rate**" means that the Determination Agent will determine, in its sole and absolute discretion, the Settlement Rate (or a method for determining the Settlement Rate), taking into consideration all available information that it deems relevant;
- (b) "**Fallback Reference Price**" means, in respect of Price Source Disruption or any other Currency Disruption Event, that the Determination Agent will

determine, in its sole and absolute discretion, the Settlement Rate for such Series on the relevant Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced) pursuant to the Settlement Rate Option referred to as Currency-Reference Dealers (save that, if so specified in the relevant Final Terms, the reference in the definition of Currency-Reference Dealers to the Cash-Settlement Payment Date shall be a reference to such date as is specified for such purpose in the relevant Final Terms) or pursuant to such other Settlement Rate Option as may be specified in the relevant Final Terms; and

(c) any other currency disruption fallbacks specified in the relevant Final Terms.

9.4.2 Where more than one Currency Disruption Event occurs or exists or is deemed to occur or exist, then, unless the relevant Final Terms has specified which Currency Disruption Fallback shall apply in such circumstances, the Determination Agent shall determine, in its sole and absolute discretion, which Currency Disruption Fallback shall apply.

9.5 In relation to Currency Securities, the following expressions have the meanings set out below:

**"Basket"** means a basket composed of each Reference Currency specified in the relevant Final Terms;

**"Currency Business Day"** means, unless otherwise specified in the relevant Final Terms, for the purposes of:

- (i) the definition of Cash-Settlement Payment Date, in respect of any Series of Securities: any day (1) that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close (x) in The City of New York or London, or (y) in relation to sums payable in currencies other than U.S. dollars, euro or Australian dollars, in the principal financial centre of the country of the relevant currency, (z) in relation to sums payable in Australian dollars, in Sydney and (2) in relation to sums payable in euro, a day that is also a TARGET Settlement Day;
- (ii) the definition of Valuation Date in Condition 9.1 (*Valuation Date*): (1) a day on which commercial banks are (or but for the occurrence of a Currency Disruption Event would have been) open for general business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange markets) in the Principal Financial Centre(s) of the Reference Currency or (2) where the currency to be valued is euro, a day that is a TARGET Settlement Day and a Business Day; and
- (iii) the definition of Exercise Date, Exercise Period and Expiration Date and any other purpose: (1) a day on which commercial banks are open for general business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the Principal Financial Centre(s) of the Reference Currency and (2) where one of the Currency Pair is euro, a day that is a TARGET Settlement Day;

**"Currency Pair"** means the Reference Currency and the Settlement Currency;

**"Currency-Reference Dealers"** is a Settlement Rate Option which means that the Spot Rate for a Rate Calculation Date will be determined on the basis of quotations provided by Reference Dealers on that Rate Calculation Date of that day's Specified Rate, expressed as the amount of Reference Currency per one unit of Settlement Currency for the purposes of calculating the Cash-Settlement Amount. The Determination Agent will request the Specified Office of each of the Reference Dealers to provide a firm quotation of its Specified Rate for a transaction where the amount of Reference Currency equals the Specified Amount. If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the Specified Rates, without regard to the Specified Rates having the highest and lowest value. If exactly three quotations are provided, the rate for a Rate Calculation Date will be the Specified Rate provided by the Reference Dealer that remains after disregarding the Specified Rates having the highest and lowest values. For this purpose, if more than one quotation has the same highest value or lowest value, then the Specified Rate of one of such quotations shall be disregarded. If exactly two quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the

Specified Rates. If only one quotation is provided, the rate for a Rate Calculation Date will be the Specified Rate quoted by that Reference Dealer. The quotations used to determine the Spot Rate for a Rate Calculation Date will be determined in each case at the Specified Time on that Rate Calculation Date or, if no such time is specified, the time chosen by the Determination Agent;

**"Rate Calculation Date"** means any Valuation Date or Averaging Date (as defined in Conditions 9.1 (*Valuation Date*) and 9.2 (*Averaging*) respectively);

**"Reference Currency"** means the currency specified as such in the relevant Final Terms;

**"Reference Currency Jurisdiction"** means the jurisdiction specified as such in the relevant Final Terms;

**"Settlement Rate"** means the rate as determined by the Determination Agent, in its sole and absolute discretion, in accordance with the relevant Final Terms and, where applicable shall be determined in accordance with Condition 9.2 (*Averaging*);

**"Settlement Rate Option"** means for the purposes of calculating the Settlement Rate, the Settlement Rate Option specified in the relevant Final Terms (or deemed specified pursuant to Condition 9.4 (*Currency Disruption Fallbacks*));

**"Specified Amount"** means the amount of Reference Currency specified as such in the relevant Final Terms;

**"Specified Rate"** means any of the following rates, as specified in the relevant Final Terms: (i) the Reference Currency bid exchange rate, (ii) the Reference Currency offer exchange rate, (iii) the average of the Reference Currency bid and offer exchange rates, (iv) the Settlement Currency bid exchange rate, (v) the Settlement Currency offer exchange rate, (vi) the average of the Settlement Currency bid and offer exchange rates, (vii) the official fixing rate or (viii) any other exchange rate specified in the relevant Final Terms. If no such rate is specified, the Specified Rate will be deemed to be the average of the Reference Currency bid and offer rate; and

**"Spot Rate"** means for any Valuation Date (as defined in Condition 9.1 (*Valuation Date*)), the relevant currency exchange rate determined in accordance with the specified (or deemed specified) Settlement Rate Option and, if a Settlement Rate Option is not specified (or deemed specified), the currency exchange rate at the time at which such rate is to be determined for foreign exchange transactions in the Currency Pair for value on the relevant Valuation Date, as determined in good faith and in a commercially reasonable manner by the Determination Agent.

## 10. PROVISIONS RELATING TO COMMODITY SECURITIES

This Condition 10 is applicable only in relation to Securities specified in the relevant Final Terms as being Commodity Securities.

- 10.1 *Corrections to published prices:* For the purposes of determining the Relevant Price for any Pricing Date, if applicable, as specified in the relevant Final Terms for the purposes of calculating the Cash-Settlement Amount or any other amount in respect of a Commodity Security, if the price published or announced on a given day and used or to be used by the Determination Agent to determine such Relevant Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement by such time as may be specified in the relevant Final Terms (or, if none is so specified, within thirty days of the original publication or announcement, and the Determination Agent determines (in its sole and absolute discretion) that an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Securityholder, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of actual cost) to the Issuer of funding that amount for the period from and including the day on which a payment originally was made, to but excluding the day of payment of the refund or payment resulting from that correction (all as determined by the Determination Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall agree with the Principal Securities Agent and shall be notified to the relevant Securityholder(s) by facsimile or telex to the number specified in the relevant Exercise Notice.

10.2 *Commodity Disruption Events:*

10.2.1 If so specified in the Final Terms relating to any Series of Commodity Securities, the following shall constitute "**Commodity Disruption Events**" for the purposes of such Series:

- (a) "**Price Source Disruption**", which means (i) the failure of the Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price) for the relevant Commodity Reference Price, (ii) the temporary or permanent discontinuance or unavailability of the Price Source, (iii) if the Commodity Reference Price is "Commodity-Reference Dealers," the failure to obtain at least three quotations from the relevant Reference Dealers or (iv) if Price Materiality Percentage is specified in the applicable Final Terms, the Specified Price for the relevant Commodity Reference Price differs from the Specified Price determined in accordance with the Commodity Reference Price "Commodity-Reference Dealers" by such Price Materiality Percentage;
- (b) "**Trading Disruption**", which means the material suspension of, or the material limitation imposed on, trading in the Futures Contract or the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any Exchange as specified in the applicable Final Terms. The determination of whether a suspension of or limitation on trading is material shall be made by the Determination Agent in its sole and absolute discretion;
- (c) "**Disappearance of Commodity Reference Price**", which means (i) the permanent discontinuation of trading in the relevant Futures Contract on the relevant Exchange or (ii) the disappearance of, or of trading in, the relevant Commodity or (iii) the disappearance or permanent discontinuance or unavailability of a Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Futures Contract or the relevant Commodity;
- (d) "**Material Change in Content**", which means the occurrence since the Initial Date of a material change in the content, composition or constitution of the relevant Commodity or relevant Futures Contract;
- (e) "**Material Change in Formula**", which means the occurrence since the Initial Date of a material change in the formula for or method of calculating the relevant Commodity Reference Price;
- (f) "**Tax Disruption**", which means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measure by reference to, the relevant Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Initial Date, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal;
- (g) "**Trading Limitation**", which means the material limitation imposed on trading in the Futures Contract or the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any exchange or principal trading market as specified in the relevant Final Terms; and
- (h) any other (if any) Commodity Disruption Event specified in the relevant Final Terms.

10.2.2 If the relevant Final Terms specifies that any Commodity Disruption Event shall be applicable to such Series, then, where the Determination Agent determines, acting in a commercially reasonable manner, that such Commodity Disruption Event has occurred

and is continuing in respect of such Series on the Pricing Date in respect of such Series (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source), or on any other day as may be specified for this purpose in the relevant Final Terms, then the Relevant Price will be determined, or the Securities of such Series shall be settled following exercise, as the case may be, in accordance with the terms of the Commodity Disruption Fallback first applicable pursuant to Condition 10.3 (*Commodity Disruption Fallbacks*).

10.3 *Commodity Disruption Fallbacks:*

Where one or more Commodity Disruption Events occurs or exists, then unless the relevant Final Terms specifies that any other Commodity Disruption Fallback shall apply in respect of any Commodity Disruption Event, "**Determination Agent Determination**" shall apply.

"**Determination Agent Determination**" means that the Determination Agent will determine, in its sole and absolute discretion, the Relevant Price (or a method for determining the Relevant Price), taking into consideration the latest available quotation for the relevant Commodity Reference Price and any other information that it deems relevant.

10.4 *Common Pricing:*

With respect to Securities relating to a Basket of Commodities, if "**Common Pricing**" has been selected in the applicable Final Terms as:

- (i) "Applicable", then no date will be a Pricing Date unless such date is a day on which all referenced Commodity Reference Prices (for which such date would otherwise be a Pricing Date) are scheduled to be published or announced, as determined as of the time of issue of the Securities.
- (ii) "Inapplicable", then if the Determination Agent determines that a Commodity Disruption Event has occurred or exists on the Pricing Date in respect of any Commodity in the Basket (the "**Affected Commodity**"), the Relevant Price of each Commodity within the basket which is not affected by the occurrence of a Commodity Disruption Event shall be determined on its scheduled Pricing Date and the Relevant Price for each Affected Commodity shall be determined in accordance with the first applicable Commodity Disruption Fallback that provides a Commodity Reference Price.

10.5 *Commodity Index Disruption Events:*

10.5.1 The following shall constitute "**Commodity Index Disruption Events**" for the purposes of any Series of Securities with respect to a Commodity Index:

- (a) a temporary or permanent failure by the applicable exchange or other price source to announce or publish the final settlement price for the Commodity Index; or
- (b) the occurrence in respect of any Component of the relevant Commodity Index of a Commodity Disruption Event (as defined in Condition 10.2.1).

10.5.2 Where the Determination Agent determines, acting in a commercially reasonable manner, that a Commodity Index Disruption Event has occurred and is continuing in respect of a Series on the Pricing Date in respect of such Series (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source), or on any other day as may be specified for this purpose in the relevant Final Terms, then (unless Condition 10.5.3 (*Physical Hedging Fallback*) is specified to apply) the following provisions shall apply:

- (a) with respect to each Component which is not affected by the Commodity Index Disruption Event, the Relevant Price will be determined by the Determination Agent based on the closing prices of each Component on the applicable Pricing Date;

- (b) with respect to each Component which is affected by the Commodity Index Disruption Event, the Relevant Price will be determined by the Determination Agent (in the case of any Dow Jones-AIG Commodity Index) as set out in the DJ-AIGCI Manual or (in the case of any GS Commodity Index) as set out in the GSCI Manual, and in respect of any other Commodity Index as set out in the applicable Final Terms, in each case based on the closing prices of each such Component on the first day following the applicable Pricing Date on which no Commodity Index Disruption Event occurs with respect to such Component;
- (c) subject to (d) below, the Determination Agent shall determine the Relevant Price by reference to the closing prices determined in (a) and (b) above using the then-current method for calculating the relevant Commodity Index; and
- (d) where a Commodity Index Disruption Event with respect to one or more Components continues to exist (measured from and including the first day following the applicable determination date) for five consecutive Trading Days, the Determination Agent shall determine the Relevant Price acting in good faith and in a commercially reasonable manner. In calculating the Relevant Price as set out in this paragraph, the Determination Agent shall use the formula for calculating the relevant Commodity Index last in effect prior to the Commodity Index Disruption Event. For the purposes of this paragraph (d), "**Trading Day**" shall mean a day when the exchanges for all Futures Contracts included in the relevant Commodity Index are scheduled to be open for trading.

10.5.3 *Physical Hedging Fallback.* Where the Determination Agent determines that a Commodity Index Disruption Event has occurred and is continuing in respect of a Series on the Pricing Date in respect of such Series and "Physical Hedging Fallback" is specified as applicable in the relevant Final Terms, then the following provisions shall apply:

- (a) with respect to each Component included in the Commodity Index which is not affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing prices of each such Component on the applicable determination date;
- (b) with respect to each Component included in the Commodity Index which is affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing price of each such Component on the first day following the applicable determination date on which no Commodity Index Disruption Event occurs with respect to such Component;
- (c) subject to (d) below, the Determination Agent shall determine the Relevant Price by reference to the closing prices determined in (a) and (b) above using the then-current method for calculating the Relevant Price; and
- (d) where a Commodity Index Disruption Event with respect to one or more Components included in the Commodity Index continues to exist (measured from and including the first day following the applicable determination date) for five consecutive Trading Days, the Determination Agent shall determine the Relevant Price in good faith and in a commercially reasonable manner. For the purposes of this paragraph (d), "**Trading Day**" shall mean a day when the exchanges for all Futures Contracts included in the relevant Commodity Index are scheduled to be open for trading with respect to each Futures Contract included in the Commodity Index which is not affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing prices of each such contract on the applicable determination date.

10.6 *Adjustments to Commodity Index:*

10.6.1 If a Commodity Index is permanently cancelled or is not calculated and announced by the sponsor of such Commodity Index or any of its affiliates (together the "**Sponsor**")

but (i) is calculated and announced by a successor sponsor (the "**Successor Sponsor**") acceptable to the Determination Agent, or (ii) replaced by a successor index (the "**Successor Index**") using, in the determination of the Determination Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of such Commodity Index, then the Commodity Reference Price will be determined by the Index so calculated and announced by that Successor Sponsor or that Successor Index, as the case may be.

10.6.2 If, for a Commodity Index with respect to a Commodity Reference Price, on or prior to the Maturity Date or Early Redemption Date, (i) the Sponsor makes a material change in the formula for or the method of calculating such Commodity Index or in any other way materially modifies such Commodity Index (other than a modification prescribed in that formula or method to maintain the Commodity Index in the event of changes in constituent commodities and weightings and other routine events), or (ii) the Sponsor permanently cancels the Commodity Index or (iii) the Sponsor fails to calculate and announce the Commodity Index for a continuous period of three Trading Days and the Determination Agent determines that there is no Successor Sponsor or Successor Index, then the Determination Agent may at its option (in the case of (i)) and shall (in the case of (ii) and (iii)) (such events (i) (ii) and (iii) to be collectively referred to as "**Index Adjustment Events**") calculate the Relevant Price using in lieu of the published level for that Commodity Index (if any), the level for that Commodity Index as at the relevant determination date as determined by the Determination Agent in accordance with the formula for and method of calculating that Commodity Index last in effect prior to the relevant Index Adjustment Event (as the case may be), but using only those Futures Contracts that comprised that Index immediately prior to the relevant Index Adjustment Event (as the case may be ) (other than those futures contracts that have ceased to be listed on any relevant exchange).

10.7 *In relation to Commodity Securities, the following expressions have the meanings set out below:*

"**Basket**" means a basket composed of each Commodity specified in the relevant Final Terms;

"**Commodity**" means each commodity specified in the relevant Final Terms;

"**Commodity Business Day**" means:

- (i) in the case where the Commodity Reference Price is a price announced or published by an Exchange, a day that is (or, but for the occurrence of a Commodity Disruption Event, would have been) a day on which the Exchange is open for trading during its regular trading session; and
- (ii) in the case where the Commodity Reference Price is not a price announced or published by an Exchange, a day in respect of which the relevant Price Source published (or, but for the occurrence of a Commodity Disruption Event, would have published) a price;

"**Commodity Index**" means an index comprising commodities specified as such in the relevant Final Terms;

"**Commodity Reference Price**" means the commodity reference price(s) specified in the relevant Final Terms;

"**Component**" means, in respect of a Commodity Index, each commodity or Futures Contract comprising such Commodity Index;

"**Delivery Date**" means the relevant date or month for delivery of the underlying Commodity (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) as specified in, or determined in accordance with the provisions in, the relevant Final Terms. In relation to any underlying Commodity which is specified in the relevant Final Terms to be a "Non Metal" and each Pricing Date, the relevant Delivery Date shall be the month of expiration of the first Futures Contract to expire following such Pricing Date. In relation to any underlying Commodity which is specified in the applicable

Final Terms to be a "Base Metal" or a "Precious Metal" and each Pricing Date, the Delivery Date shall be such Pricing Date;

**"DJ-AIG Commodity Index"** means the Dow Jones-AIG Commodity Index and any other Commodity Index, in each case which is calculated and sponsored by Dow Jones Inc, or any successor to such sponsor;

**"DJ-AIGCI Manual"** means the manual or handbook in respect of a DJ-AIG Commodity Index published by the sponsor of the relevant Commodity Index and in effect from time to time;

**"Exchange"** means each exchange or principal trading market specified in the relevant Final Terms, or any successor to such exchange or principal trading market;

**"Futures Contract"** means either (a) the contract for future delivery in respect of the relevant Delivery Date relating to the relevant Commodity referred to in the relevant Commodity Reference Price or (b) each futures contract underlying or included in a Commodity Index;

**"GS Commodity Index"** means the Goldman Sachs Commodity Index and any other Commodity Index, in each case which is calculated and sponsored by Goldman, Sachs & Co., or any successor to such sponsor;

**"GSCI Manual"** means the manual or handbook in respect of a GS Commodity Index published by the sponsor of the relevant Commodity Index and in effect from time to time;

**"Price Source"** means the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated) specified in the relevant Final Terms;

**"Pricing Date"** means each date specified as such (or determined pursuant to a method specified for such purpose) in the relevant Final Terms;

**"Relevant Price"** on any day means, in respect of a unit of measure of the Commodity to which a Commodity Security relates, the price, expressed as a price per unit, determined by the Determination Agent as provided in the relevant Final Terms with respect to such day for the specified Commodity Reference Price; and

**"Specified Price"** means any of the following prices of a Commodity or Commodities or levels of a Commodity Index (which must be a price reported or capable of being determined from information reported in or by the relevant Price Source), as specified in the applicable Final Terms (and, if applicable, as of the time so specified) (a) the high price, (b) the low price, (c) the average of the high price and the low price, (d) the closing price, (e) the opening price, (f) the bid price, (g) the asked price, (h) the average of the bid price and the asked price, (i) the settlement price, (j) the official settlement price (which shall be the Specified Price for any Commodity Index, and for any Commodity specified in the applicable Final Terms as a "Non Metal"), (k) the official price, (l) the morning fixing, (m) the afternoon fixing (which shall be the Specified Price in respect of any Commodity specified in the applicable Final Terms as a "Precious Metal"), (n) the spot price or (o) any other price specified in the applicable Final Terms. The Specified Price for any Commodity specified in the applicable Final Terms as a "Precious Metal" shall be the official cash bid price.

## 11. PROVISIONS RELATING TO PHYSICAL-SETTLEMENT SECURITIES

This Condition 11 is applicable only in relation to Securities specified in the relevant Final Terms as being Physical-Settlement Securities.

### 11.1 *Settlement Disruption:*

11.1.1 The Determination Agent shall determine, acting in a commercially reasonable manner, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Underlying Securities on the original day that but for such Settlement Disruption Event would have been the Physical-Settlement Date, then the Physical-Settlement Date will be the first

succeeding day on which delivery of such Underlying Securities can take place through the relevant Clearance System unless a Settlement Disruption Event prevents settlement on each of the 10 relevant Clearance System Business Days immediately following the original date or during such other period specified in the relevant Final Terms that, but for the Settlement Disruption Event, would have been the Physical-Settlement Date. In that case, if the Underlying Securities are bonds or other debt securities, the Issuer shall use reasonable efforts to deliver such Underlying Securities promptly thereafter in a commercially reasonable manner outside the Clearance System on a delivery versus payment basis, and in all other cases: (a) if such Underlying Securities can be delivered in any other commercially reasonable manner, then the Physical-Settlement Date will be the first day on which settlement of a sale of Underlying Securities executed on that 10th relevant Clearance System Business Day, or during such other period specified in the relevant Final Terms, customarily would take place using such other commercially reasonable manner of delivery (which other manner of delivery will be deemed the relevant Clearance System for the purposes of delivery of the relevant Underlying Securities), and (b) if such Underlying Securities cannot be delivered in any other commercially reasonable manner, then the Physical-Settlement Date will be postponed until delivery can be effected through the relevant Clearance System or in any other commercially reasonable manner, as determined by the Determination Agent.

11.1.2 For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Underlying Securities comprised in a Basket, the Physical-Settlement Date for Underlying Securities not affected by the Settlement Disruption Event will be the first day on which settlement of a sale of such Underlying Securities executed on that Exercise Date customarily would take place through the relevant Clearance System. In the event that a Settlement Disruption Event will result in the delivery on a Physical-Settlement Date of some but not all of the Underlying Securities comprised in a Basket, the Determination Agent shall determine in its sole and absolute discretion the appropriate *pro rata* portion of the Strike Price (if any) to be paid by the relevant party in respect of that partial settlement.

11.1.3 For the purposes hereof, "**Settlement Disruption Event**" in relation to an Underlying Security means an event beyond the control of the Issuer as a result of which or following which the relevant Clearance System cannot clear the transfer of such Underlying Security.

11.2 *Delivery Disruption:*

11.2.1 If the Determination Agent determines, acting in a commercially reasonable manner, that a Delivery Disruption Event has occurred and the Determination Agent has notified the Issuer, the Principal Securities Agent and the relevant Securityholder(s) within one Clearance System Business Day of the relevant Exercise Date to that effect, then the Issuer may:

- (a) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Underlying Securities will be terminated and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Security with terms that would preserve for the Securityholder the economic equivalent of the relevant delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Security after that date but for the occurrence of such Delivery Disruption Event, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion, in which event the entitlements of the respective exercising Securityholders to receive Underlying Securities pursuant to such exercise shall cease and the Issuer's obligations under the Securities shall be satisfied in full upon payment of such amount; or

- (b) deliver on the Physical-Settlement Date such number of Underlying Securities (if any) as it can deliver on that date and pay an amount, as determined by the Determination Agent in its sole and absolute discretion, which shall seek to preserve for the Securityholder the economic equivalent of the delivery of the remainder of Underlying Securities (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Security after that date but for the occurrence of such Delivery Disruption Event, in which event the entitlements of the respective exercising Securityholders to receive Underlying Securities pursuant to such exercise shall cease and the Issuer's obligations under the Securities shall be satisfied in full upon delivery of such number of Underlying Securities and payment of such amount.

11.2.2 For the purposes hereof, "Delivery Disruption Event" means the failure by the Issuer or the Principal Securities Agent to deliver on the relevant Physical-Settlement Date the requisite number of relevant Underlying Securities under the relevant Security which is due to illiquidity in the market for such Underlying Securities.

## 12. PROVISIONS RELATING TO ALL SECURITIES

### 12.1 *Performance Disruption:*

12.1.1 If the Determination Agent determines, acting in a commercially reasonable manner, that Performance Disruption has occurred, then the Issuer may determine, in its sole and absolute discretion, that the relevant Securities shall be terminated on the date specified in a notice to the Securityholders and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Security with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Security after that date but for the occurrence of such Performance Disruption, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion, in which event the Security shall cease to be exercisable (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Securityholders to receive the relevant currency or payment of the Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of such amount.

12.1.2 For the purposes hereof, "**Performance Disruption**" means, in relation to any Security, the occurrence or existence on any day of any event, circumstance or cause beyond the control of the Issuer that has had or reasonably could be expected to have a material adverse effect upon (i) its ability to perform its obligations under, or hedge its positions with respect to, the relevant Security; (ii) the ability of any hedging counterparty of the Issuer to perform its obligations under any hedging transaction entered into by the Issuer to hedge all or any of its liabilities in respect of the Securities or any of them; or (iii) the availability of hedging transactions in the market.

### 12.2 *Effects of European Economic and Monetary Union:*

12.2.1 Following the occurrence of an EMU Event, the Determination Agent may make such adjustment (and determine the effective date of such adjustment) as it, in its sole and absolute discretion, determines appropriate, if any, to the Strike Price (if any), the formula for the Cash-Settlement Amount, the Settlement Price, the Settlement Rate, the Relevant Price, the Spot Rate, the number of Underlying Securities to which each Security relates, the number of Underlying Securities comprised in a Basket, the amount, the number of or type of shares, bonds, other securities or other property which may be delivered in respect of such Securities and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the relevant

Securities which in the sole and absolute discretion of the Determination Agent have been or may be affected by such EMU Event.

- 12.2.2 Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to: (i) make such conversions between amounts denominated in the national currency units (the "**National Currency Units**") of the member states of the European Union that have adopted the single currency in accordance with the EC Treaty and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversion rates and rounding rules established by the Council of the European Union pursuant to the EC Treaty as it, in its sole and absolute discretion, considers appropriate; (ii) make all payments in respect of the Securities solely in euro as though references in the Securities to the relevant National Currency Units were to euro and (iii) make such adjustments as it, in its sole and absolute discretion considers necessary to the Strike Price (if any), the formula for the Cash-Settlement Amount, Settlement Rate, Settlement Price, Relevant Price, Spot Rate and any other amount as it determines, in its sole and absolute discretion, to be appropriate.
- 12.2.3 None of the Issuer, the Principal Securities Agent or the Determination Agent will be liable to any Securityholder or other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.
- 12.2.4 For the purposes hereof, "**EMU Event**" means the occurrence of any of the following, as determined by the Determination Agent, acting in a commercially reasonable manner:
- (a) the withdrawal from legal tender of any currency that, before the introduction of the euro, was lawful currency in one of the member states;
  - (b) the redenomination of any Underlying Security into euro;
  - (c) any change in the currency of denomination of any Index;
  - (d) any change in the currency in which some or all the securities or other property contained in any Index is denominated;
  - (e) the disappearance or replacement of a relevant rate option or other price source for the national currency of any member state, or the failure of the agreed sponsor (or successor sponsor) to publish or display a relevant rate, index, price, page or screen; or
  - (f) the change by any organised market, exchange or clearance, payment or settlement system in the unit of account of its operating procedures to the euro.

### 13. **SECURITIES AGENTS AND DETERMINATION AGENT**

- 13.1 *Appointment of Agents:* The Issuer reserves the right at any time to vary or terminate the appointment of any Securities Agent or the Determination Agent and to appoint substitute or additional Securities Agents or a substitute or additional Determination Agent, **provided that** (i) so long as any Security is outstanding, it will maintain a Principal Securities Agent and (ii) so long as the Securities are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, there will be a Securities Agent with a specified office in such place as may be required by the rules of such listing agent, stock exchange and/or quotation system. Notice of any termination of appointment and of any change in the specified office of a Securities Agent or a Determination Agent and of any appointment of a Securities Agent or a Determination Agent will be given to Securityholders in accordance with Condition 16 (*Notices*) and so long as there is any Tranche of Nordic Securities outstanding, there will at all times be a NCSD duly authorised as a central securities depository under the Finnish or, as appropriate, Swedish legislation and a NCSD Issuing Agent in respect of the relevant Tranche of Nordic Securities.

13.2 *Role of Agents:*

13.2.1 In acting under the Securities Agreement, each Securities Agent and each Determination Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Securityholders. All calculation and determination functions required of the Determination Agent or the Principal Securities Agent under these Conditions may be delegated to any such person as the Determination Agent or the Principal Securities Agent, as the case may be, in its absolute discretion, may decide.

13.2.2 None of the Issuer, the Guarantor (if applicable), the Principal Securities Agent or the Determination Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables used in any calculation made pursuant to these Conditions or in the determination of any Cash-Settlement Amount or of any entitlement to a delivery of any Underlying Securities arising from such errors or omissions.

13.3 *Notifications:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Securities by the Principal Securities Agent, the Determination Agent or the Issuer shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer and the Securityholders and (subject as aforesaid) no liability to the Securityholders (or any of them) shall attach to the Principal Securities Agent, the Determination Agent or the Issuer in connection with the exercise or non-exercise by any of them of their powers, duties and discretions for such purposes.

14. **TAXES**

14.1.1 A Securityholder subscribing, purchasing or exercising a Security shall pay all Taxes and securities transfer taxes and any other charges, if any payable in connection with the subscription, issue, purchase or exercise of such Security and the payment of the Cash-Settlement Amount and/or the delivery of any Underlying Securities as a result of such exercise. The Issuer shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to a Securityholder such amount as is necessary for the payment of any such taxes, duties or charges or for effecting reimbursement in accordance with Condition 14.1.2 below.

14.1.2 In any case where the Issuer is obliged to pay any such tax, duty or charge referred to in Condition 14.1.1 above, the relevant Securityholder shall promptly reimburse the Issuer therefor.

14.1.3 The Issuer shall not be liable for or otherwise be obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, issue, transfer or exercise of any Securities.

15. **FORCE MAJEURE AND ILLEGALITY**

15.1 The Issuer shall have the right to terminate the Securities if it shall have determined, in its sole and absolute discretion, that its performance thereunder shall have become or will be unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power ("applicable law").

15.2 In such circumstances the Issuer will, however, if and to the extent permitted by applicable law, pay to each Securityholder in respect of each Security held by him an amount determined by the Determination Agent, in its sole and absolute discretion, as representing the fair market value of such Security immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion. Payment will be made to the relevant Clearance System in such manner as shall be notified to the Securityholders in accordance with Condition 16 (*Notices*).

16. **NOTICES**

16.1 All notices to the Securityholders, save where another means of communication has been specified in the relevant Final Terms, will be deemed to have been duly given if:

16.1.1 as long as the relevant Clearance System has procedures for transmitting copies, or the contents of notices to Securityholders to its account holders, notified to such relevant Clearance System; and

16.1.2 in the case of Securities admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange (or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system), published in will publish notices to holders of bearer notes in a newspaper in the English language of general circulation in The City of London.

16.2 If publication in such a newspaper is not practicable, notice will be given in such other manner as the Principal Securities Agent on behalf of the Issuer shall determine in its sole and absolute discretion. Such notices shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper in which publication is required.

17. **LOSSES**

In no event shall the Issuer have any liability for indirect, incidental, consequential or other damages (whether or not it may have been advised of the possibility of such damages) other than interest until the date of payment on sums not paid when due in respect of any Securities or assets not delivered when due. Securityholders are entitled to damages only and are not entitled to the remedy of specific performance in respect of a Security.

18. **SEVERANCE AND MODIFICATION OF CONDITIONS**

18.1 Should any of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way.

18.2 The Issuer may modify the Conditions without the consent of the Securityholders for the purposes of curing any ambiguity or correcting or supplementing any provision contained herein in any manner which the Issuer may deem necessary or desirable, **provided that** such modification is not materially prejudicial to the interests of the Securityholders. Notice of any such modification will be given to the Securityholders in accordance with Condition 16 (*Notices*) but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

19. **FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Securityholders to create and issue further Securities of any particular Series so as to form a single series with the Securities of such Series, but upon such terms as to issue price and otherwise as the Issuer may determine in its sole and absolute discretion.

20. **PURCHASE OF SECURITIES BY ISSUER OR AFFILIATE**

The Issuer or an Affiliate may at any time and from time to time purchase Securities at any price in the open market or otherwise. Such Securities may, at the option of the Issuer or, as the case may be, the relevant Affiliate, be held, resold, reissued or cancelled or otherwise dealt with. No Security which has been exercised, or purchased and cancelled, may be re-issued.

21. **SUBSTITUTION**

The Issuer shall be entitled at any time and from time to time, without the consent of the Securityholders, to substitute any other member of the group comprising Morgan Stanley and any Affiliates (the "**New Issuer**") in its place as obligor under the Securities, **provided that** the New Issuer shall assume all obligations of the Issuer in relation to the Securityholders under or in relation to the Securities (provided, in respect of Nordic Securities, the relevant NCS D has given its consent to the substitution (which

consent shall not be unreasonably withheld or delayed)). In the event of such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Such substitution shall be promptly notified to the Securityholders in accordance with Condition 16 (*Notices*). In connection with such right of substitution, the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Securityholders in particular, without limitation, any consequences resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Securityholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax or other consequence of any such substitution upon such Securityholder.

## 22. **RIGHTS OF THIRD PARTIES**

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

## 23. **REPRESENTATIONS AND ACKNOWLEDGEMENTS BY SECURITYHOLDERS**

Each Securityholder shall be deemed to represent and acknowledge to the Issuer on acquiring any Securities that:

- (a) neither the Issuer nor any Affiliate or any of their agents is acting as a fiduciary for it or provides investment, tax, accounting, legal or other advice in respect of the Securities and that such Securityholder and its advisors are not relying on any communication (written or oral and including, without limitation, opinions of third party advisors) of the Issuer or any Affiliate as (i) legal, regulatory, tax, business, investment, financial, accounting or other advice, (ii) a recommendation to invest in any Securities or (iii) an assurance or guarantee as to the expected results of an investment in the Securities (it being understood that information and explanations related to the terms and conditions of the Securities shall not be considered to be any such advice, recommendation, assurance or guarantee and should be independently confirmed by the recipient and its advisors prior to making any such investment);
- (b) such Securityholder (i) has consulted with its own legal, regulatory, tax, business, investments, financial and accounting advisors to the extent that it has deemed necessary, and has made its own investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or any Affiliate or any of their agents and (ii) is acquiring Securities with a full understanding of the terms, conditions and risks thereof and it is capable of and willing to assume those risks; and
- (c) the Issuer and/or any Affiliates may have banking or other commercial relationships with issuers of any securities to which the Securities relate and may engage in proprietary trading in any securities, indices, commodities or other property to which the Securities relate or options, futures, derivatives or other instruments relating thereto (including such trading as the Issuer and/or any Affiliate deem appropriate in their sole discretion to hedge the market risk on the Securities and other transactions between the Issuer and/or any Affiliates and any third parties), and that such trading (i) may affect the price or level thereof and consequently the amounts payable under the Securities and (ii) may be effected at any time, including on or near any Valuation or Averaging Date.

## 24. **GOVERNING LAW AND PROCEEDINGS**

- 24.1 The Securities shall be governed by English law.
- 24.2 The Issuer agrees for the benefit of each Securityholder that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Securities (respectively, "Proceedings" and "Disputes") and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 24.3 The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

- 24.4 The Issuer agrees that process in connection with Proceedings in the courts of England will be validly served on it if served upon Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QW or, if different, its registered office for the time being or at any address of the Issuer in the Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Securityholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Securities Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Securityholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Securities Agent. Nothing in this Condition shall affect the right of any Securityholder to serve process in any other manner permitted by law.
- 24.5 The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Securityholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

## **BENEFIT PLAN INVESTORS**

The Securities may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") or any entity whose underlying assets include "plan assets" within the meaning of ERISA by reason of any such plan's or account's investment therein.

The Global Warrants and the definitive Securities will bear a legend to the following effect:

THE INVESTOR SHALL BE DEEMED TO REPRESENT BY ITS ACQUISITION AND HOLDING OF AN INTEREST HEREIN THAT IT IS NOT ACQUIRING THE SECURITIES WITH THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), ANY INDIVIDUAL RETIREMENT ACCOUNT OR PLAN SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S OR ACCOUNT'S INVESTMENT THEREIN.

### **Legend Concerning United States Persons**

Unless otherwise specified in the Final Terms, in the case of Securities (or any Tranche thereof) having a maturity of more than 183 days, the Global Warrants and the definitive Securities will bear a legend, in English, to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Security will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Security and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Unless otherwise specified in the Final Terms, any Securities (or any Tranche thereof) having a maturity of 183 days or less must have a minimum face and principal amount of \$500,000 and bear the following legend:

"By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and regulations thereunder)."

### **Nordic Securities**

Securities issued by MSBV and designated as "Finnish Securities" or "Swedish Securities" in the applicable Final Terms will be issued in uncertificated and dematerialised book-entry form in accordance with the Finnish or, as appropriate, Swedish legislation and all other applicable local laws, regulations and operating procedures applicable to and/or issued by the Finnish or, as appropriate, Swedish central securities depository from time to time (the "**NCSD Rules**") designated as registrar for the Nordic Securities in the relevant Final Terms (the "**NCSD**"). No physical global or definitive Securities or certificates will be issued in respect of Nordic Securities. Payments of principal, interest (if any) or any other amounts on any Nordic Security will be made through the NCSD in accordance with the NCSD Rules.

### **Limitations on Issuance of, Payments on, and Delivery of Bearer Securities**

Unless otherwise specified in the Final Terms, bearer Securities, including bearer Securities in global form, will not be offered, sold or delivered, directly or indirectly, in the United States or its possessions or to United States persons, as defined below, except as otherwise permitted by United States Treasury Regulations Section 1.163-5(c)(2)(i)(D). Any underwriters, agents or dealers participating in the

offerings of bearer Securities, directly or indirectly, must agree that (i) they will not, in connection with the original issuance of any bearer Securities or during the restricted period with respect to such bearer Securities (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) (the "**Restricted Period**"), offer, sell or deliver, directly or indirectly, any bearer Securities in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury Regulations described above; and (ii) they will not at any time offer, sell or deliver, directly or indirectly, any bearer Securities in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury Regulations above. For these purposes, it is presumed that United States Treasury Regulations Section 1.163-5(c)(2)(i)(D) will apply to the bearer Securities.

In addition, any underwriter, agent or dealer must have procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling bearer Securities are aware of the above restrictions on the offering, sale or delivery of bearer Securities.

Unless otherwise specified in the Final Terms, bearer Securities, other than bearer Securities that satisfy the requirements of United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(iii), will not be delivered in definitive form, and no payment will be made thereon, unless the relevant Issuer has received a signed certificate in writing, or an electronic certificate described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(ii), (an "**Ownership Certificate**") stating that on the date of the Ownership Certificate that bearer Security:

- (1) is owned by a person that is not a United States person;
- (2) is owned by a United States person that is described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6); or
- (3) is owned by a United States or foreign financial institution for the purposes of resale during the Restricted Period,

and, in addition, if the owner of the bearer Security is a United States or foreign financial institution described in clause (3) above, whether or not also described in clause (1) or clause (2) above, the financial institution certifies that it has not acquired the bearer Security for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

The relevant Issuer will make payments on bearer Securities only outside the United States and its possessions except as permitted by the above regulations.

As used herein, "**United States person**" means, for United States federal income tax purposes, (i) a citizen or resident of the United States; (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust.

## UNITED STATES TAXATION

**This discussion is limited to the U.S. federal tax issues addressed below. Additional issues may exist that are not addressed in this discussion and that could affect the U.S. federal tax treatment of the transaction. Because this tax disclosure was written in connection with the marketing of the Program for the Issuance of Warrants and Certificates, it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder. Holders should seek their own advice based on their particular circumstances from an independent tax advisor.**

*References to "Securities" herein refer only to Securities issued by Morgan Stanley, Morgan Stanley Jersey or MSBV, not to Securities issued by an Additional Issuer.*

The Issuers have been advised that the following summary accurately describes the principal U.S. federal income and estate tax consequences of ownership and disposition of the Securities by Non-U.S. Holders (as defined below). This summary is based on the Code, administrative pronouncements, judicial decisions and existing and proposed Treasury regulations, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described herein.

This summary does not discuss all of the tax consequences that may be relevant to holders in light of their particular circumstances or to holders subject to special rules, such as:

- persons other than Non-U.S. Holders;
- nonresident alien individuals who have lost their United States citizenship or who have ceased to be treated as resident aliens; or
- corporations that are treated as personal holding companies, controlled foreign corporations, or passive foreign investment companies.

Persons considering the purchase of Securities should consult their own tax advisors with regard to the application of the U.S. federal tax laws to their particular situations, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

As used herein, the term "**Non-U.S. Holder**" means a beneficial owner of a Security that is for United States federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation; or
- a nonresident alien fiduciary of a foreign estate or trust.

### **General**

Except as otherwise indicated in the applicable Final Terms, a Non-U.S. Holder will generally not be subject to United States federal income tax, including withholding tax, on payments on a Security, or on proceeds from the sale or other disposition of a Security, **provided that** for purposes of United States federal income tax law:

- the payments or proceeds are not effectively connected with the conduct of a trade or business within the United States by the holder;
- the holder does not own (directly or by attribution) ten per cent. or more of the total combined voting power of all classes of stock of Morgan Stanley entitled to vote;
- the holder is not a bank holding the Security in the context of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- the holder does not have a "tax home" (as defined in section 911(d)(3) of the Code) or an office or other fixed place of business in the United States.

**Backup Withholding and Information Reporting**

In general, U.S. information reporting and backup withholding will not apply to payments on Securities held by a Non-U.S. Holder and received outside the United States through a non-U.S. bank or other non-U.S. financial institution. Proceeds on sales and payments on Securities received within the United States or through certain U.S.-related financial institutions may be subject to information reporting and backup withholding unless the Non-U.S. Holder complies with applicable certification procedures to establish that it is not a U.S. person.

**Estate Tax**

Non-U.S. Holders who are individuals, and holders that are 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 benefit, a Security may be treated as U.S. situs property subject to U.S. federal estate tax. Such individuals and entities should consult their own tax advisors regarding the U.S. federal estate tax consequences of investing in the Securities.

## UNITED KINGDOM TAXATION

*The following comments are of a general nature, based on current United Kingdom law and what is understood to be current practice of Her Majesty's Revenue and Customs, which may change at any time, possibly with retrospective effect. The comments do not constitute legal or tax advice; they are not exhaustive and should be treated with appropriate caution.*

*The following is a summary only of the United Kingdom withholding taxation treatment at the date hereof in relation to income payments in respect of the Securities. The comments do not deal with other United Kingdom tax aspects of acquiring, holding, disposing of, or abandoning Securities. Transactions involving Securities, including the issue of any Global Warrant, any purchase or disposal or abandonment or other dealings in the Securities and any transaction involved in the exercise and settlement of Securities, may have United Kingdom tax consequences for potential purchasers (including, but not limited to, transfer taxes and possible withholding or deduction for or on account of United Kingdom tax from payments made in respect of the Securities). The tax consequences may depend, amongst other things, upon the status of the potential investor and the terms and conditions of a particular Security as specified in the relevant Final Terms. Potential purchasers should consult their own tax advisers both in the United Kingdom and overseas (if appropriate) about the tax implications of purchasing and holding a Security, any transaction involving a Security and any transaction involved in the exercise and settlement of a Security.*

### **United Kingdom Withholding Tax**

A payment under the Securities may be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) yearly interest, an annual payment, rent or similar income or royalties for United Kingdom tax purposes. In such a case, the payment may fall in certain circumstances (for example, in the case of interest and annual payments, if the payment has a "United Kingdom source") to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available under the provisions of any applicable double tax treaty. Whether any payment on a Security falls into any of the categories mentioned above will depend on the nature of the payment as determined by, amongst other things, the terms and conditions of the Security as specified by the relevant Final Terms.

### **Provision of Information**

Prospective purchasers of any Securities should note that if any interest on Securities is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Securityholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue and Customs ("**HMRC**") details of the payment and certain details relating to the Securityholder (including the Securityholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Securityholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

With effect from 6 April 2009 the provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Securities which constitute "deeply discounted securities" for the purposes of section 18 of the Taxes Management Act 1970.

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

## JERSEY TAXATION

Prospective purchasers of Securities issued by Morgan Stanley Jersey should consult their tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Jersey of acquiring, holding and disposing of such securities and receiving payments of interest, principal and/or other amounts under such securities.

The following summary is based on the laws and practices currently in force in Jersey at the date of this document and is subject to changes therein.

Holders of Securities issued by Morgan Stanley Jersey (other than residents of Jersey) are not subject to any tax in Jersey in respect of the holding, sale or other disposition of such securities. So long as the Issuer maintains its "exempt company" status, interest on such securities may be paid by Morgan Stanley Jersey without withholding or deduction for or on account of Jersey income tax.

No stamp duties are payable in Jersey on the acquisition, ownership, redemption, sale or other disposal of such securities. Stamp duty of up to 0.75 per cent. is payable on the grant of probate or letters of administration in Jersey in respect of a deceased natural person (i) who died domiciled in Jersey, on the value of the entire estate and (ii) otherwise, on the value of so much of the estate as is situate in Jersey.

As part of an agreement reached in connection with the European Union (the "EU") directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and our understanding of the current practice of the Jersey tax authorities (and subject to transitional arrangements described above), Morgan Stanley Jersey would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

**Expected changes to the Jersey corporate tax regime:** Legislation has been adopted by the States of Jersey which will have the following effects on and from 1 January 2009:

- (a) exempt company status will cease to be available to Morgan Stanley Jersey;
- (b) Morgan Stanley Jersey will be regarded as resident in Jersey under the Income Tax (Jersey) Law 1961, as amended (the "**Jersey Income Tax Law**"), but (being neither a financial services company nor a specified utility company under the Jersey Income Tax Law at the date of this document) will be subject in Jersey to income tax at a rate of 0%;
- (c) Morgan Stanley Jersey will continue to be able to make payments in respect of the Securities without any withholding or deduction for or on account of Jersey tax; and
- (d) holders of Securities (other than residents of Jersey) will not be subject to any Jersey tax in respect of the holding, sale or other disposition of their Securities.

## NETHERLANDS TAXATION

*The following disclosure applies only in respect of Securities issued by MSBV and not in respect of Securities issued by Morgan Stanley, Morgan Stanley Jersey or an Additional Issuer or any substitute issuer. References in this section on Netherlands taxation to "Securities" refer only to Securities issued by MSBV and references to holders of Securities should be construed accordingly.*

The following disclosure outlines certain Netherlands tax consequences to holders of Securities. It is based on the current law and practice of the Netherlands, which is subject to changes that could prospectively or retrospectively affect the stated tax consequences. The disclosure does not purport to be complete. Prospective holders of Securities should consult their own appropriate independent professional advisors with respect to the tax consequences of an investment in the Securities in their particular circumstances.

### **Withholding Tax**

All payments under Securities may be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, **provided that** (i) the Securities have a maturity - legally or *de facto* - of not more than 50 years and (ii) the Securities will not represent, be linked to (the performance of) or be convertible (in part or in whole) into (rights to purchase) (a) shares, (b) profit certificates (*winstbewijzen*) and/or (c) debt instruments having a maturity - legally or *de facto* - of more than 50 years, issued by MSBV, the Guarantor or any other entity related to MSBV and/or the Guarantor.

### **Taxes on Income and Capital Gains**

A holder of Securities will not be subject to any Netherlands taxes on income or capital gains in respect of Securities, including such tax on any payment under Securities or in respect of any gain realised on the disposal, deemed disposal or exchange of Securities, **provided that**:

- (i) such holder is neither a resident nor deemed to be a resident of the Netherlands, nor, if he is an individual, has elected to be taxed as a resident of the Netherlands;
- (ii) such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Securities are attributable;
- (iii) if such holder is an individual, neither such holder nor any of his spouse, his partner, a person deemed to be his partner, or other persons sharing such person's house or household, or certain other of such persons' relatives (including foster children), (a) has indirectly the disposition of the proceeds of Securities, nor (b) has a substantial interest in MSBV, the Guarantor and/or any other entity that legally or *de facto*, directly or indirectly, has the disposition of the proceeds of Securities. For purposes of this clause (iii), a substantial interest is generally not present if a holder does not hold, alone or together with his spouse or partner, whether directly or indirectly, the ownership of, or certain other rights (including rights to acquire shares, whether or not already issued) over, (a) shares representing five per cent. or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of a company, (b) profit sharing certificates, or membership rights in a co-operative association, entitling the holder to five per cent. or more of the profits or of the liquidation distributions of a company or co-operative association, or (c) membership rights representing five per cent. or more of the voting rights in a co-operative association's general meeting;
- (iv) if such holder is a company, such holder does not have a substantial interest in MSBV or if such holder does have such a substantial interest, it can be allocated to the holder's business assets. For purpose of this clause (iv), a substantial interest is generally not present if a holder does not hold, whether directly or indirectly, the ownership of, or certain other rights (including the rights to acquire shares, whether or not already issued) over shares representing five per cent. or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of MSBV, or (b) profit sharing certificates, entitling the holder to five per cent. or more of the profits or of the liquidation distributions of MSBV; and

- (v) if such holder is an individual, such income or capital gain do not form "benefits from miscellaneous activities in the Netherlands" ("*resultaat uit overige werkzaamheden in Nederland*"), which would for instance be the case if the activities in the Netherlands with respect to Securities exceed "normal active asset management" ("**normaal, actief vermogensbeheer**").

A holder of Securities will not be subject to taxation in the Netherlands by reason only of the execution, delivery and/or enforcement of the documents relating to an issue of Securities or the performance by MSBV of its obligations thereunder or under Securities.

#### **Gift, Estate and Inheritance Taxes**

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of Securities by way of a gift by, or on the death of, a holder of Securities who is neither resident nor deemed to be resident in the Netherlands, unless:

- (i) such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Securities are or were attributable; or
- (ii) in the case of a gift of Securities by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

#### **Turnover Tax**

No Netherlands turnover tax will arise in respect of any payment in consideration for the issue of Securities, with respect to any Cash-Settlements under the Securities or with respect to the delivery of securities under the Securities.

#### **Other Taxes and Duties**

No Netherlands capital tax, registration tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the Courts of the Netherlands) of the documents relating to the issue of Securities or the performance by MSBV of its obligations thereunder or under the Securities.

## AUSTRIAN TAXATION

*This section on taxation contains a brief summary of the Issuers' understanding with regard to certain important principles which are of significance in Austria in connection with the purchase, holding or sale of the Securities. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for individual potential investors. It is based on the currently valid Austrian tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential purchasers of the Securities consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Securities. Tax risks resulting from the Securities (in particular from a possible qualification as a foreign investment fund pursuant to sec. 42(1) of the Austrian Investment Funds Act) shall be borne by the purchaser. In general, it has to be noted that the Austrian tax authorities have a critical attitude towards structured products which may also give rise to tax benefits.*

### 1. General

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

### 2. Certificates

#### Income tax

In general, the Certificates should qualify as bonds (*Forderungswertpapiere*) in the sense of sec. 93(3) of the Austrian Income Tax Act (*Einkommensteuergesetz*).

Individuals subject to unlimited income tax liability in Austria holding bonds in the sense of sec. 93(3) of the Austrian Income Tax Act as a non-business asset (*Privatvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) pursuant to sec. 27(1)(4) and sec. 27(2)(2) of the Austrian Income Tax Act. If such interest is paid out by an Austrian paying agent (*kuponauszahlende Stelle*), then such payments are subject to a withholding tax of 25 per cent. No additional income tax is levied over and above the amount of tax withheld (final taxation; *Endbesteuerung*) in case the bonds are legally and factually offered to an indefinite number of persons. If interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25 per cent. applies in case the bonds are in addition legally and factually offered to an indefinite number of persons. Since in this case no withholding tax is levied, interest payments must be included in the income tax return of the investor. If the bonds are not legally and factually offered to an indefinite number of persons, then the interest payments must be included in the investor's income tax return and are subject to income tax at a marginal rate of up to 50 per cent., any withholding tax being creditable against the income tax liability.

Individuals subject to unlimited income tax liability in Austria holding bonds as a business asset (*Betriebsvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price). Such interest payments are subject to a withholding tax of 25 per cent. in case they are paid out by an Austrian paying agent. No additional income tax is levied over and above the amount of tax withheld (final taxation) in case the

bonds are legally and factually offered to an indefinite number of persons. If interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25 per cent. applies in case the bonds are in addition legally and factually offered to an indefinite number of persons. Since in this case no withholding tax is levied, interest payments must be included in the income tax return of the investor. If the bonds are not legally and factually offered to an indefinite number of persons, then the interest payments must be included in the investor's income tax return and are subject to income tax at a marginal rate of up to 50 per cent., any withholding tax being creditable against the income tax liability.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on all interest payments resulting from bonds (which term also encompasses the difference between the redemption price and the issue price) at a rate of 25 per cent. Under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied.

Private foundations (*Privatstiftung*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec. 13(1) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*) and holding bonds as a non-business asset are subject to corporate income tax (interim taxation; *Zwischenbesteuerung*) on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) pursuant to sec. 13(3)(1) of the Austrian Corporate Income Tax Act at a rate of 12.5 per cent. in case the bonds are in addition legally and factually offered to an indefinite number of persons. If the bonds are not legally and factually offered to an indefinite number of persons, then the interest payments are subject to corporate income tax at a rate of 25 per cent. Under the conditions set forth in sec. 94(11) of the Austrian Income Tax Act no withholding tax is levied.

Individuals subject to limited income tax liability in Austria holding bonds in the meaning of sec. 93(3) of the Austrian Income Tax Act are subject to income tax at a rate of 25 per cent. on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) in Austria if – broadly speaking – the bonds are attributable to an Austrian permanent establishment (*Betriebsstätte*) of the investor. The same applies with respect to corporations subject to limited corporate income tax liability in Austria, the tax rate also being 25 per cent. If interest received by non-resident individuals and corporations is not subject to (corporate) income tax but if at the same time it is subject to withholding by virtue of an Austrian paying agent, the withholding tax will be refunded upon the investor's application. The Austrian Ministry of Finance also provided for the possibility for the non-resident investor to furnish proof of non-residency, in which case the Austrian paying agent may refrain from withholding in the first place.

The Austrian Ministry of Finance has commented upon the tax treatment of so-called turbo certificates in the Income Tax Regulations (*Einkommensteuerrichtlinien*). These are certificates, which allow for a disproportionately high participation in the development in value of an underlying. The leverage is realised through the fact that in the case of a turbo certificate the capital invested is lower than the fair market value of the underlying (e.g. half of the quotation of a share). Pursuant to the Austrian Federal Ministry of Finance, a distinction has to be made whether the amount paid by the investor for the instrument exceeds 20 per cent. of the fair market value of the respective underlying at the beginning of the certificate's term, or not. If this is the case, then the instrument gives rise to income from investments (*Einkünfte aus Kapitalvermögen*), in which case the comments made above apply mutatis mutandis. Otherwise (i.e. if the amount paid by the investor for the instrument amounts to 20 per cent. or less of the fair market value of the respective underlying at the beginning of the certificate's term), substantially different rules would apply.

Pursuant to sec. 42(1) of the Austrian Investment Funds Act (*Investmentfondsgesetz*), a foreign investment fund (*ausländischer Investmentfonds*) is defined as any assets subject to a foreign jurisdiction which, irrespective of the legal form they are organized in, are invested according to the principle of risk-spreading on the basis either of a statute, of the entity's articles or of customary exercise. This term, however, does not encompass collective real estate investment vehicles pursuant to sec. 14 of the Austrian Capital Markets Act (*Kapitalmarktgesetz*). It should be noted that the Austrian tax authorities have commented upon the distinction between index certificates of foreign issuers on the one hand and foreign investment funds on the other hand in the Investment Fund Regulations (*Investmentfondsrichtlinien*). Pursuant to these, no foreign investment fund may be assumed if for the purposes of the issuance no predominant actual purchase of the underlying assets by the issuer or a trustee of the issuer, if any, is made and no actively managed assets exist. Pursuant to this view, in all other cases a foreign investment fund would have to be assumed, in which case the tax treatment would differ substantially from that

described above. The Austrian tax authorities envisage altering the criteria for the distinction between index certificates of foreign issuers on the one hand and foreign investment funds on the other hand. The publication of these changes is expected to be due shortly.

### **EU withholding tax**

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – which transforms into national law the provisions of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State is subject to a withholding tax if no exception from such withholding applies. Currently, the withholding tax amounts to 15%. As of 1 July 2008, the withholding tax rate will be increased to 20%. Regarding the issue of whether index certificates are subject to the EU withholding tax, the Austrian tax authorities distinguish between index certificates with and without a capital guarantee, a capital guarantee being the promise of repayment of a minimum amount of the capital invested or the promise of the payment of interest. The exact tax treatment of index certificates furthermore depends on their underlying.

### **Austrian inheritance and gift tax**

Pursuant to the Austrian Inheritance and Gift Tax Act (*Erbschafts- und Schenkungssteuergesetz*), transfers of assets inter vivos and inter mortuos are taxable. Sec. 15(1)(17) of the Austrian Inheritance and Gift Tax Act provides for a tax exemption in the case of a transfer of bonds inter mortuos insofar as the bonds were legally and factually offered to an indefinite number of persons and insofar as the interest resulting from the bonds is subject to either final taxation or to the special tax rate of 25 per cent. It should be noted that the Austrian Constitutional Court (*Verfassungsgerichtshof*) has recently declared the inheritance tax and the gift tax as unconstitutional. The two decisions will become effective on 1 August 2008. The Austrian federal government has reacted to these decisions of the Austrian Constitutional Court in the following way: According to the recently introduced Gift Notification Act 2008 (*Schenkungsmitteilungsgesetz 2008*) the inheritance tax as well as the gift tax are to expire as of 1 August 2008. This means that inter alia transfer of assets both inter vivos and inter mortuos after 31 July 2008 will neither be subject to inheritance tax nor to gift tax (except in the case of transfers to certain foundations). Instead of the inheritance and gift tax a notification obligation has been introduced for certain gifts inter vivos.

## **3. Warrants**

### **Income Tax**

Individuals subject to unlimited income tax liability in Austria holding warrants (*Optionsscheine*) as a non-business asset are subject to income tax at a marginal rate of up to 50 per cent. on any income resulting from the sale, exercise or redemption of the warrants within one year from acquisition (so called income from speculative transactions). Negative income from speculative transactions can only be offset against positive income from speculative transactions; an overall loss resulting from speculative transactions cannot be offset against any other type of income. Income from speculative transactions amounting to EUR 440.- at most in a calendar year remains tax-free.

Individuals subject to unlimited income tax liability in Austria holding warrants as a business asset are subject to income tax at a marginal rate of up to 50 per cent. on any income resulting from the sale, exercise or redemption of the warrants regardless of the time lapsed between acquisition and sale, exercise or redemption of the warrants. Losses from the sale, exercise or redemption of the warrants can in general be offset against any other income of the investor.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax of 25 per cent. on any income resulting from the sale, exercise or redemption of the warrants regardless of the time lapsed between acquisition and sale, exercise or redemption of the warrants. Losses from the sale, exercise or redemption of the warrants can in general be offset against any other income of the investor.

Private foundations pursuant to the Austrian Private Foundations Act fulfilling the prerequisites contained in sec. 13(1) of the Austrian Corporate Income Tax Act and holding warrants as a non-business asset are subject to corporate income tax of 25 per cent. on any income resulting from the sale, exercise or

redemption of the warrants within one year from acquisition. Negative income from such speculative transactions can only be offset against positive income from speculative transactions; an overall loss resulting from speculative transactions cannot be offset against any other type of income. Income from speculative transactions amounting to EUR 440.- at most in a calendar year remains tax-free.

Individuals subject to limited income tax liability in Austria holding warrants are only subject to income tax at a marginal rate of up to 50 per cent. in Austria on income resulting from the sale, exercise or redemption of the warrants if – broadly speaking – the warrants are attributable to an Austrian permanent establishment of the investor. The same applies with respect to corporations subject to limited corporate income tax liability in Austria, however, with a tax rate of 25 per cent.

Finally, reference is made to sec. 2 regarding sec. 42(1) of the Austrian Investment Funds Act.

### **EU withholding tax**

Sec. 1 of the Austrian EU Withholding Tax Act – which transforms into national law the provisions of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State is subject to a withholding tax if no exception from such withholding applies. Currently, the withholding tax amounts to 15%. As of 1 July 2008, the withholding tax rate will be increased to 20%. Pursuant to the guidelines published by the Austrian Federal Ministry of Finance, income from derivatives, such as futures, options or swaps, does in general not qualify as interest in the sense of the Austrian EU Withholding Tax Act.

### **Austrian inheritance and gift tax**

Pursuant to the Austrian Inheritance and Gift Tax Act, transfers of assets inter vivos and inter mortuos are taxable. For the transfer of warrants inter mortuos the exemption provision of Sec. 15(1)(17) of the Austrian Inheritance and Gift Tax Act does not apply. It should be noted that the Austrian Constitutional Court has recently declared the inheritance tax and the gift tax as unconstitutional. The two decisions will become effective on 1 August 2008. The Austrian federal government has reacted to these decisions of the Austrian Constitutional Court in the following way: According to the recently introduced Gift Notification Act 2008 the inheritance tax as well as the gift tax are to expire as of 1 August 2008. This means that inter alia transfer of assets both inter vivos and inter mortuos after 31 July 2008 will neither be subject to inheritance tax nor to gift tax (except in the case of transfers to certain foundations). Instead of the inheritance and gift tax a notification obligation has been introduced for certain gifts inter vivos.

## GERMAN TAXATION

The following is a general discussion of certain German tax consequences of an investment in the Securities by German tax resident individual investors. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Securities, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany currently in force and as applied on the date of this document, which are subject to change, possibly with retroactive or retrospective effect.

**Prospective purchasers of Securities are advised to consult their own tax advisors with regard to the tax German tax consequences of an investment in the Securities.**

*Tax Treatment of Capital Gains from Securities providing for payment on redemption only which are held as Private Assets*

Due to the introduction of the Flat Tax (*Abgeltungsteuer*) on all types of income from capital assets and capital gains from 1 January 2009 onwards and the specific grandfathering rules regarding the application of the tax law applying until such date (the "**Current Tax Regime**") applicable thereto, the tax treatment of capital gains from the disposition or redemption of Securities which are held as part of the private assets (*Privatvermögen*) of German tax resident individuals (i.e. individuals whose residence or habitual abode is located in Germany, the "**Investor**") depends on whether or not (i) the Securities were acquired prior to 1. January 2009 and disposed or redeemed prior to 1 July 2009 and (ii) whether or not the Securities classify as so-called financial innovations (*Finanzinnovationen*).

*Disposal or Redemption of Securities acquired prior to 1 January 2009 and disposed of or redeemed prior to 1 July 2009 (Current Tax Regime)*

Under the Current Tax Regime the taxation of capital gains from the disposition of Securities depends on whether or not the Securities classify as so-called financial innovations (*Finanzinnovationen*). Capital gains from the disposition or redemption of Securities after 1.1.2009 classifying as so-called financial innovations are classified as interest income and are taxable at the Flat Tax (*Abgeltungsteuer*) (25% plus 5.5% solidarity surcharge and, if applicable, church tax thereon).

German withholding tax at a rate of 30% (plus 5.5% solidarity surcharge and, if applicable, church tax thereon) will apply to such gains if payments under the Securities are made through a German bank or financial institution. Any German withholding taxes withheld will be credited against the Investor's individual income tax liability (respectively entitle the Investor to a tax refund).

If the Securities do not classify as so-called financial innovations (*Finanzinnovationen*) capital gains from the disposition or redemption of the Securities are only taxable if the Securities are disposed of within one year of their acquisition but before 1 July 2009 (so-called taxable income from a private sale) (*privates Veräußerungsgeschäft*). In such case capital gains are computed as the difference between the disposal price (respectively the redemption price) minus the acquisition costs and transaction fees. All capital gains and all losses derived from such dispositions are netted for each calendar year. If the balance exceeds EUR 600 all income is fully taxable.

A Security classifies as a so-called financial innovation (*Finanzinnovation*) if either (i) a repayment of capital or (ii) a payment of consideration for the making available of such capital has been guaranteed or has been made even if the amount of consideration payable for providing such capital is dependent on an uncertain event. Consequently, a payment which has only been made but as of the time of issuance of the financial instrument has not been promised (i.e. guaranteed) is, in principle, not taxable provided such payment is not commercially certain.

Such interpretation of the law is supported by the respective legislative materials according to which income from capital derived from financial instruments that are of an exclusively speculative character (*rein spekulativer Charakter*) should not be subject to capital income taxation (cf. German Parliamentary Reports file reference 12/6078, p. 122).

Moreover, the German Federal Tax Court (*Bundesfinanzhof*) has stated in its decision dated 4 December 2007 regarding capital gains from the disposal of index linked certificates with a guaranteed minimum repayment amount (file reference VIII R 53/05) that capital gains from the disposal of a financial

instrument are only taxable if either the repayment of principal or a minimum consideration for the making available of such capital is commercial certain at the time of issuance of such financial instrument. The German tax authorities have confirmed such interpretation with regard to index certificates the redemption amount of which is linked to the performance of a (stock) provided that (i) the repayment of the **entire** capital is exclusively dependent on (ii) the commercially uncertain performance of such (stock) index (cf. decree of the German Federal Ministry of Finance dated 21. July 1998, file reference BMF IV B-4 S 2252 –116/98).

However, according to a further decree of the German tax authorities regarding REX-P index certificates (dated 5. March 2007, file reference No. 19/2007) REX-P index certificates tracking the aggregate performance of a portfolio of German government bonds (including the price changes and interest rate income of such bonds contained in the REX Index) do not classify as financial innovations (*Finanzinnovationen*) as, according to the German tax authorities, it could be regarded as "commercially certain" that an Investor in such certificates would fully return its invested capital upon disposal, transfer or redemption of such certificates (and therefore the reference to the REX-P index would effectively contain an "embedded" capital guarantee).

As a consequence the Issuer takes the view that capital gains from the disposal or redemption of Securities (not providing for current payments) the redemption amount of which is linked to the performance of an index should not classify as financial innovations provided such index does not contain an "embedded" capital guarantee under which a repayment of the principal can be regarded as commercially certain. On the other hand Securities providing for a (partial) capital guarantee of the principal amount will be fully taxable (please note that in its decision on 4 December 2007 regarding index linked certificates with a guaranteed minimum repayment amount the German Federal Tax Court took the view that in principle only the percentage of the capital gains for which a capital guarantee has been provided should be fully taxable; however the German tax authorities have issued a non-application order (*Nichtanwendungserlass*) with regard to that decision and the current draft bill for an income tax act 2009 provides that capital gains from such instruments will be fully taxable from 1 January 2009 onwards).

*Taxation of Securities acquired and disposed of after 31 December 2008 and taxation of Securities acquired prior to 1 January 2009 and disposed of or redeemed after 30 June 2009 (flat tax regime)*

Regardless of the holding period of a Security and regardless whether a Security classifies as a so-called financial innovation (*Finanzinnovation*) all income (i.e. current income and capital gains) received from Securities which were either (i) acquired and disposed of after 31 December 2008 or (ii) acquired prior to 1 January 2008 but disposed of or redeemed after 30 June 2009 will be subject to the "flat tax" regime (*Abgeltungsteuer*) and taxed at a tax rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). Expenses related to the holding of such Securities will not be deductible. However, a lump sum (*Sparer-Pauschbetrag*) of EUR 801 (respectively EUR 1.602 in the event of spouses electing for a joint taxation of their income) may be deducted from any income received from the Securities. Losses from the disposition of Securities may generally be offset against other income of the Investor from capital assets (except for income from the disposal of shares for which a separate tax regime applies).

Withholding tax at a rate of 25% (plus 5.5% solidarity surcharge and, if applicable, church tax thereon) will be applied on payments under the Securities if such payments are made through a German bank or financial institution (the "**Disbursement Agent**"). Under the flat tax (*Abgeltungsteuer*) regime an Investor's income tax liability with regard to payments under the Securities is in principle deemed to be settled with the flat tax (*Abgeltungsteuer*) withheld on such income (i.e. is not subject to taxation at such Investor's individual income tax rate). However, an Investor may alternatively request that all income from capital assets of a fiscal year is taxed at the Investor's individual tax rate provided the Investor's individual tax rate is lower than 25%.

*Securities providing for current payments*

In the tax year 2008 current payments under Securities are taxable as income from interest at an Investor's individual income tax rate (plus solidarity surcharge and, if applicable, church tax thereon) with the receipt of such payments by an Investor. Withholding tax at a rate of 30% (plus solidarity surcharge and, if applicable, church tax thereon) will be applied to such payments if payments under the Securities are made through a German bank or financial institution. Any taxes withheld will be credited against an Investor's personal income tax liability (respectively entitle to a tax refund).

From the tax year 2009 onwards current payments under the Securities will be subject to a 25% Flat Tax (*Abgeltungsteuer*) (plus solidarity surcharge and, if applicable, church tax thereon) (which will be applied as a withholding tax if payments under the Securities are received through a German bank or financial institution).

*Tax Treatment of Current Income and Capital Gains from Securities which are held as part of assets constituting a trade or business*

If the Securities are held as part of the assets constituting a trade or business in principle any income from the Securities and capital gains from the redemption or disposal of the Securities will be fully taxable at the recipient's individual income tax rate (plus solidarity surcharge at a rate of 5.5% and, if applicable, church tax thereon) and – generally also – trade tax, regardless of the period for which the Securities have been held. Losses are in principle fully deductible.

*Inheritance and Gift Tax*

No inheritance or gift taxes with respect to any Certificate will arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Certificate is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

*Other Taxes*

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Securities. Currently, net assets tax is not levied in Germany.

*EU Savings Tax Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

By legislative regulations dated 26 January 2004 the Federal Government enacted provisions implementing the Directive into German law. These provisions apply from 1 July 2005.

## ITALIAN TAXATION

***This is not intended to be a complete analysis of all tax consequences of the purchase, holding, sale and exercise of the Securities. The information stated below is based on the tax legislation in force on the date of this Base Prospectus. The legislation remains subject to possible changes which could have retrospective effects. Investors are advised to seek professional advice with regard to the tax regime for the purchase, holding, sale and exercise of the Securities.***

Under one interpretation of Italian tax law, the exercise and redemption of the Securities by Italian resident individuals (not engaged in entrepreneurial activities to which the Securities are connected) are capable of generating capital gains.

Capital gains realised by Italian resident individuals (not engaged in entrepreneurial activities to which the Securities are connected) on any sale or transfer for consideration of the Securities or exercise or redemption thereof are subject to a 12.5% capital gain tax. Special rules apply if the Securities are part of a portfolio managed in a regime of asset management option by an Italian authorised intermediary and has opted for the application of the special 12.5% tax on the result of the asset management activity (the "Asset Management Tax"). In such case, the capital gains realised upon sale, transfer or exercise or redemption of the Securities will not be subject to 12.5 per cent *imposta sostitutiva* on capital gains but will contribute to determine the taxable base of the Asset Management Tax.

In case the Securities entitling the holder to purchase shares, the capital gains realised on the redemption or the transfer or sale of the Securities are not subject to *imposta sostitutiva* but a portion equal to 40 percent (49.72% as of 2009) of the capital gains must be included in the relevant Securityholder's income tax return (and subjected to the ordinary income tax) if the underlying of such Securities transferred or redeemed within any 12-month period represent a participation representing more than 2% of the voting rights or 5% of the capital of the issuing company (in the case of unlisted companies, the above thresholds are 20% and 25% respectively).

Investors should be aware that according to one interpretation of the present law, the Securities, in case representing debt instruments implying a "use of capital", could be qualified as "atypical instruments", and accordingly subject to a 27 per cent final withholding tax.

## SPANISH TAXATION

*The information provided below does not purport to be a complete summary of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect. Furthermore, it is not a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Securities, and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors who are in any doubts as to their position should consult with their own professional advisers.*

*The summary set out below is based upon Spanish law in force and is subject to any changes in the laws of Spain that may take effect after such date.*

This information has been prepared in accordance with the following Spanish tax legislation:

(a) for individuals resident for tax purposes in Spain which are subject to Personal Income Tax, Law 35/2006, of 28 November 2006, on Personal Income Tax and partial amendment of Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law, Royal Decree 439/2007, of 30th March promulgating the Personal Income Tax Regulations; Law 19/1991, of 6th June on Net Wealth Tax, as amended, and Law 29/1987, of 18th December on Inheritance and Gift Tax, as amended;

(b) for legal entities resident for tax purposes in Spain which are subject to Corporate Income Tax, Royal Legislative Decree 4/2004, of 5th March promulgating the Consolidated Text of the Corporate Income Tax Law, as amended; and Royal Decree 1777/2004, of 30th July promulgating the Corporate Income Tax Regulations; and

(c) for individuals and entities who are not resident in Spain, Royal Legislative Decree 5/2004, of 5th March promulgating the Consolidated Text of the Non-Residents Income Tax Law, as amended; and Royal Decree 1776/2004, of 30th July promulgating the Non-Residents Income Tax Regulations; Law 19/1991, of 6th June on Net Wealth Tax, as amended; and Law 29/1987, of 18th December on Inheritance and Gift Tax, as amended.

In relation to the income deriving from the Securities, the Issuer is of the opinion that an issue of Securities will not represent the obtaining and use of third party capital and, therefore will not be a source of income obtained from the transfer of own capital to third parties as defined in Article 25.2 of Law 35/2006, of 28 November 2006, on Personal Income Tax.

### **I. Withholding Tax**

Payments under the Securities would be made free of withholding or deduction of any Spanish taxes as they would not constitute Spanish source income and the Issuers are not tax resident in Spain nor have a permanent establishment in Spain from which the payments derived.

### **II. Taxes on Income and Capital Gains**

#### ***a) Individuals with Tax Residency in Spain subject to Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)***

In the case of holders who are Personal Income Tax taxpayers, the tax regime applicable to income deriving from the Securities is regulated in Law 35/2006, of 28 November 2006, on Personal Income Tax and in Royal Decree 439/2007, of 30th March promulgating the Personal Income Tax Regulations.

The premium paid for the subscription of a Security or its acquisition price paid in a secondary market will be treated as its acquisition value.

The transfer of the Security will qualify as a capital gain or loss computed as the difference between the transfer price and the acquisition value. If the Security is exercised, the income obtained, calculated as the difference between the amount received and the acquisition value of the Security, will be treated as a capital gain.

Any of the above gains would be included in the savings income tax base and taxed at the flat rate of 18% irrespective of the holding period of the Security.

If the Security is not exercised at maturity, the investor will obtain a capital loss calculated as the acquisition value of the Security.

**b) *Legal Entities with Tax Residency in Spain subject to Corporate Income Tax (Impuesto sobre Sociedades)***

In the case of investors subject to Corporate Income Tax, the applicable tax regime is governed by Royal Legislative Decree 4/2004, of 5 March approving the consolidated text of the Corporate Income Tax Law and in Royal Decree 1777/2004, of 30 July approving the Corporate Income Tax regulations.

The premium paid for the acquisition of a Security will not have the condition of a tax deductible expense and will be treated as the acquisition value of the relevant Security. Likewise, the price paid for a Security in the secondary market will be treated as its acquisition value.

If the Security is transferred, the accounting result deriving from such transfer, computed as the difference between the acquisition value (net of any provision) and the transfer price will be treated as income subject to Corporate Income Tax at the standard rate of 30% in accordance with the general rules.

If the Security is exercised, the income obtained, calculated as the difference between the amount received and the acquisition value of the Security, will be treated as taxable income.

If the Security is not exercised at maturity, the investor will obtain a negative income calculated as the acquisition value of the Security.

**c) *Individuals and Legal Entities with no Tax Residency in Spain subject to Non-Residents Income Tax (Impuesto sobre la Renta de no Residentes)***

Ownership of the Securities by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

In the case of a non resident investor operating through a permanent establishment in Spain, the income will be subject to Non Residents Income Tax in accordance with rules of Corporate Income Tax.

In case of non Spanish residents not operating through a permanent establishment located within Spanish territory, income derived from the Securities will not be subject to Spanish taxation.

**III. *Wealth Tax (Impuesto sobre el Patrimonio)***

**a) *Individuals with Tax Residency in Spain***

Individuals who are resident in Spain for tax purposes and hold Securities on 31 December of any year will be subject to the Spanish Net Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the market value of the Securities at such date.

**b) *Legal Entities with Tax Residency in Spain***

Spanish legal entities are not subject to Wealth Tax.

**c) *Individuals and Legal Entities with no Tax Residency in Spain***

Individuals who are not tax residents in Spain will be subject to Wealth Tax to the extent that the Securities are located in Spain or the rights deriving from the Securities can be exercised in Spanish territory.

Non resident legal entities are not subject to Wealth Tax.

**IV. *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)***

**a) *Individuals with Tax Residency in Spain***

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Securities by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with

the applicable Spanish regional and State rules. The applicable effective tax rates range between 7.65% and 81.6%, depending on several factors.

***b) Legal Entities with Tax Residency in Spain***

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Securities by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Securities in their taxable income for Spanish Corporate Income Tax purposes.

***c) Individuals and Legal Entities with no Tax Residency in Spain***

Individuals who do not have tax residency in Spain will not be subject to Inheritance and Gift Tax provided that the Securities are not located in Spain and the rights deriving from them cannot be exercised within Spanish territory.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable regional and state legislation to the extent that

Non-resident entities which acquire ownership or other rights over the Securities by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax provided that the Securities are located in Spain or the rights deriving from them can be exercised within Spanish territory.

**V. Value Added Tax, Transfer Tax and Stamp Duty**

The acquisition and transfer of Securities will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24th September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28th December, regulating such tax, as amended.

## **FINNISH TAXATION**

Payment of the redemption gain (if any) or interest on the Securities through a Finnish paying agent to individuals resident in Finland will be subject to an advance tax withheld by the Finnish paying agent at the rate of 28 per cent. Such advance tax withheld will be used for the payment of the individual's final taxes. Payment of the redemption gain (if any) or interest on the Securities through a Finnish paying agent to corporate entities resident in Finland will not be subject to any Finnish advance or withholding taxes.

## SWEDISH TAXATION

There is no Swedish withholding tax (*källskatt*) applicable on payments made by the Issuer in respect of the Securities. Sweden operates a system of preliminary tax (*preliminärskatt*) to secure payment of taxes. In the context of the Securities a preliminary tax of 30 per cent. will be deducted from all payments of interest in respect of the Securities made to any individuals or estates that are resident in Sweden for tax purposes provided the paying entity is subject to reporting obligations. Depending on the relevant holder's overall tax liability for the relevant fiscal year the preliminary tax may contribute towards, equal or exceed the holder's overall tax liability with any balance subsequently to be paid by or to the relevant holder, as applicable.

## EUROPEAN UNION SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States including Jersey, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

## SUBSCRIPTION AND SALE

Each Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International plc and Morgan Stanley & Co. Incorporated (the "**Distribution Agents**"), who have agreed to use reasonable efforts to solicit offers to purchase the Securities. Each Issuer will have the sole right to accept offers to purchase Securities and may reject any offer in whole or in part. The Distribution Agents will have the right to reject any offer to purchase Securities solicited by it in whole or in part. Each Issuer may pay the Distribution Agents, in connection with sales of the Securities resulting from a solicitation the Distribution Agents made or an offer to purchase received by the Distribution Agents, a commission, which may be in the form of a discount from the purchase price if the Distribution Agents are purchasing the Securities for their own account. Payment of the purchase price of the Securities will be required to be made in immediately available funds.

Each Issuer may also sell Securities to a Distribution Agent as principal for its own account at a price to be agreed upon at the time of sale. The Distribution Agents may resell any Securities they purchase as principal at prevailing market prices, or at other prices, as the Distribution Agents determine.

The arrangements for the offer and sale of the Securities from time to time are set out in the Regulation S Euro Distribution Agreement as modified and restated on 19 June 2008 (as further modified and restated from time to time, the "**Distribution Agreement**") among Morgan Stanley, Morgan Stanley Jersey, MSBV and the Distribution Agents (and any Additional Issuer that accedes to the Program). Pursuant to the Distribution Agreement, Morgan Stanley, Morgan Stanley Jersey, MSBV and the Distribution Agents have agreed (and any Additional Issuer that accedes to the Program shall agree) to indemnify each other against certain liabilities, or to contribute payments made in respect thereof. Morgan Stanley, Morgan Stanley Jersey and MSBV have also agreed (and any Additional Issuer that accedes to the Program shall agree) to reimburse the Distribution Agents for certain expenses.

### United States of America

The Securities have not been and will not be registered under the Securities Act and may not be offered, sold or delivered, *at any time*, within the United States or to, or for the account or benefit of, U.S. Persons. Each Distribution Agent (1) has acknowledged that the Securities have not been and will not be registered under the Securities Act, or any securities laws of any state in the United States, are subject to U.S. tax law requirements, and the Securities are not being offered or sold and may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account or benefit of U.S. Persons (as defined either in Regulation S under the Securities Act or the Code); (2) has represented, as a condition to acquiring any interest in the Securities, that neither it nor any persons for whose account or benefit the Securities are being acquired is a U.S. Person, is located in the United States, or was solicited to purchase Securities while present in the United States; (3) has agreed not to offer, sell or

deliver any of the Securities, directly or indirectly, in the United States to any U.S. Person; (4) has agreed that, at or prior to confirmation of sale of any Securities (whether upon original issuance or in any secondary transaction), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities from it a written notice containing language substantially the same as the foregoing. As used herein, "**United States**" means the United States of America (including the states and the District of Columbia), its territories and possessions.

In addition, the Distribution Agents have represented and agreed that they have not offered or sold Securities and will not offer or sell Securities *at any time* except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, the Distribution Agents have represented and agreed that neither they, their affiliates (if any) nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to Securities, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are also subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. Person. The Securities will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D). Terms used in this paragraph have the meanings given to them by the Code.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Distribution Agent has represented and agreed, and each further Distribution Agent appointed under the Program will be required to represent and agree, in relation to each Tranche of Securities that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Securities to the public in that Relevant Member State:

- (a) if the final terms in relation to the Securities specify that an offer of those Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last (or, in the case of Sweden, last two) financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last (or, in the case of Sweden, last two) annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Distribution Agent nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Securities referred to in (b) to (e) above shall require the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Securities to the public**" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of

sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

In relation to each Tranche of Securities, each Distribution Agent subscribing for or purchasing such Securities has represented to, warranted and agreed with, or will represent to, warrant and agree with, the relevant Issuer and, if the Securities are issued by Morgan Stanley Jersey or MSBV, the Guarantor that:

- (a) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the relevant Issuer or the Guarantor; and
- (b) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

### **Japan**

The Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Securities directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **Ireland**

In relation to each Tranche of Securities, each Distribution Agent subscribing for or purchasing such Securities has represented to, warranted and agreed with, or will represent to, warrant and agree with, the Issuer and the Guarantor that:

- (a) it will not underwrite the issue of, or place the Securities, otherwise than in conformity with the provisions of S.I. No. 60 of 2007, European Communities (Markets in Financial Instruments) Regulations 2007 (MiFID Regulations), including, without limitation, Parts 6, 7, and 12 thereof and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Securities, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 – 2004 (as amended) and any codes of conduct rules made under Section 117(1) thereof;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Securities otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Irish Central Bank and Financial Services Regulatory Authority (IFSRA);
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Securities, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by IFSRA; and
- (e) any issue of the Securities with a legal maturity of less than one year will be carried out in strict compliance with the Central Bank of Ireland's implementation notice for credit institutions BSD

C 01/02 of 12 November 2002(as may be amended, replaced or up-dated) and issued pursuant to Section 8(2) of the Irish Central Bank Act, 1971 (as amended).

### **Jersey**

Each Distribution Agent has severally represented to, and agreed with, Morgan Stanley Jersey that it will not take any action on behalf of Morgan Stanley Jersey that would result in Morgan Stanley Jersey being required to become registered under the Financial Services (Jersey) Law 1998, as amended.

### **Spain**

Neither the Securities nor this Base Prospectus have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Securities may not be offered, sold or re-sold in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of Article 30-bis of the Spanish Securities Market Law of July 28, 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) as amended and restated (the "**Spanish Securities Market Law**") and Royal Decree 1310/2005 of 4 November (*Real Decreto 1310/2005 de 4 de noviembre*), and supplemental rules enacted thereunder or in substitution thereof from time to time, but the Securities may be offered or sold in Spain in compliance with the requirements of the Spanish Securities Market Law as amended and restated and any regulations developing it or in substitution thereof which may be in force from time to time.

### **Republic of Italy**

The offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, each Distribution Agent has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Securities in the Republic of Italy in a solicitation to the public and that sales of the Securities in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each of the Distribution Agents has represented and agreed that it will not offer, sell or deliver any Securities or distribute copies of this Base Prospectus and any other document relating to the Securities in the Republic of Italy except:

- (1) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Decree No. 58**"), which includes natural persons and small and medium-sized enterprises, as defined by Directive 2003/71/EC of 4 November 2003 (the "**Prospectus Directive**").
- (2) that it may offer, sell or deliver Securities or distribute copies of any prospectus relating to such Securities in a solicitation to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree 58 and CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"), and ending on the date which is 12 months after the date of publication of such prospectus; and
- (3) in any other circumstances where an express exemption from compliance with the solicitation restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Securities or distribution of copies of the Base Prospectus or any other document relating to the Securities in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### ***Provisions relating to the secondary market in Italy***

Investors should also note that, in any subsequent distribution of the Securities in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Securities are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Securities who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Securities were purchased, unless an exemption provided for under Decree No. 58 applies.

### **Switzerland**

The Securities shall not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and neither this Base Prospectus as completed by the final terms nor any other solicitation for investments in the Securities may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations (the "CO") or of Article 3 of the Swiss Federal Act on Collective Investment Schemes (the "CISA") unless the legal and regulatory conditions imposed on a public offering under the CO or CISA are satisfied. This Base Prospectus as completed by the final terms does not constitute a public offering within the meaning of Articles 652a, respectively 1156, of the CO and of Article 5 of the CISA and may not comply with the information standards required thereunder, and in particular with the Guidelines on informing investors about structured products as published in July 2007 by the Swiss Bankers Association, as applicable. The Issuers have not applied for a listing of the Securities on the SWX Swiss Exchange or any other regulated securities market in Switzerland, and therefore, the information contained in this Base Prospectus as completed by the final terms does not necessarily comply with the information standards set out in the listing rules of the SWX Swiss Exchange.

The Securities do not constitute collective investments within the meaning of the CISA. Accordingly, holders of the Securities do not benefit from protection under the CISA or from the supervision of the Swiss Federal Banking Commission. Investors are exposed to the default risk of the relevant Issuer and/or the Guarantor.

### **Hong Kong**

This document will not be delivered for registration to the Registrar of Companies in Hong Kong, its contents will not be reviewed by any regulatory authority in Hong Kong, nor authorised by the Securities and Futures Commission of Hong Kong. Accordingly, this document and the Securities must not be issued, circulated or distributed in Hong Kong other than (1) in circumstances which do not constitute this document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) or which do not constitute an offer to the public within the meaning of that Ordinance, or (2) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and the Securities and Futures (Professional Investor) Rules. Unless permitted by the securities laws of Hong Kong, no person has issued or had in its possession for the purpose of issue, or will issue or have in its possession for issue, whether in Hong Kong or elsewhere, this document or the Securities or any other advertisement, invitation or document relating to the Securities which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) and the Securities and Futures (Professional Investor) Rules.

### **Singapore**

Each Distribution Agent represents, warrants and agrees that it has not offered or sold any Securities or caused such Securities to be the subject of an invitation for subscription or purchase, and will not offer or sell any Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor will it circulate or distribute the Base Prospectus or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to persons in Singapore other than:

- (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or

- (ii) to an accredited investor or other relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or
- (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law.

#### **Taiwan**

The Securities shall not be offered or sold in Taiwan, and may only be sold to investors resident in Taiwan from outside Taiwan in a manner that would not constitute an offering of securities in Taiwan and would otherwise be in accordance with the Securities and Exchange Law of Taiwan.

#### **Brazil**

The Securities have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither the Issuer of the Securities nor the issuance of the Securities have been or will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*). Therefore, each of the Dealers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Securities in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the Securities within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

#### **Mexico**

The Securities have not been registered with the Mexican Securities Registry (*Registro Nacional de Valores*) maintained by the National Banking and Securities Commission (*Comisión Nacional Bancaria de Valores*) or CNBV, and therefore, may not be publicly offered or sold in Mexico. The offering materials are the responsibility of the issuer and may not be publicly distributed in Mexico.

#### **NO OWNERSHIP BY U.S. PERSONS**

**The Securities may not be legally or beneficially owned by U.S. Persons at any time. Each holder and each beneficial owner of a Security hereby represents, as a condition to purchasing or owning the Security or any beneficial interest therein, that neither it nor any person for whose account or benefit the Securities are being purchased is located in the United States, is a U.S. Person or was solicited to purchase the Securities while present in the United States. Each holder and each beneficial owner of a Security hereby agrees not to offer, sell or deliver any of the Securities, at any time, directly or indirectly in the U.S. or to any U.S. Person. The term "U.S. Person" will have the meaning ascribed to it in either Regulation S under the Securities Act or the Code.**

## GENERAL INFORMATION

The obligation of a prospective purchaser, including any of the Distribution Agents, to pay for any Securities it has agreed to purchase is subject to the satisfaction of certain conditions which, if not satisfied or waived, would result in the purchaser having no obligation to pay for any of those Securities.

The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate code for each issue allocated by Euroclear and Clearstream, Luxembourg will be contained in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than two business days after the date of the transaction.

For so long as the Program remains in effect or any Securities issued by Morgan Stanley, Morgan Stanley Jersey or MSBV under the Program remain outstanding, the following documents will be available from the date hereof, during usual business hours on any week day, for inspection by physical means at The Bank of New York, One Canada Square, London E14 5AL, being the London office of the Principal Securities Agent and also at the principal executive offices of Morgan Stanley and the registered offices of Morgan Stanley Jersey and MSBV:

- (i) copies of the Distribution Agreement, the Securities Agency Agreement dated 30 November 2000 (as modified and restated on 4 December 2001, 30 June 2005, 11 July 2006, 22 June 2007 and as further modified and restated on 19 June 2008 and as from time to time further modified and/or restated), the accession agreement dated as of 10 June 2002 relating to Morgan Stanley Jersey, the accession agreement dated as of 16 April 2004 relating to MSBV, the MSBV Deed of Covenant dated 19 June 2008, the guarantee dated 19 June 2008 provided by Morgan Stanley, all of Morgan Stanley Jersey's and MSBV's future published financial statements and all of Morgan Stanley's future Annual, Quarterly and Current Reports. Morgan Stanley's Quarterly Reports on Form 10-Q contain unaudited quarterly financial statements;
- (ii) the Certificate of Incorporation and Memorandum and Articles of Association of Morgan Stanley Jersey (these shall not be available at the registered office of MSBV);
- (iii) the Deed of Incorporation of MSBV (this shall not be available at the registered office of Morgan Stanley Jersey);
- (iv) the Certificate of Incorporation and Amended and Restated By-laws of Morgan Stanley;
- (v) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is included or referred to herein;
- (vi) the Annual Reports of MSBV for the financial years ended 30 November 2006 and 30 November 2007 (these shall not be available at the registered office of Morgan Stanley Jersey);
- (vii) the Annual Reports of Morgan Stanley Jersey for the financial years ended 30 November 2006 and 30 November 2007 (these shall not be available at the registered office of MSBV);
- (viii) Morgan Stanley's Annual Report on Form 10-K for the year ended 30 November 2006, including any amendments thereto, which contain the audited consolidated financial statements of Morgan Stanley for the years ended 30 November 2006 and 30 November 2007;
- (ix) a copy of this document;
- (x) any supplement to this Base Prospectus; and
- (xi) any Final Terms (relating to listed and outstanding issues of Securities) issued after the date of this Base Prospectus.

### **Morgan Stanley**

The Program was authorised by Morgan Stanley pursuant to resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 17 June 2003, as amended and updated pursuant to resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 14 December 2004

and further amended by resolutions dated 20 September 2005, 12 December 2006, 19 June 2007, 17 September 2007 and 16 June 2008.

### **Morgan Stanley Jersey**

There are no, nor have there been any legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which Morgan Stanley Jersey is aware), during the 12 month period before the date of this Base Prospectus, involving Morgan Stanley Jersey which may have or have had in the recent past, a significant effect on the financial position or profitability of Morgan Stanley Jersey.

Deloitte & Touche LLP, Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants of England and Wales) of PO Box 403, Lord Coutanche House, 66-68 Esplanade, St Helier, Jersey JE4 8WA have audited the financial statements of Morgan Stanley Jersey for the years ended 30 November 2005, 2006 and 2007 and unqualified opinions have been reported thereon.

Morgan Stanley Jersey does not publish interim financial statements.

The role of Morgan Stanley Jersey as issuer under the Program was authorised by resolutions of the Board of Directors of Morgan Stanley Jersey passed on 7 June 2002, 20 June 2007 and 17 June 2008.

Morgan Stanley Jersey has obtained or will obtain all necessary consents, approvals and authorisations in connection with the issue and performance of Securities. In particular, the Jersey Financial Services Commission (the "**Commission**") has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of Securities under the Program by Morgan Stanley Jersey. The Commission is protected by the Control of Borrowing (Jersey) Law 1947 against liability arising from the discharge of its functions under that law.

A copy of this document has been delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and has not withdrawn, consent to its circulation.

It must be distinctly understood that, in giving these consents, neither the registrar of companies nor the Commission takes any responsibility for the financial soundness of Morgan Stanley Jersey or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

It should be remembered that the price of securities and the income from them can go down as well as up.

### **Financial Services (Jersey) Law 1998**

Nothing in this Base Prospectus, any Final Terms or anything communicated to the holders of Securities issued by Morgan Stanley Jersey or potential holders of such securities by or on behalf of Morgan Stanley Jersey is intended to constitute or should be construed as advice on the merits of the purchase of or subscription for such securities or the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998, as amended.

### **Collective Investment Funds (Restriction of Scope) (Jersey) Order 2000**

**The investments described in this document do not constitute a collective investment fund for the purpose of the Collective Investment Funds (Jersey) Law 1988, as amended, on the basis that they are investment products designed for financially sophisticated investors with specialist knowledge of, and experience of investing in, such investments, who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments. These investments are not regarded by the Jersey Financial Services Commission as suitable investments for any other type of investor.**

**Any individual intending to invest in any investment described in this document should consult his or her professional adviser and ensure that he or she fully understands all the risks associated with**

**making such an investment and has sufficient financial resources to sustain any loss that may arise from it.**

#### **MSBV**

There are no, nor have there been any legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which MSBV is aware), during the 12 month period before the date of this Base Prospectus, involving MSBV which may have or have had in the recent past, a significant effect on the financial position or profitability of MSBV.

Deloitte Accountants B.V., independent auditors and certified public accountants (members of the Royal Netherlands Institute of Registered Accountants) of Orlyplein 10, 1040 HC Amsterdam, Netherlands have audited the financial statements of MSBV for the years ended 30 November 2005, 30 November 2006 and 30 November 2007 and an unqualified opinion has been reported thereon.

The financial information in respect of MSBV has been prepared in accordance with (i) United Kingdom accounting standards for the year ended 30 November 2006 and (ii) IFRS for the year ended 30 November 2007, each as permitted by the Civil Code of the Netherlands on the basis of MSBV's international connections. Such financial information has not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 and there may be material differences in such financial information had Regulation (EC) No 1606/2002 been applied to such historical financial information.

MSBV does not publish interim financial statements.

The role of MSBV as issuer under the Program was authorised by resolutions of the Board of Directors of MSBV passed on 16 April 2004, 20 June 2007 and 17 June 2008.

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