

THIRD BASE PROSPECTUS SUPPLEMENT

Morgan Stanley

(incorporated under the laws of the State of Delaware in the United States of America)

REGULATION S PROGRAM FOR THE ISSUANCE OF NOTES, SERIES A AND SERIES B, WARRANTS AND CERTIFICATES

Morgan Stanley (“**Morgan Stanley**” or the “**Issuer**”) has prepared this third base prospectus supplement (the “**Third Base Prospectus Supplement**”) to supplement and be read in conjunction with the base prospectus dated 8 April 2016 (the “**Base Prospectus**”), the first base prospectus supplement dated 20 June 2016 (the “**First Base Prospectus Supplement**”) and the second base prospectus supplement dated 18 November 2016 (the “**Second Base Prospectus Supplement**”) of Morgan Stanley relating to the Regulation S Program for the Issuance of Notes, Series A and Series B, Warrants and Certificates.

This Third Base Prospectus Supplement has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the “**CSSF**”), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and relevant implementing measures in Luxembourg, as a prospectus supplement issued in compliance with Article 16.1 of the Prospectus Directive and relevant implementing measures in Luxembourg.

Unless otherwise defined in this Third Base Prospectus Supplement, terms defined in the Base Prospectus, the First Base Prospectus Supplement and the Second Base Prospectus Supplement shall have the same meaning when used in this Third Base Prospectus Supplement. To the extent that there is any inconsistency between any statement in, or incorporated by reference in, this Third Base Prospectus Supplement and any other statement in, or incorporated by reference in, the Base Prospectus, the First Base Prospectus Supplement or the Second Base Prospectus Supplement, the statements in this Third Base Prospectus Supplement will prevail.

The purpose of this Third Base Prospectus Supplement is to:

- (a) in respect of further issuances only under the Base Prospectus, make amendments to the summary of the Base Prospectus pursuant to changes in the Terms and Conditions of the Notes, as set out in “Part A” of this Third Base Prospectus Supplement;
- (b) in respect of further issuances only under the Base Prospectus, make amendments to the Terms and Conditions of the Notes section in the Base Prospectus, as set out in “Part B” of this Third Base Prospectus Supplement.

The amendments included in this Third Base Prospectus shall only apply to final terms, the date of which falls on or after the approval of this Third Base Prospectus Supplement.

In accordance with Article 13 paragraph 2 of the Luxembourg Law on Prospectuses dated 10 July 2005, investors who have agreed to purchase or subscribe for, or have applied to purchase or subscribe for, any Notes prior to the publication of this Third Base Prospectus Supplement shall have the right, exercisable within two Business Days (as defined in the Conditions of such Notes) following the date of publication of this Third Base Prospectus Supplement, to withdraw their acceptances or applications by notice in writing to the Issuer or Distribution Agent, as the case may be. The final date within which such right of withdrawal must be exercised is 24 January 2017.

The Issuer confirms the following:

Save as disclosed in this Third Base Prospectus Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen since the publication of the Base Prospectus, the First Base Prospectus Supplement or the Second Base Prospectus Supplement.

The Issuer accepts responsibility for the information contained in this Third Base Prospectus Supplement. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Third Base Prospectus Supplement is available for viewing, and copies may be obtained from, the offices of the Issuer and the Paying Agents.

This Third Base Prospectus Supplement is available on Morgan Stanley's website at www.morganstanleyiq.eu and on the website of the Luxembourg Stock Exchange at www.bourse.lu.

20 January 2017

MORGAN STANLEY

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PART A

AMENDMENTS TO THE SUMMARY

Changes to Element C.8

The “Events of Default” section within the “Rights attached to the Notes” contained in Element C.8 of the summary in the Base Prospectus (set out on page 5 of the Base Prospectus) shall be deleted in its entirety and replaced with the information below:

“Events of Default: *If an Event of Default occurs, the Notes may be redeemed prior to their Maturity Date at the Early Redemption Amount if the Noteholders of not less than 25% in aggregate principal amount of the Notes give written notice to the Issuer declaring the Notes to be immediately due and payable.*

The Events of Default applicable to the Notes are as follows:

(1) non-payment by the Issuer of any amount of principal or any amount of interest (in each case, within 30 days of the respective due date) in respect of the Notes; and

(2) the Issuer becomes insolvent or is unable to pay its debts as they fall due, or an administrator or liquidator is appointed in respect of the Issuer or the whole or a substantial part of its undertaking, assets and revenues (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), or the Issuer takes any action for a composition with or for the benefit of its creditors generally, or an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) and such order or effective resolution has remained in force and has not been rescinded, revoked or set aside for sixty days after the date on which such order is made or effective resolution is passed.”

Part B

AMENDMENTS TO THE BASE PROSPECTUS

The Base Prospectus is hereby amended as follows:

1. Condition 13.1 (*If any of the following events (each, an "Event of Default") occurs and is continuing*) within Condition 13 (*Events of Default*) set out on page 71 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

“13.1 If any of the following events (each, an "Event of Default") occurs and is continuing:

- (a) *Non-payment: the Issuer fails to pay any amount of principal in respect of the Notes or fails to pay any amount of interest in respect of the Notes, in each case within thirty days of the respective due date for payment thereof; or*
- (b) *Insolvency, etc.: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), (iii) the Issuer takes any action for a composition with or for the benefit of its creditors generally, or (iv) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), and such order or effective resolution has remained in force and has not been rescinded, revoked or set aside for sixty days after the date on which such order is made or effective resolution is passed,*

then Noteholders of not less than 25 per cent. in aggregate principal amount of the Notes may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become so due and payable at their Early Redemption Amount without further action or formality. Notice of any such declaration shall promptly be given to the Noteholders.”

2. Condition 4 (*Status*) set out on page 55 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

“The Notes constitute part of the Issuer's senior debt and will rank pari passu with all of the Issuer's other unsecured and unsubordinated debt.

The Notes constitute “loss-absorbing capacity” within the meaning of the final rules issued by the Board of Governors of the Federal Reserve System. We are a parent holding company and have no operations and depend on dividends, distributions and other payments from our subsidiaries to fund our debt obligations (including Notes). Under a support agreement that we have entered with our material subsidiaries, upon the occurrence of a resolution scenario, including a single-point-of-entry resolution strategy as contemplated in our resolution plan, we would be obligated to contribute or loan on a subordinated basis all of our material assets, other than shares in our subsidiaries and certain intercompany payables, to provide capital and liquidity, as applicable, to our material subsidiaries. That obligation will be secured, in accordance with an amended and restated secured support agreement, on a senior basis by our assets (other than shares in our subsidiaries). As a result, claims of our material subsidiaries against our assets (other than shares in our subsidiaries) will be effectively senior to our unsecured obligations, including Notes which would be at risk of absorbing our and our subsidiaries' losses.”