

BASE PROSPECTUS

MORGAN STANLEY B.V.

as issuer

(incorporated with limited liability in The Netherlands)

Morgan Stanley

as guarantor

(incorporated under

the laws of the State of Delaware in the United States of America)

Up to U.S.\$20,000,000,000

Program for the

Issuance of Notes, Certificates and Warrants

On 7 April 2006 Morgan Stanley B.V. (“**MSBV**” or the “**Issuer**”) established a program for the issuance of Notes and Certificates (the “**Program**”). This Base Prospectus (the “**Base Prospectus**”) updates and supersedes the Base Prospectus dated 17 November 2011 describing the Program. The publication of this Base Prospectus does not affect any securities issued under the Program before the date of this Base Prospectus. Under the Program the Issuer may offer from time to time notes, certificates and warrants (the “**Notes**”, the “**Certificates**” and the “**Warrants**” and, together the “**Securities**”) in bearer form (the “**Bearer Securities**”) or in registered form (the “**Registered Securities**”), subject to all applicable legal and regulatory requirements. The Securities will be issued from time to time in series (each, a “**Series**”), denominated in the same currency and having the same maturity date or expiration date and, if applicable, distribution amounts and distribution payment dates. Each Series may be issued in one or more tranches (each, a “**Tranche**”) on different issue dates. Details applicable to each Tranche will be specified in the relevant Final Terms (as defined below). 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 Security will be included in the appropriate Final Terms.

The payment of all amounts due in respect of Securities issued by the Issuer will, unless specified otherwise in the appropriate Final Terms, be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by Morgan Stanley (the “**Guarantor**”) pursuant to a guarantee dated as of 17 November 2011.

The Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International plc, Morgan Stanley & Co. LLC and MS Equity Financing Services (Luxembourg) S.a.r.l. (the “**Distribution Agents**”), who have agreed to use reasonable efforts to solicit offers to purchase the Securities. The 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. The Issuer or the Distribution Agents may reject any offer to purchase Securities, in whole or in part. See “*Subscription and Sale and Transfer Restrictions*” section beginning on page 146 of this Base Prospectus.

Securities of each Tranche of each Series to be issued as Bearer Securities will be represented on issue by a temporary global security in bearer form (each a “**Temporary Global Security**”) or by a permanent global security in bearer form (each a “**Permanent Global Security**”), without coupons, which may be deposited on the issue date of the relevant Series with a common depository on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). Interests in a Temporary Global Security will be exchangeable for interests in a Permanent Global Security. Temporary Global Securities and Permanent Global Securities are together referred to herein as “**bearer Global Securities**”. The provisions governing the exchange of interests in bearer Global Securities for definitive bearer Securities are described in the “*Form of the Bearer Securities*” section of this Base Prospectus.

Securities of each Tranche of each Series to be issued as Registered Securities and which are sold to a person that is not a U.S. person (within the meaning of Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)), in an “offshore transaction” within the meaning of Regulation S (“**Unrestricted Securities**”) will be represented by interests in a permanent global registered security (each an “**Unrestricted Global Security**”), without coupons, which will be registered in the name of a nominee for, and shall be deposited on its issue date with a common depository on behalf of, Euroclear and Clearstream, Luxembourg. Securities of each Tranche of each Series to be issued as Registered Securities and sold in reliance on Rule 144A (“**Rule 144A**”) under the Securities Act (“**Restricted Securities**”) to “qualified institutional buyers” (“**QIBs**”) within the meaning of Rule 144A which are also “qualified purchasers” (“**QPs**”) as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, and the rules thereunder (the “**Investment Company Act**”) (such persons are hereinafter referred to as “**QIB/QPs**”) will be represented by (i) one or more global registered securities (each a “**Restricted Global Security**” and together with any Unrestricted Global Security, “**registered Global Securities**”), without coupons, which will be deposited with (1) a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company (“**DTC**”) or (2) a common depository acting on behalf of Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system on its issue date or (ii) individual registered instruments (“**Individual Registered Instruments**”) as identified in the relevant Final Terms. Beneficial interests in registered Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Clearstream, Luxembourg and Euroclear and their participants. Individual Registered Instruments will not be eligible for trading on the facilities of DTC, Euroclear or Clearstream, Luxembourg. The provisions governing the exchange of interests in registered Global Securities for Individual Registered Instruments are described in the “*Form of Registered Securities*” section of this Base Prospectus. Bearer Global Securities and registered Global Securities are together referred to herein as “**Global Securities**”.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “**Prospectus Directive**”) as amended (which includes the amendments made by Directive 2010/73/EU (the “**2010 PD Amending Directive**”) to the extent such amendments have been implemented in a relevant Member State of the European Economic Area).

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive as amended (which includes the amendments made by the 2010 PD Amending Directive to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Securities which are to be admitted to trading on the regulated market of the Irish 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.

Application has been made to the Irish Stock Exchange for the Securities issued under the Program to be admitted to the Official List and to trading on its regulated market. Such market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. However, there is no guarantee that admission to trading on the regulated market of the Irish Stock Exchange will be granted in respect of Securities issued under the Program. 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 relevant Final Terms in respect of the issue of any Securities will specify whether or not such Securities will be listed on and admitted to trading on the regulated market of the Irish Stock Exchange (or any other stock exchange). Other secured obligations entered into under the Program cannot be listed on and admitted to trading on the regulated market of the Irish Stock Exchange.

This document in relation to the Securities to be issued during the period of 12 months from the date of this Base Prospectus has been filed with and approved by the Central Bank of Ireland in its capacity as competent authority in Ireland for the purposes of the Prospectus Directive. Copies of each set of Final Terms will be

available at the specified office set out below of the Fiscal Agent (as defined herein) and each of the Paying Agents.

Credit ratings included in or referred to in any document incorporated by reference in this Base Prospectus have been issued by Dominion Bond Rating Service, Inc. ("**DBRS**"), Fitch, Inc. ("**Fitch**"), Moody's Investors Service, Inc ("**Moody's**"), Standard & Poor's Financial Services LLC through its business unit Standard and Poor's Ratings Services ("**S&P**") and Ratings and Investment Information Inc. ("**RIII**").

DBRS is not established in the European Economic Area but the ratings it has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited, a rating agency established in the European Economic Area and registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended) (the "**CRA Regulation**") by the relevant competent authority.

Fitch is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Moody's is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Limited and Moody's Deutschland GmbH, both rating agencies established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities.

S&P is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is, with effect from 9 April 2012, endorsed by Standard & Poor's Credit Market Services Europe Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

RIII is not incorporated in the European Union and is not registered under the CRA Regulation.

The rating of certain Series of Securities to be issued under the Program may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Securities will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is still pending. Such general restriction will also apply in the case of credit ratings issued by non-European Union credit rating agencies, unless the relevant credit ratings are endorsed by an European Union-registered credit rating agency or the relevant non-European Union agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

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.

The Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and construed in accordance with, English law.

Investing in the Securities involves risks. See the “Risk Factors” section beginning on page 15 of this Base Prospectus.

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 the Prospectus Directive, the Issuer may be responsible to the Investor for the Base Prospectus under the Prospectus Directive only if the Issuer has authorised that Offeror to make the offer to the Investor. Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Securities are the persons named in the applicable Final Terms as the relevant Distribution Agents, if any, and the persons named in or identifiable following the applicable Final Terms as the Financial Intermediaries, if any. 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 the Prospectus Directive 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.

No person has been authorized by the Issuer or the Guarantor to give any information or to make any representation not contained or incorporated by reference in the Base Prospectus Note 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 authorized by the Issuer, 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, restated and/or supplemented or that there has been no adverse change in the financial situation of the Issuer 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, restated and/or supplemented or the balance sheet date of the most recent financial statements which have been incorporated into this Base Prospectus by reference, or that any other information supplied in connection with the Program from time to time 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 Issuer or the Guarantor during the life of the Program. Investors should review, *inter alia*, the most recent financial statements of the Issuer and 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 SECURITIES AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY INCLUDE BEARER SECURITIES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. NEITHER THE ISSUER NOR THE GUARANTOR IS REGISTERED, OR WILL REGISTER, UNDER THE INVESTMENT COMPANY ACT. INTERESTS IN THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR ITS POSSESSIONS OR TO, OR FOR THE ACCOUNT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) OR UNITED STATES PERSONS (AS DEFINED FOR U.S. FEDERAL INCOME TAX PURPOSES) EXCEPT IN ACCORDANCE WITH RULE 144A TO A PERSON WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RESTRICTED GLOBAL SECURITY THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QIB THAT IS ALSO A QP PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS

EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, AND IN A NOMINAL AMOUNT OR PURCHASE PRICE FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$100,000 IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THIS BASE PROSPECTUS HAS BEEN PREPARED BY THE ISSUER AND THE GUARANTOR FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE SECURITIES OUTSIDE THE UNITED STATES TO A PERSON THAT IS NOT A U.S. PERSON IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES TO QIB/QPs PURSUANT TO RULE 144A, AND FOR THE LISTING OF THE SECURITIES ON THE IRISH STOCK EXCHANGE. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SECURITIES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE SECURITIES AND DISTRIBUTION OF THIS BASE PROSPECTUS, SEE “SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS”.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF ANY SECURITIES PURSUANT TO THIS PROGRAM OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE COMMODITY FUTURES TRADING COMMISSION PURSUANT TO THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE SECURITIES ARE NOT BANK DEPOSITS AND ARE NOT INSURED BY THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY, NOR ARE THEY OBLIGATIONS OF, OR GUARANTEED BY, A BANK.

NOTICE TO NEW HAMPSHIRE RESIDENTS:

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

None of the Issuer, Morgan Stanley & Co. International plc, Morgan Stanley & Co. LLC or MS Equity Financing Services (Luxembourg) S.a.r.l., as Distribution Agents for the Securities, has or will take any action in any country or jurisdiction that would permit a public offering of the Securities or possession or distribution of any offering material in relation to a public offering in any country or

jurisdiction where action for that purpose is required. 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

18 June 2012

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus (including each document incorporated by reference herein) is in accordance with the facts and does not omit anything likely to affect the import of such information.

The applicable Final Terms may contain information relating to the underlying asset(s) or other basis or bases of reference (each a "Relevant Underlying") to which the relevant Securities relate. However, unless otherwise expressly stated in the applicable Final Terms, any information contained therein relating to a Relevant Underlying will only consist of extracts from, or summaries of, information contained in financial and other information released publicly in respect of such Relevant Underlying(s). The Issuer will, unless otherwise expressly stated in the applicable Final Terms, confirm that such extracts or summaries have been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published in respect of such Relevant Underlying(s), no facts have been omitted that would render the reproduced inaccurate or misleading.

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 Issuer.

The Issuer has confirmed to the Distribution Agents that this Base Prospectus (including each document incorporated by reference herein) 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. The Issuer has further confirmed to the Distribution Agents that this Base Prospectus (including each document incorporated by reference herein 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 Issuer, the Guarantor and the Distribution Agents to inform themselves about and to observe those restrictions. 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 and Transfer Restrictions*" beginning on page 146 of this Base Prospectus.

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

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 THE 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. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (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 Securities. Accordingly any person making or intending to make an offer in that Relevant Member State of Securities which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Securities may only do so (i) in circumstances in which no obligation arises for the Issuer, the Guarantor 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) if a prospectus for such offer 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 and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by applicable Final Terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Distribution Agent have authorised, nor do they authorise, the making of any offer of Securities in circumstances in which an obligation arises for the Issuer or any Distribution Agent to publish or supplement a prospectus for such offer.

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 relating thereto and with all documents incorporated by reference herein (see the "*Incorporation by Reference*" section of this Base Prospectus below).

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 the 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 Issuer 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.

To permit compliance with Rule 144A in connection with any resales or other transfers of Securities that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 17 November 2011 (the Deed Poll) to furnish, upon the request of a holder of such Securities or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the

time of the request, the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

The Issuer is a private limited company with limited liability incorporated under the laws of The Netherlands. None of the directors and executive officers of the Issuer are residents of the United States, and all or a substantial portion of the assets of the Issuer and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

Investors should be aware that neither the Issuer nor the Guarantor is regulated by the Central Bank of Ireland and that any investment will not have the status of a bank deposit and is therefore not within the scope of the deposit protection scheme operated by the Central Bank of Ireland.

All references in this Base Prospectus to “Sterling” and “£” are to the lawful currency of the United Kingdom, all references to “U.S. dollars,” “USD” and “\$” are to the lawful currency of the United States of America all references to “Hong Kong Dollars” and “HKD” are to the lawful currency of Hong Kong, all references to “Japanese Yen”, “JPY” 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, all references to “Danish Krone”, “DKr” and “DKK” are to the lawful currency of the Kingdom of Denmark, all references to “Swedish Krona”, “SKr” and “SEK” are to the lawful currency of the Kingdom of Sweden, all references to “Norwegian Krone”, “NKr” and “NOK” are to the lawful currency of the Kingdom of Norway, 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 on the Functioning of the European Union, as amended (the “EC Treaty”).

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND, WHERE APPLICABLE, THE GUARANTOR AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

In connection with the issue of any Tranche (as defined in the “*Key Features of the Securities*” section below), the Distribution Agents or any other agent specified for that purpose in the applicable Final Terms (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment shall be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) 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") as amended (which includes the amendments made by Directive 2010/73/EU (the "2010 PD Amending Directive") to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area and must be read as an introduction to the Base Prospectus. Any decision to invest in any Securities should be based on a consideration of the 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 Base Prospectus. Where a claim relating to the information contained in the 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 Base Prospectus before the legal proceedings are initiated.

Words and expressions defined in "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 Issuer and the Guarantor

Morgan Stanley B.V. ("MSBV" or the "Issuer")

MSBV was incorporated in The Netherlands in 2001 as a private company with limited liability. Its directors are Z. Wu (address: International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong), H. Herrmann (address: Floor 01, 20 Bank Street, Canary Wharf, London E14 4AD), P.J.G de Reus (address: Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands), R.H.L. de Groot (address: Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands) and TMF Management B.V. (address: Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands). It has no employees or subsidiaries. There are no potential conflicts of interest between the duties to MSBV of these directors and their private interests and/or other duties.

There are no measures in place other than statutory measures to ensure that control of MSBV will not be abused.

Its auditors are Deloitte Accountants B.V., who are independent auditors and certified public accountants (members of the Royal Netherlands Institute of Registered Accountants (*Koninklijk Nederlands Instituut van Registeraccountants*)).

MSBV's issued share capital comprises 150,180 ordinary shares of nominal value EUR 100. Archimedes Investments Cooperative U.A., a member of the Morgan Stanley group, holds 150,178 ordinary shares of MSBV. Each of Morgan Stanley International Holding Incorporated and Morgan Stanley International Limited hold 1 ordinary share of MSBV.

The net revenue for the years ended December 2011 and December 2010 was EUR 3,026,000 and EUR 1,638,000 respectively. The profit before tax for the financial years ended 2011 and 2010 was EUR 4,020,000 and EUR 2,188,000 respectively.

Total assets decreased from EUR 5,494,136,000 for the period ended 31 December 2010 to EUR 4,187,365,000 for the year ended 31 December in 2011 with total liabilities decreasing from EUR 5,465,943,000 for the period ended 31 December 2010 to EUR 4,170,543,000 for the year ended 31 December 2011.

Morgan Stanley B.V. complies with Section 3:2 of the Act on the Financial Supervision (*Wet op het financieel toezicht*, ("FMSA")) and is therefore not required to obtain a license under the FMSA.

Morgan Stanley (the "Guarantor")

Morgan Stanley was originally incorporated under the laws of the State of Delaware in 1981, and its predecessor companies date back to 1924. Morgan Stanley is a financial holding company regulated by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended.

In September 2008, it became a bank holding company and a financial holding company. Its directors are James P. Gorman, Roy J. Bostock, Erskine B. Bowles, Howard J. Davies, Masaaki Tanaka, C. Robert Kidder, Klaus Kleinfeld, Donald T. Nicolaisen, Hutham S. Olayan, James W. Owens, O. Griffith Sexton, Laura D. Tyson and Ryosuke Tamakoshi. The business address of each director is the registered office of Morgan Stanley. There are no potential conflicts of interest between the duties to Morgan Stanley of these directors and their private interests and/or other duties.

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides its 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. It is the ultimate parent undertaking of Morgan Stanley Jersey and MSBV.

At 31 March 2012, Morgan Stanley had 59,569 employees worldwide.

Its auditors are Deloitte & Touche LLP.

Its issued share capital at 31 March 2012 comprised 2,038,893,979 ordinary shares of nominal value U.S.\$0.01.

As of 31 March 2012, Morgan Stanley's total assets were U.S.\$781,030 million and total liabilities U.S.\$710,438 million. As of 31 December 2011, Morgan Stanley's total assets were U.S.\$749,898 million and total liabilities were U.S.\$679,820 million.

As of 5 April 2012, the following entities beneficially own more than 5 per cent of Morgan Stanley's common stock: Mitsubishi UFJ Financial Group, Inc. ("MUFG") (22.0%); State Street Corporation (8.4%); China Investment Corporation (7.6%); and Blackrock, Inc. (5.44%).

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.

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.

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.

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 advisors if they consider it necessary.

Essential characteristics and risks associated with the Securities

The Issuer may offer Securities from time to time. An application has been made for Securities issued under the Program to be admitted to listing on the Irish Stock Exchange and for the Securities to be admitted to trading on the Irish Stock Exchange’s regulated market for the period of 12 months following the date of this Base Prospectus.

The Securities have not been and will not be registered under the United States Securities Act 1933, as amended, or the securities laws of any state in the United States, and Securities in bearer form are subject to US tax restrictions and transfer restrictions.

The payment of all amounts due in respect of Securities issued by the Issuer will, unless specified otherwise in the Final Terms, be unconditionally and irrevocably guaranteed by Morgan Stanley.

The 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. The 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. The Issuer or the Distribution Agents may reject any offer to purchase Securities, in whole or in part.

The Issuer will issue Securities either in bearer form or in registered form, either of which may be in definitive form or global form. Securities in definitive bearer form will be serially numbered. Securities in registered form, while in global form will be represented by a global registered certificate and in limited circumstances, by individual registered instruments, with such individual registered instruments being issued in respect of each Securityholder’s entire holding of Securities in registered form. Securities may be denominated or payable in any currency, be issued at any price and have any maturity date or expiration date (as applicable), in each case subject to all applicable consents being obtained and compliance with all applicable legal and regulatory requirements.

Securities may be exercised at such cash settlement amount or mature at such final redemption amount (in the case of Notes) (detailed in a formula or otherwise) as may be specified in the applicable Final Terms.

Early termination will be permitted in a number of circumstances including illegality, tax, additional disruption events, extraordinary events relating to the underlying and other reasons specified in the applicable Final Terms in accordance with the "Terms and Conditions of the Securities". If so specified in the applicable Final Terms, investors in Notes will have the right to elect to terminate their Notes early in accordance with the terms set out in the applicable Final Terms and the "Terms and Conditions of the Securities".

Securities may provide for distributions to be paid, the amount and the date of payment of which will be specified in the applicable Final Terms.

Any Notes, Certificates or Warrants may be issued with a nominal amount. For Securities issued with a nominal amount, the nominal amount will be at least EUR 1,000 per Security, save that in respect of any Series of Securities, Restricted Securities shall be in minimum nominal amount of U.S.\$100,000 and higher integral multiples of U.S.\$1,000 thereof. It is anticipated that Securities in a nominal amount of up to U.S.\$20,000,000,000 may be issued. The Securities will be governed by, and construed in accordance with, the English law.

The net proceeds from the sale of Securities offered by the Base Prospectus will be used by the Issuer 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 week day, for inspection in physical or electronic form at Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, England, at Deutsche Bank Trust Company Americas, 17th Floor, 60 Wall Street, New York, New York 10005, USA, at Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland and also at the principal executive offices of Morgan Stanley and the registered offices of the Issuer.

The Issuer may issue Securities with distribution amounts and cash settlement amounts (in the case of Certificates and Warrants) or distribution amounts and final redemption amounts (in the case of Notes) determined by reference to single securities, single indices, baskets of securities or indices or other assets or instruments. Any such Securities may entail significant risks not associated with a similar investment in debt securities, including a return that may be significantly less than the return available on an investment in debt securities. In some cases such Securities may also carry the risk of a total or partial loss of the amount invested.

RISK FACTORS

Prospective investors should read the entire Base Prospectus (and, where appropriate, any applicable 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 referred to in the section entitled “Incorporation by Reference” in this Base Prospectus and consult with their own professional advisors if they consider it necessary.

Prospective investors should ensure that they understand the nature of the Securities, the extent of their exposure to risk and that they consider carefully the risks set forth below and the other information contained or incorporated by reference in this Base Prospectus prior to making any investment decision with respect to the suitability of Securities as an investment in light of their own circumstances and financial condition. Certain of the risks highlighted could have a material adverse effect on Morgan Stanley's business, operations, financial condition or prospects, which, in turn, could have a material adverse effect on the return that investors will receive in respect of the Securities. In addition, certain of the risks highlighted could adversely affect the trading price of the Securities or the rights of investors under the Securities and, as a result, investors could lose some or all of their investment. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Prospective investors should note that the risks described below are not the only risks the Issuer and/or the Guarantor face. The Issuer and the Guarantor have described only those risks that they consider to be material. There may be additional risks that the Issuer and the Guarantor currently consider not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.

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 Issuer and the Guarantor 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. 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.

A. Risks relating to the Issuer

MSBV is part of the Morgan Stanley group of companies

Morgan Stanley is the ultimate parent company of the Morgan Stanley group of companies. MSBV is a part of the Morgan Stanley group of companies.

There are substantial inter-relationships between Morgan Stanley and other Morgan Stanley group companies. These may include the provision of funding, capital services and logistical support by one or more group companies to another group company(ies) (in each case including MSBV), as well as having common or shared business or operational platforms or systems, including employees.

The principal risks with respect to Morgan Stanley described below will also represent the principal risks

with respect to MSBV, either as an individual entity or as part of the Morgan Stanley group of companies.

All material assets of MSBV are obligations of one or more companies in the Morgan Stanley group and MSBV's ability to perform its obligations is dependent upon such companies fulfilling their obligations to MSBV.

All material assets of MSBV are obligations of (or securities issued by) one or more Morgan Stanley group companies. If one 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 Morgan Stanley BV could be impaired, thereby exposing holders of securities issued by MSBV to a risk of loss. Should this circumstance materialise, the payment obligations of MSBV under the terms of the securities would be guaranteed by Morgan Stanley.

Risks relating to insolvency proceedings in the Netherlands

The validity or enforceability of any documents or any legal act (*rechtshandeling*) forming part thereof or contemplated thereby in relation to any securities issued by MSBV are subject to and limited by the protection afforded by Netherlands law to creditors whose interests have been adversely affected pursuant to the rules of Netherlands law relating to (x) unlawful acts (*onrechtmatige daden*) based on Section 6:162 et seq. of the Netherlands Civil Code (*Burgerlijk Wetboek*) and (y) fraudulent conveyance or preference (*actio pauliana*) within the meaning of Section 3:45 of the Netherlands Civil Code (*Burgerlijk Wetboek*). Furthermore, in the event of any insolvency proceedings being opened in the Netherlands in relation to MSBV, Dutch laws in relation to bankruptcy proceedings, in particular Section 42 et seq. of the Netherlands Bankruptcy Act (*Faillissementswet*) in relation to fraudulent conveyance or preference (*actio pauliana*) would apply.

B. Risks relating to the Guarantor

Liquidity and Funding Risk

Liquidity and funding risk refers to the risk that Morgan Stanley will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity and funding risk also encompasses the ability of Morgan Stanley to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern.

Liquidity is essential to Morgan Stanley's businesses and Morgan Stanley relies on external sources to finance a significant portion of its operations

Liquidity is essential to Morgan Stanley's businesses. Morgan Stanley's liquidity could be negatively affected by an inability to raise funding in the long-term or short-term debt capital markets or the equity capital markets or Morgan Stanley's inability to access the secured lending markets. Factors that Morgan Stanley cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, including concerns regarding the sovereign debt crisis in Europe could impair its ability to raise funding. In addition, Morgan Stanley's ability to raise funding could be impaired if lenders develop a negative perception of its long-term or short-term financial prospects. Such negative perceptions could be developed if Morgan Stanley incurs large trading losses, it is downgraded or put on (or remains on) negative watch by the rating agencies, it suffers a decline in the level of its business activity, or if regulatory authorities take significant action against it, or it discovers significant employee misconduct or illegal activity, among other reasons. If Morgan Stanley is unable to raise funding using the methods described above, it would likely need to finance or liquidate unencumbered assets, such as its investment and trading portfolios, to meet maturing liabilities. Morgan Stanley may be unable to sell some of its assets, or it may have to sell assets at a discount from market value, either of which could adversely affect its results of operations, cash flows and financial condition.

Global markets and economic conditions have been negatively impacted by the ability of certain E.U. member states to service their sovereign debt obligations. The continued uncertainty over the outcome of the E.U. governments' financial support programs and the possibility that other E.U. member states may experience similar financial troubles could further disrupt global markets. In particular, it has and could in the future disrupt equity markets and result in volatile bond yields on the sovereign debt of E.U. members. These factors, or market perceptions concerning such matters, could have an adverse effect on Morgan Stanley's business, financial condition and liquidity. In particular, in connection with certain of Morgan Stanley's Institutional Securities business segment activities, Morgan Stanley has exposure to European peripheral countries (being exposures in Greece, Ireland, Italy, Portugal and Spain). As of 3 January 2012, exposure (including exposure to obligations from governments, corporations and financial institutions) before hedges to European peripheral countries was approximately \$5,044 million and net exposure after hedges was approximately \$3,056 million. In addition, as of 31 December 2011, Morgan Stanley had European peripheral country exposure for overnight deposits with banks of approximately \$448 million.

Morgan Stanley's borrowing costs and access to the debt capital markets depend significantly on its credit ratings

The cost and availability of unsecured financing generally are dependent on Morgan Stanley's short-term and long-term credit ratings. Factors that are important to the determination of Morgan Stanley's credit ratings include the level and quality of its earnings, capital adequacy, liquidity, risk appetite and management, asset quality, business mix and actual and perceived levels of government support.

Morgan Stanley's debt ratings also can have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is critical, such as OTC derivative transactions, including credit derivatives and interest rate swaps. In connection with certain OTC trading agreements and certain other agreements associated with the Institutional Securities business segment, Morgan Stanley may be required to provide additional collateral to certain counterparties in the event of a credit ratings downgrade. Morgan Stanley's long-term credit ratings by Moody's Investor Services Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") are currently at different levels (commonly referred to as "split ratings"). As of 31 December 2011, the amounts of additional collateral or termination payments that could be called by counterparties under the terms of such agreements in the event of a downgrade of Morgan Stanley's long-term credit rating under various scenarios were as follows: \$919 million (A3 Moody's/A- S&P); \$3,989 million (Baa2 Moody's/BBB+ S&P); and \$4,743 million (Baa2 Moody's/BBB S&P). In addition, Morgan Stanley may be required to pledge additional collateral to certain exchanges and clearing organisations in the event of a credit rating downgrade. As of 31 December 2011 the increased collateral requirement at certain exchanges and clearing organisations under various scenarios was (i) \$118 million (A3 Moody's/A- S&P); (ii) \$1,183 million (Baa2 Moody's/BBB+ S&P); and (iii) \$1,775 million (Baa2 Moody's/BBB S&P).

The rating agencies are continuing to monitor certain issuer specific factors that are important to the determination of Morgan Stanley's credit ratings including governance, the level and quality of earnings, capital adequacy, funding and liquidity, risk appetite and management, asset quality, strategic direction and business mix. Additionally, the agencies will look at other industry-wide factors such as regulatory or legislative changes, macro-economic environment, and perceived levels of government support and it is possible that they could downgrade Morgan Stanley's ratings and those of similar institutions.

Morgan Stanley is a holding company and depends on payments from its subsidiaries

Morgan Stanley depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations. Regulatory and other legal restrictions may limit its ability to transfer funds freely, either to or from its subsidiaries. In particular, many of its subsidiaries, including its broker-dealer subsidiaries, are subject to laws, regulations and self regulatory organisation rules that authorise regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfers altogether in certain circumstances. These laws,

regulations and rules may hinder Morgan Stanley's ability to access funds that it may need to make payments on its obligations. Furthermore, as a bank holding company, Morgan Stanley may become subject to a prohibition or to limitations on its ability to pay dividends or repurchase Morgan Stanley's stock. The Office of the Comptroller of the Currency ("OCC"), the Board of Governors of the Federal Reserve System ("Fed") and the Federal Deposit Insurance Corporation ("FDIC") have the authority, and under certain circumstances the duty, to prohibit or to limit the payment of dividends by the banking organisations they supervise, including Morgan Stanley and its bank holding company subsidiaries.

Morgan Stanley's liquidity and financial condition have in the past been, and in the future could be, adversely affected by U.S. and international markets and economic conditions.

Morgan Stanley's ability to raise funding in the long-term or short-term debt capital markets or the equity markets, or to access secured lending markets, has in the past been, and could in the future be, adversely affected by conditions in the U.S. and international markets and economy. Global market and economic conditions have been particularly disrupted and volatile in recent years, and continue to be volatile, amongst other things, as a result of the sovereign debt crisis in the E.U. In particular, Morgan Stanley's cost and availability of funding have been, and may in the future be, adversely affected by illiquid credit markets and wider credit spreads. Renewed turbulence in the U.S., the E.U. and other international markets and economies could adversely affect Morgan Stanley's liquidity and financial condition and the willingness of certain counterparties and customers to do business with Morgan Stanley.

Market Risk

Market risk refers to Morgan Stanley's exposure to adverse changes in the values of its portfolios and financial instruments due to changes in market prices or rates.

Morgan Stanley's results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors

Morgan Stanley's results of operations may be materially affected by market fluctuations due to global and economic conditions and other factors. The results of operations in the past have been, and in the future may continue to be, materially affected by many factors, including the effect of political and economic conditions and geopolitical events; the effect of market conditions, particularly in the global equity, fixed income and credit markets, including corporate and mortgage (commercial and residential) lending and commercial real estate markets; the impact of current, pending and future legislation (including the Dodd-Frank Act), regulation (including capital, leverage and liquidity requirements), and legal actions in the U.S. and worldwide; the level and volatility of equity, fixed income and commodity prices, interest rates, currency values and other market indices; the availability and cost of both credit and capital as well as the credit ratings assigned to Morgan Stanley's unsecured short-term and long-term debt; investor sentiment and confidence in the financial markets; the performance of Morgan Stanley's acquisitions, joint ventures, strategic alliances or other strategic arrangements (including Morgan Stanley Smith Barney Holdings LLC ("MSSB") and with MUFG); Morgan Stanley's reputation; inflation, natural disasters, and acts of war or terrorism; the actions and initiatives of current and potential competitors, as well as governments, regulators and self-regulatory organisations; and technological changes; or a combination of these or other factors. In addition, legislative, legal and regulatory developments related to Morgan Stanley's businesses are likely to increase costs, thereby affecting results of operations. These factors also may have an impact on Morgan Stanley's ability to achieve Morgan Stanley's strategic objectives.

The results of Morgan Stanley's Institutional Securities business segment, particularly results relating to its involvement in primary and secondary markets for all types of financial products, are subject to substantial fluctuations due to a variety of factors, such as those enumerated above that Morgan Stanley cannot control or predict with great certainty. These fluctuations impact results by causing variations in new business flows and in the fair value of securities and other financial products. Fluctuations also occur due to the level of global market activity, which, among other things, affects the size, number and timing of investment banking

client assignments and transactions and the realization of returns from Morgan Stanley's principal investments. During periods of unfavourable market or economic conditions, the level of individual investor participation in the global markets, as well as the level of client assets, may also decrease, which would negatively impact the results of its Global Wealth Management Group business segment. In addition, fluctuations in global market activity could impact the flow of investment capital into or from assets under management or supervision and the way customers allocate capital among money market, equity, fixed income or other investment alternatives, which could negatively impact its Asset Management business segment.

Morgan Stanley may experience declines in the value of its financial instruments and other losses related to volatile and illiquid market conditions

Market volatility, illiquid market conditions and disruptions in the credit markets have made it extremely difficult to value certain of Morgan Stanley's securities particularly during periods of market displacement. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these securities in future periods. In addition, at the time of any sales and settlements of these securities, the price Morgan Stanley ultimately realises will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of Morgan Stanley's securities portfolio, which may have an adverse effect on its results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale, such as crowded trades. Morgan Stanley's risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. However, severe market events have historically been difficult to predict, as seen in recent years, and Morgan Stanley could realise significant losses if extreme market events were to occur.

Holding large and concentrated positions may expose Morgan Stanley to losses

Concentration of risk may reduce revenues or result in losses in Morgan Stanley's market-making, investing, block trading, underwriting and lending businesses in the event of unfavourable market movements. Morgan Stanley commits substantial amounts of capital to these businesses, which often results in Morgan Stanley taking large positions in the securities of, or making large loans to, a particular issuer or issuers in a particular industry, country or region.

Morgan Stanley has incurred, and may continue to incur, significant losses in the real estate sector

Morgan Stanley finances and acquires principal positions in a number of real estate and real estate-related products for its own account, for investment vehicles managed by affiliates in which it also may have a significant investment, for separate accounts managed by affiliates and for major participants in the commercial and residential real estate markets. As of 31 December 2011, the consolidated statements of financial condition included amounts representing real estate investment assets of consolidated subsidiaries of approximately \$2.0 billion including non-controlling interests of approximately \$1.6 billion. In addition, Morgan Stanley had contractual capital commitments, guarantees, lending facilities and counterparty arrangements with respect to real estate investments of \$0.8 billion as of 31 December 2011.

Morgan Stanley also originates loans secured by commercial and residential properties. Morgan Stanley also securitises and trades in a wide range of commercial and residential real estate and real estate-related whole loans, mortgages and other real estate and commercial assets and products, including residential and commercial mortgage-backed securities. These businesses have been, and may continue to be, adversely

affected by the downturn in the real estate sector. In connection with these activities, Morgan Stanley has provided, or otherwise agreed to be responsible for, certain representations and warranties. Under certain circumstances, Morgan Stanley may be required to repurchase such assets or make other payments related to such assets if such representations and warranties were breached. Between 2004 and 31 December 2011, Morgan Stanley sponsored approximately \$148 billion of residential mortgage-backed securities (“**RMBS**”) primarily containing U.S. residential loans. Of that amount, Morgan Stanley made representations and warranties concerning approximately \$47 billion of loans and agreed to be responsible for the representations and warranties made by third-party sellers, many of which are now insolvent, on approximately \$21 billion of loans. As of 31 December 2011, the current unpaid principal balance (the “**UPB**”) for all the residential assets subject to such representations and warranties was approximately \$23.5 billion and the cumulative losses associated with U.S. RMBS were approximately \$10.5 billion. Morgan Stanley did not make, or otherwise agree to be responsible, for the representations and warranties made by third party sellers on approximately \$80 billion of residential loans that it had securitised during that time period. Morgan Stanley has also not sponsored any U.S. RMBS transactions since 2007.

Morgan Stanley has also made representations and warranties in connection with its role as an originator of certain commercial mortgage loans that it securitised in commercial mortgage-backed securities (“**CMBS**”). Between 2004 and 2010, Morgan Stanley originated approximately \$44 billion and \$27 billion of U.S. and non-U.S. commercial mortgage loans, respectively, that were placed into CMBS sponsored by it. As of 31 December 2011, the current UPB for all U.S. commercial mortgage loans subject to such representations and warranties was \$35.2 billion. At 31 December 2011, the current UPB when known for all non-U.S. commercial mortgage loans, subject to such representations and warranties was approximately \$13.9 billion and the UPB at the time of sale when the current UPB is not known was \$0.4 billion.

Over the last several years, the level of litigation and investigatory activity focused on residential mortgage and credit crisis-related matters has increased materially in the financial services industry. As a result, Morgan Stanley has been, and expects that it may continue to become, the subject of increased claims for damages and other relief regarding residential mortgages and related securities in the future. Morgan Stanley continues to monitor its real estate-related activities in order to manage its exposures and potential liability from these markets and businesses.

Credit Risk

Credit risk refers to the risk of loss arising from borrower or counterparty default when a borrower, counterparty or obligor does not meet its obligations.

Morgan Stanley is exposed to the risk that third parties that are indebted to it will not perform their obligations

Morgan Stanley incurs significant credit risk exposure through the Institutional Securities business segment. This risk may arise from a variety of business activities, including but not limited to entering into swap or other derivative contracts under which counterparties have obligations to make payments to Morgan Stanley; extending credit to clients through various lending commitments; providing short or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; and posting margin and/or collateral to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties. Morgan Stanley incurs credit risk in traded securities and loan pools whereby the value of these assets may fluctuate based on realized or expected defaults on the underlying obligations or loans.

Morgan Stanley also incurs credit risk in the Global Wealth Management Group business segment lending to individual investors, including, but not limited to, margin and non-purpose loans collateralized by securities, residential mortgage loans and home equity lines of credit.

While Morgan Stanley believes current valuations and reserves adequately address Morgan Stanley's perceived levels of risk, there is a possibility that continued difficult economic conditions may further negatively impact Morgan Stanley's clients and Morgan Stanley's current credit exposures. In addition, as a clearing member firm, Morgan Stanley finances its customer positions and Morgan Stanley could be held responsible for the defaults or misconduct of its customers. Although Morgan Stanley regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

A default by another large financial institution could adversely affect financial markets generally

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which Morgan Stanley interacts on a daily basis, and therefore could adversely affect Morgan Stanley.

Operational Risk

Operational risk refers to the risk of financial or other loss, or damage to a firm's reputation, resulting from inadequate or failed internal processes, people, resources, systems or from other internal or external events (e.g., internal or external fraud, legal and compliance risks, damage to physical assets, security breaches etc.). Morgan Stanley may incur operational risk across its full scope of business activities, including revenue-generating activities (e.g., sales and trading), support functions (e.g., information technology and trade processing) or other strategic decisions (e.g., the integration of MSSB or other joint ventures, acquisitions or strategic alliances). Legal and compliance risk is included in the scope of operational risk and is discussed below under "Legal and Regulatory Risk".

Morgan Stanley is subject to operational risk that could adversely affect its businesses

Morgan Stanley's businesses are highly dependent on its ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In general, the transactions it processes are increasingly complex. Morgan Stanley performs the functions required to operate its different businesses either by itself or through agreements with third parties. Morgan Stanley relies on the ability of its employees, its internal systems and systems at technology centres operated by third parties to process a high volume of transactions.

Morgan Stanley also faces the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries it uses to facilitate its securities transactions. In the event of a breakdown or improper operation of its or a third party's systems or improper or unauthorised action by third parties or its employees, Morgan Stanley could suffer financial loss, an impairment to its liquidity, a disruption of its businesses, regulatory sanctions or damage to its reputation.

Morgan Stanley's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and may be vulnerable to unauthorized access, mishandling or misuse, computer viruses or malware, cyber attacks and other events that could have a security impact on such systems. If one or more of such events occur, this potentially could jeopardize its or its clients' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, Morgan Stanley's computer systems. Furthermore, such events could cause interruptions or malfunctions in its, its clients', its counterparties' or third parties' operations, which could result in reputational damage, litigation or regulatory fines or penalties not covered by insurance maintained by Morgan Stanley, and adversely affect its business, financial condition or results of operations.

Despite the business contingency plans Morgan Stanley has in place, its ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its business and the communities where it is located. This may include a disruption involving physical site access, terrorist activities, disease pandemics, catastrophic events, electrical, environmental, communications or other services used by Morgan Stanley, its employees or third parties with whom Morgan Stanley conducts business.

Legal and Regulatory Risk

Legal and compliance risk includes the risk of exposure to fines, penalties, judgements, damages and/or settlements in connection with regulatory or legal actions as a result of non-compliance with applicable legal or regulatory requirements or litigation. Legal risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. In today's environment of rapid and possibly transformational regulatory change, Morgan Stanley also views regulatory change as a component of legal risk.

The financial services industry is subject to extensive regulation, which is undergoing major changes that will impact Morgan Stanley's business

Like other major financial services firms, Morgan Stanley is subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by regulators and exchanges in each of the major markets where it operates. Morgan Stanley also faces the risk of investigations and proceedings by governmental and self-regulatory agencies in all countries in which Morgan Stanley conducts its business. Interventions by authorities may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. In addition to the monetary consequences, these measures could, for example, impact Morgan Stanley's ability to engage in, or impose limitations on, certain of its businesses. The number of these investigations and proceedings, as well as the amount of penalties and fines sought, has increased substantially in recent years with regard to many firms in the financial services industry, including Morgan Stanley. Significant regulatory action against Morgan Stanley could materially adversely affect its business, financial condition or results of operations or cause Morgan Stanley significant reputational harm, which could seriously harm Morgan Stanley's business. The Dodd-Frank Act also provides a bounty to whistleblowers who present the Securities and Exchange Commission ("SEC") with information related to securities laws violations that leads to a successful enforcement action. As a result of this bounty, it is possible Morgan Stanley may face an increased number of investigations by the SEC.

In response to the financial crisis, legislators and regulators in the U.S., in the U.K. and worldwide, have adopted, or are currently considering enacting, financial market reforms that have resulted and could result in major changes to the way Morgan Stanley's global operations are regulated. In particular, as a result of the Dodd-Frank Act, Morgan Stanley is subject to significantly revised and expanded regulation and supervision, to more intensive scrutiny of Morgan Stanley's businesses and any plans for expansion of those businesses to new activities limitations, to a systemic risk regime which will impose especially high capital and liquidity requirements, and to comprehensive new derivatives regulation. Certain portions of the Dodd-Frank Act were effective immediately, while other portions will be effective only following rule-making and extended transition periods, but many of these changes could in the future materially impact the profitability of Morgan Stanley's businesses, the value of assets Morgan Stanley holds, expose Morgan Stanley to additional costs, require changes to business practices or force Morgan Stanley to discontinue businesses, could adversely affect Morgan Stanley's ability to pay dividends, or could require Morgan Stanley raise capital, including in ways that may adversely impact Morgan Stanley's shareholders or creditors. While there continues to be uncertainty about the exact impact of these changes, Morgan Stanley does know that it will be subject to a more complex regulatory framework, and will incur costs to comply with new requirements as well as to monitor for compliance in the future.

For example, the Volcker Rule provision of the Dodd-Frank Act will have an impact on Morgan Stanley, including potentially limiting various aspects of its business. Regulators have proposed regulations to implement the substantive Volcker Rule provisions and comments were due by 13 February 2012. It is

unclear whether final rules will be in place by 21 July 2012 when the Volcker Rule is to become effective. Even with the publication of proposed rules, however, it is still too early to determine any additional limitations on Morgan Stanley beyond the restriction on standalone proprietary trading. There remains considerable uncertainty about the interpretation of the proposed rules, and Morgan Stanley is also unable to predict what the final version of the rules will be or the impact they may have on its businesses. Morgan Stanley is closely monitoring regulatory developments related to the Volcker Rule, and when the regulations are final, Morgan Stanley will be in a position to complete a review of its relevant activities and make plans to implement compliance with the Volcker Rule.

The financial services industry faces substantial litigation and is subject to regulatory investigations, and Morgan Stanley may face damage to its reputation and legal liability

Morgan Stanley has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions, and other litigation, as well as investigations or proceedings brought by regulatory agencies, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal or regulatory actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages, or may result in penalties, fines, or other results adverse to Morgan Stanley. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or in financial distress. Like any large corporation, Morgan Stanley is also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information.

Substantial legal liability could materially adversely affect Morgan Stanley's business, financial condition or results of operations or cause it significant reputational harm, which could seriously harm Morgan Stanley's business. For example, recently, the level of litigation activity focused on residential mortgage and credit crisis related matters has increased materially in the financial services industry. As a result, Morgan Stanley has been and expects that it may continue to become, the subject of increased claims for damages and other relief regarding residential mortgages and related securities in the future and there can be no assurance that additional material losses will not be incurred from residential mortgage claims that have not yet been notified to it or are not yet determined to be material.

Morgan Stanley's business, financial condition and results of operations could be adversely affected by governmental fiscal and monetary policies

Morgan Stanley is affected by fiscal and monetary policies adopted by regulatory authorities and bodies of the U.S., the U.K. and other governments. For example, the actions of the Fed and international central banking authorities directly impact Morgan Stanley's cost of funds for lending, capital raising and investment activities and may impact the value of financial instruments Morgan Stanley holds. In addition, such changes in monetary policy may affect the credit quality of Morgan Stanley's customers. Changes in domestic and international monetary policy are beyond Morgan Stanley's control and difficult to predict.

Morgan Stanley's commodities activities subject it to extensive regulation, potential catastrophic events and environmental risks and regulation that may expose it to significant costs and liabilities

In connection with the commodities activities in Morgan Stanley's Institutional Securities business segment, Morgan Stanley engages in the production, storage, transportation, marketing and trading of several commodities, including metals (base and precious), agricultural products, crude oil, oil products, natural gas, electric power, emission credits, coal, freight, liquefied natural gas and related products and indices. In addition, Morgan Stanley is an electricity power marketer in the U.S. and owns electricity generating facilities in the U.S. and Europe; Morgan Stanley owns TransMontaigne Inc. and its subsidiaries, a group of companies operating in the refined petroleum products marketing and distribution business; and Morgan Stanley owns a minority interest in Heidmar Holdings LLC, which owns a group of companies that provide international marine transportation and U.S. marine logistics services. As a result of these activities, Morgan Stanley is subject to extensive and evolving energy, commodities, environmental, health and safety and other

governmental laws and regulations. In addition, liability may be incurred without regard to fault under certain environmental laws and regulations for the remediation of contaminated areas. Further, through these activities Morgan Stanley is exposed to regulatory, physical and certain indirect risks associated with climate change. Morgan Stanley's commodities business also exposes it to the risk of unforeseen and catastrophic events, including natural disasters, leaks, spills, explosions, release of toxic substances, fires, accidents on land and at sea, wars and terrorist attacks that could result in personal injuries, loss of life, property damage, and suspension of operations.

Although Morgan Stanley has attempted to mitigate its pollution and other environmental risks by, among other measures, adopting appropriate policies and procedures for power plant operations, monitoring the quality of petroleum storage facilities and transport vessels and implementing emergency response programs, these actions may not prove adequate to address every contingency. In addition, insurance covering some of these risks may not be available, and the proceeds, if any, from insurance recovery may not be adequate to cover liabilities with respect to particular incidents. As a result, Morgan Stanley's financial condition, results of operations and cash flows may be adversely affected by these events.

Morgan Stanley is engaged in discussions with the Fed regarding its commodities activities, as the Bank Holding Company Act of 1956, as amended (the "**BHC Act**") provides a grandfather exemption for "activities related to the trading, sale or investment in commodities and underlying physical properties," provided that Morgan Stanley were engaged in "any of such activities as of 30 September, 1997 in the United States" and provided that certain other conditions that are within Morgan Stanley's reasonable control are satisfied. If the Fed were to determine that any of Morgan Stanley's commodities activities did not qualify for the BHC Act grandfather exemption, then it would likely be required to divest any such activities that did not otherwise conform to the BHC Act by the end of any extensions of the BHC Act grace period.

Morgan Stanley also expects the other laws and regulations affecting its commodities business to increase in both scope and complexity. During the past several years, intensified scrutiny of certain energy markets by federal, state and local authorities in the U.S. and abroad and the public has resulted in increased regulatory and legal enforcement, litigation and remedial proceedings involving companies engaged in the activities in which Morgan Stanley is engaged. For example, the U.S. and the E.U. have increased focus on the energy markets which has resulted in increased regulation of companies participating in the energy markets, including those engaged in power generation and liquid hydrocarbons trading. In addition, new regulation of OTC derivatives markets in the U.S. and similar legislation proposed or adopted abroad will impose significant new costs and impose new requirements on Morgan Stanley's commodities derivatives activities. Morgan Stanley may incur substantial costs or loss of revenue in complying with current or future laws and regulations and its overall businesses and reputation may be adversely affected by the current legal environment. In addition, failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties.

A failure to address conflicts of interest appropriately could adversely affect Morgan Stanley's businesses

As a global financial services firm that provides products and services to a large and diversified group of clients, including corporations, governments, financial institutions and individuals, Morgan Stanley faces potential conflicts of interests in the normal course of business. For example, potential conflicts can occur when there is a divergence of interests between Morgan Stanley and a client, among clients, or between an employee on the one hand and Morgan Stanley or a client on the other. Morgan Stanley has policies, procedures and controls that are designed to address potential conflicts of interest. However, identifying and mitigating potential conflicts of interest can be complex and challenging, and can become the focus of media and regulatory scrutiny. Indeed, actions that merely appear to create a conflict can put Morgan Stanley's reputation at risk even if the likelihood of an actual conflict has been mitigated. It is possible that potential conflicts could give rise to litigation or enforcement actions, which may lead to Morgan Stanley's clients being less willing to enter into transactions in which a conflict may occur and could adversely affect Morgan Stanley's businesses.

Morgan Stanley's regulators have the ability to scrutinise Morgan Stanley's activities for potential conflicts of interest, including through detailed examinations of specific transactions. In addition, Morgan Stanley's status as a bank holding company supervised by the Fed subjects Morgan Stanley to direct Fed scrutiny with respect to transactions between Morgan Stanley's domestic subsidiary banks and their affiliates.

Risk Management

Morgan Stanley's hedging strategies and other risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk

Morgan Stanley has devoted significant resources to develop its risk management policies and procedures and expects to continue to do so in the future. Nonetheless, Morgan Stanley's hedging strategies and other risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of Morgan Stanley's methods of managing risk are based upon the use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. For example, market conditions over the last several years have involved unprecedented dislocations and highlight the limitations inherent in using historical information to manage risk. Management of market, credit, liquidity, operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. Morgan Stanley's trading risk management strategies and techniques also seek to balance its ability to profit from trading positions with Morgan Stanley's exposure to potential losses. While it employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. Morgan Stanley may, therefore, incur losses in the course of its trading activities.

Competitive Environment

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 and all aspects of Morgan Stanley's businesses are intensely competitive, and Morgan Stanley expects them to remain so. Morgan Stanley competes with commercial banks, brokerage firms, insurance companies, sponsors of mutual funds, hedge funds, energy companies and other companies offering financial services in the U.S., globally and through the internet. Morgan Stanley competes on the basis of several factors, including transaction execution, capital or access to capital, products and services, innovation, reputation, risk appetite and price. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in Morgan Stanley's remaining competitors gaining greater capital and other resources, such as the ability to offer a broader range of products and services and geographic diversity. Morgan Stanley has experienced and may continue to experience pricing pressures as a result of these factors and as some of its competitors seek to increase market share by reducing prices.

Automated trading markets may adversely affect Morgan Stanley's business and may increase competition

Morgan Stanley has experienced intense price competition in some of its businesses in recent years. In particular, the ability to execute securities trades electronically on exchanges and through other automated trading markets has increased the pressure on trading commissions. The trend toward direct access to automated, electronic markets will likely continue. Morgan Stanley has experienced and it is likely that it will continue to experience competitive pressures in these and other areas in the future as some of its competitors may seek to obtain market share by reducing prices.

Morgan Stanley's ability to retain and attract qualified employees is critical to the success of its business and the failure to do so may materially adversely affect its performance

Morgan Stanley's people are its most important resource and competition for qualified employees is intense. In order to attract and retain qualified employees, Morgan Stanley must compensate such employees at market levels. Typically, those levels have caused employee compensation to be Morgan Stanley's greatest expense as compensation is highly variable and changes based on business and individual performance and market conditions. If Morgan Stanley is unable to continue to attract and retain qualified employees, or do so at rates necessary to maintain its competitive position, or if compensation costs required to attract and retain employees become more expensive, Morgan Stanley's performance, including its competitive position, could be materially adversely affected. The financial industry has experienced and may continue to experience more stringent regulation of employee compensation, including limitations relating to incentive-based compensation, clawback requirements and special taxation, which could have an adverse effect on Morgan Stanley's ability to hire or retain the most qualified employees.

International Risk

Morgan Stanley is subject to numerous political, economic, legal, operational, franchise and other risks as a result of its international operations which could adversely impact its businesses in many ways

Morgan Stanley is subject to political, economic, legal, tax, operational, franchise and other risks that are inherent in operating in many countries, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls, increased taxes and levies and other restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability. In many countries, the laws and regulations applicable to the securities and financial services industries are uncertain and evolving, and it may be difficult for Morgan Stanley to determine the exact requirements of local laws in every market. Morgan Stanley's inability to remain in compliance with local laws in a particular market could have a significant and negative effect not only on Morgan Stanley's businesses in that market but also on Morgan Stanley's reputation generally. Morgan Stanley is also subject to the enhanced risk that transactions it structures might not be legally enforceable in all cases.

Various emerging market countries have experienced severe political, economic and financial disruptions, including significant devaluations of their currencies, capital and currency exchange controls, high rates of inflation and low or negative growth rates in their economies. Crime and corruption, as well as issues of security and personal safety, also exist in certain of these countries. These conditions could adversely impact Morgan Stanley's businesses and increase volatility in financial markets generally.

The emergence of a disease pandemic or other widespread health emergency, or concerns over the possibility of such an emergency as well as natural disasters, terrorist activities or military actions, could create economic and financial disruptions in emerging markets and other areas throughout the world, and could lead to operational difficulties (including travel limitations) that could impair Morgan Stanley's ability to manage its businesses around the world.

As a U.S. company, Morgan Stanley is required to comply with the economic sanctions and embargo programs administered by the U.S. Treasury's Office of Foreign Assets Control and similar multi-national bodies and governmental agencies worldwide and the Foreign Corrupt Practices Act ("FCPA"). A violation of a sanction or embargo program or of the FCPA or similar laws prohibiting certain payments to governmental officials, such as the U.K. Bribery Act, could subject Morgan Stanley, and individual employees, to a regulatory enforcement action as well as significant civil and criminal penalties.

Acquisition and Joint Venture Risk

Morgan Stanley may be unable to fully capture the expected value from acquisitions, joint ventures, minority stakes and strategic alliances

In connection with past or future acquisitions, joint ventures (including MSSB) or strategic alliances (including with MUFG), Morgan Stanley faces numerous risks and uncertainties combining or integrating the relevant businesses and systems, including the need to combine accounting and data processing systems and management controls and to integrate relationships with clients, trading counterparties and business partners. In the case of joint ventures and minority stakes, Morgan Stanley is subject to additional risks and uncertainties because it may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under Morgan Stanley's control.

For example, the ownership arrangements relating to Morgan Stanley's joint venture in Japan with MUFG of their respective investment banking and securities businesses are complex. MUFG and Morgan Stanley have integrated their respective Japanese securities businesses by forming two joint venture companies, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("**MUMSS**") and Morgan Stanley MUFG Securities, Co., Ltd. ("**MSMS**"). During the first quarter of 2011, Morgan Stanley recorded a loss of \$655 million arising from its 40% stake in MUMSS related to certain fixed income trading positions at MUMSS, which is a subsidiary of MUFG that is controlled and risk managed by MUFG. While MUFG contributed \$370 million in capital to MUMSS in connection with the trading losses, additional losses could be incurred by MUMSS in the future.

In addition, conflicts or disagreements between Morgan Stanley and any of its joint venture partners may negatively impact the benefits to be achieved by the relevant joint venture.

There is no assurance that any of Morgan Stanley's acquisitions will be successfully integrated or yield all of the positive benefits anticipated. If Morgan Stanley is not able to integrate successfully its past and future acquisitions, there is a risk that Morgan Stanley's results of operations, financial condition and cash flows may be materially and adversely affected.

Certain of Morgan Stanley's business initiatives, including expansions of existing businesses, may bring it into contact, directly or indirectly, with individuals and entities that are not within its traditional client and counterparty base and may expose it to new asset classes and new markets. These business activities expose it to new and enhanced risks, greater regulatory scrutiny of these activities, increased credit-related, sovereign and operational risks, and reputational concerns regarding the manner in which these assets are being operated or held.

C. Risks associated with the Securities generally

Securities are linked to underlyings

The Issuer may issue Securities with cash settlement amounts and/or distribution amounts (in the case of Certificates and Warrants) or final redemption amounts and/or distribution amounts (in the case of Notes) determined by reference to single securities, single indices, baskets of securities or indices or other factors or assets (each, a "**Relevant Underlying**"). In addition, the Issuer may issue Securities with cash settlement amounts or final redemption amounts, as applicable, and/or distribution amounts payable in one or more currencies which may be different from the settlement currency of the Securities. Potential investors should be aware that:

- (i) they may lose all or a substantial portion of their investment;
- (ii) the market price of such Securities may be very volatile;
- (iii) they may receive no distribution amounts;

- (iv) payment of cash settlement amounts or final redemption amounts (as applicable) and/or distribution amounts may occur at a different time or in a different currency than expected;
- (v) a Relevant Underlying may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Underlying 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 Underlying on cash settlement amounts or final redemption amounts (as applicable) payable and/or on distribution amounts payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Underlying 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 Underlying, 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 may not pay interest and on redemption, exercise or cancellation (as applicable) may return less than the amount invested or nothing. Prospective investors who consider purchasing such 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 may sustain a total loss of their investment.

The value of Securities may be influenced by unpredictable factors

The value of Securities may be influenced by several factors beyond the 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 or value) of the underlying security, index or 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 or basket of securities or indices, (v) interest and yield rates in the market, (vi) the time remaining to the expiration or maturity (as applicable) of such Securities, (vii) the Issuer's and, where applicable, the Guarantor's creditworthiness; and (viii) corporate actions in respect of the Securities.

Some or all of these factors will influence the price investors will receive if an investor sells its Securities prior to exercise, expiration, maturity or termination (as applicable) of the Securities. 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, index or basket of securities or indices is at, below, or not sufficiently above the initial market price or value or if market interest rates rise.

It is not possible to predict the future performance of Relevant Underlyings based on their historical performance. The Issuer and the Guarantor cannot and do not guarantee any future value of a Relevant Underlying which would affect the amount that Securityholders are entitled to receive on exercise, maturity or termination (as applicable).

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 or the Issuer, 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 including entering into loans with, or making equity investments in, the underlying company or its affiliates or subsidiaries or providing investment advisory services to the underlying company

including merger and acquisition advisory services. Moreover, neither the Issuer nor the Guarantor has the ability to control or predict the actions of the underlying company or index publisher 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 expiration or maturity. No underlying company index publisher 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 for such Securities.

Secondary trading of the Securities may be limited

There may be little or no secondary market for the Securities. Although the Issuer may apply to have certain issuances of Securities admitted to trading on the Irish 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 Issuer were to cease acting as market makers, it is likely that there would be little or no secondary market for the Securities.

Securities issued at a substantial discount or premium

The market values of Securities issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors have no shareholder rights; Investment in the Securities is not the same as an investment in the Relevant Underlying

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.

The Securities do not constitute a purchase or other acquisition of any interest in any Relevant Underlying and do not confer any right to acquire from the Issuer (or require the Issuer to transfer or otherwise dispose of) any Relevant Underlying or any interest therein.

An investment in the Securities is only suitable for investors who:

- (a) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Securities issued by the Issuer; and
- (b) are capable of bearing the economic risk of investment in Securities issued by the Issuer until exercise, maturity or termination (as applicable) of the Securities.

Hedging Activity

Although Morgan Stanley & Co. International plc and other affiliates of the Issuer or the Guarantor may carry out activities that hedge the Issuer's risks related to the Securities there is no obligation to do so. Any hedging activity is a proprietary trading position and is not carried out on behalf or for the account of or as agent or fiduciary for any Securityholder(s) and the Securityholders will not have any direct economic or other interest in, or beneficial ownership of, any hedge positions.

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 neither the Issuer nor the Guarantor has any control. 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. Such Securities are not appropriate investments for investors who are not sophisticated in foreign currency transactions.

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 currency-linked 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.

Neither the Issuer nor the Guarantor has any 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 Issuer 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.

Alternative payment method used if payment currency becomes unavailable

If the applicable currency for any Security is not available because the euro has been substituted for that currency, the Issuer or, if applicable, the Guarantor would make the payments in euro. Some Securities may specify a different form of payment if a non-U.S. payment currency is unavailable to the Issuer or Guarantor, if applicable.

Currency exchange information will be provided in the Final Terms

The applicable Final Terms or supplement(s) to this Base Prospectus, 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.

Emerging markets currencies

Where 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 market 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 (as specified in the applicable Final Terms) to make adjustments to the terms and conditions of the Securities.

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 of cash settlement amounts, final redemption amounts, distributions or supplemental amounts (in each case, as applicable) on, U.S. dollar denominated Securities to be made in a currency other than U.S. dollars. In these cases, Morgan Stanley & Co. International plc, in its capacity as Determination Agent, or such other 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.

Exchange Rates May Affect the Value of a Judgment Involving Non U.S. Dollar Securities

The Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and construed in accordance with, English law. Although an English court has the power to grant judgment in the currency in which a Security is denominated, it may decline to do so in its discretion. If judgment were granted in a currency other than that in which a Security is denominated, the investor will bear the relevant currency risk.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Securities. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in the certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified

rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on page 3 of this Prospectus and further information, where relevant, may be disclosed in the Final Terms.

Emerging Markets Risk

Fluctuations in the trading prices of the Relevant Underlyings will affect the value of the 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 risk 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 may 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 Relevant Underlyings. Thus, a special risk in purchasing the Securities is that their trading value and amount payable could be affected by the actions of governments, fluctuations in response to other market forces and the movement of currencies across borders. The Relevant Underlyings are all emerging markets stocks that may be more volatile than the stocks in more developed markets and they may be correlated, i.e. the prices of all Relevant Underlyings may rapidly decrease at the same time and this would materially affect the value of the Securities.

Potential conflicts of interest between the investor and the determination agent

As determination agent for Securities linked to single securities, baskets of securities or indices or other underlying instruments, assets or obligations, Morgan Stanley & Co. International plc (“**MSIp**”) will determine the payout to the investor at maturity or expiration (as applicable). MSlp and other affiliates may also carry out hedging activities related to the Securities including trading in the underlying securities, indices or other underlying instruments, assets or obligations related to the underlying securities or indices. MSlp and some of Morgan Stanley’s other subsidiaries may also trade the applicable underlying securities, indices or 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 MSlp’s determination of adjustments made to any Securities linked to single securities, baskets 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, indices or other underlying instruments, assets or obligations and, accordingly, could affect the investor’s payout on any Securities.

The Securities may be terminated prior to exercise, maturity or expiration

Unless in the case of any particular Tranche of Securities the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to make any withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any relevant jurisdiction, the Issuer may terminate all outstanding Securities in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Securities the relevant Final Terms specify that the Securities may be terminated at the Issuer’s option in certain other circumstances the Issuer may choose to terminate the Securities at times when the investment environment is unfavourable. Early termination will also be permitted in a number of circumstances including illegality, tax, additional disruption events, extraordinary events relating to the underlying and other reasons specified in the applicable Final Terms in

accordance with the Conditions. In such circumstances an investor may not be able to reinvest the proceeds from termination in a comparable investment at an effective return as high as that of the relevant Securities.

In addition, an optional termination feature in any particular Tranche of Securities is likely to limit their market value. During any period when the Issuer may elect to terminate Securities, the market value of those Securities generally will not rise substantially above the price at which they can be terminated. This also may be true prior to any termination period.

Reliance on Euroclear, Clearstream, Luxembourg and DTC

Because the bearer Global Securities and Unrestricted Global Securities (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**”) and Restricted Global Securities (as defined below) may be registered in the name of a nominee for The Depository Trust Company (“**DTC**”) or a common depository acting on behalf of Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

Bearer Securities issued under the Program may be represented by one or more temporary global securities (each, a “**Temporary Global Security**”) or permanent global securities (each, a “**Permanent Global Security**”) and, together with a Temporary Global Security, the “**bearer Global Securities**”). Such bearer Global Securities will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant bearer Global Security, investors will not be entitled to receive definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the bearer Global Securities. While the Securities are represented by one or more bearer Global Securities, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

Registered Securities issued under the Program which are sold to a person that is not a U.S. person (within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) will be represented by interests in a permanent global registered security (each an “**Unrestricted Global Security**”). Such Unrestricted Global Securities will be registered in the name of a nominee for, and deposited with a common depository on behalf of Euroclear and Clearstream, Luxembourg.

Registered Securities issued under the Program which are sold in reliance on Rule 144A (“**Rule 144A**”) under the Securities Act to “qualified institutional buyers” (“**QIBs**”) within the meaning of Rule 144A which are also “qualified purchasers” (“**QPs**”) as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”) and the rules thereunder (such persons are hereinafter referred to as “**QIB/QPs**”) will be represented by (i) one or more global registered securities (each a “**Restricted Global Security**”) and together with any Unrestricted Global Security, “**registered Global Securities**”) and, together with the bearer Global Securities, each a “**Global Security**”). Such Restricted Global Security will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company (“**DTC**”) or a common depository acting on behalf of Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system.

Interests in the registered Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg or DTC and its direct and indirect participants, including depositaries for Euroclear and Clearstream, Luxembourg, as the case may be. Individual Registered Instruments evidencing holdings of Registered Securities will only be available in certain limited circumstances.

While the Securities are represented by one or more Global Securities, the Issuer will discharge its payment obligations under the Securities by making payments to the common depository for Euroclear and Clearstream, Luxembourg or the custodian for DTC, respectively, for distribution to their account holders. This includes any payment relating to a distribution that is payable, in accordance with the terms of the

relevant Conditions, to the holder of such Security as at a Distribution Record Date which predates the relevant date for payment. A holder of a beneficial interest in a Global Security must rely on the procedures of Euroclear and Clearstream, Luxembourg or DTC, as the case may be, to receive payments under the relevant Securities and, where relevant in respect of a distribution payment, to determine the identity of the holder of each beneficial interest in the relevant Securities on the relevant Distribution Record Date. Neither the Issuer nor the Guarantor has responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities.

Holders of beneficial interests in the Global Securities 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 or DTC to appoint appropriate proxies.

Payments in respect of the Securities Net of Taxes

All payments by the Issuer and the Guarantor in respect of the Securities shall be paid net of any relevant Taxes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required 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 or to certain limited types of entities established in that other Member State. However, for a transitional period, 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 adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, that payment would be paid net of any such tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

U.S. Foreign Account Tax Compliance Withholding

The Issuer and other financial institutions through which payments on the Securities are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Securities treated as debt for U.S. federal tax purposes that are issued after 31 December 2012 or are materially modified from that date and (ii) any Securities treated as equity for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**") or similar law implementing an intergovernmental approach to FATCA. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution ("**FFI**") (as defined in FATCA) that enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (making the Issuer a "**Participating FFI**"), (ii) the Issuer has a positive "passthru percentage" (as defined in FATCA), and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Securities is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Securities is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Securities, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Securities, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of Securities should consult their own tax advisers on how these rules may apply to payments they receive under the Securities.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. The application of FATCA to Securities issued after 31 December 2012 (or whenever issued, in the case of Securities treated as equity for U.S. federal tax purposes) may be addressed in the relevant Final Terms or a Supplement to the Base Prospectus, as applicable.

Legislation Affecting Dividend Equivalent Payments

The United States Hiring Incentives to Restore Employment Act (the "Act") treats a "dividend equivalent" payment as a dividend from sources within the United States. Under the Act, unless reduced by an applicable tax treaty with the United States, such payments generally would be subject to U.S. withholding tax. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in the preceding clauses (i) and (ii). Beginning 1 January 2013, a dividend equivalent payment includes a payment made pursuant to any notional principal contract that falls into one of the seven categories specified by the IRS unless otherwise exempted by the IRS. Where the securities reference an interest in a fixed basket of securities or an index, such fixed basket or index will be treated as a single security. Where the securities reference an interest in a basket of securities or an index that may provide for the payment of dividends from sources within the United States, absent final guidance from the IRS, it is uncertain whether the IRS would determine that payments under the securities are substantially similar to a dividend. If the IRS determines that a payment is substantially similar to a dividend, it may be subject to U.S. withholding tax, unless reduced by an applicable tax treaty. If withholding is so required, neither the Issuer nor the Guarantor will be required to pay any additional amounts with respect to amounts so withheld.

Securities where denominations involve integral multiples: definitive Securities

In relation to any issue of Securities which have denominations consisting of a minimum nominal amount plus one or more higher integral multiples of another smaller amount, it is possible that such Securities may be traded in amounts that are not integral multiples of such minimum nominal amount. In such a case a Securityholder who, as a result of trading such amounts, holds an amount which is less than the minimum nominal amount in his account with the relevant clearing system at the relevant time may not receive a definitive Security in respect of such holding (should definitive Securities be printed) and would need to purchase a principal amount of Securities such that its holding amounts to the minimum nominal amount for such Securities.

If definitive Securities are issued, Securityholders should be aware that definitive Securities which have a denomination that is not an integral multiple of the minimum nominal amount may be illiquid and difficult to trade.

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.

Risks relating to regulatory reform

It is possible that government regulation of various types of financial instruments, including the Securities and the Relevant Underlyings, may affect the ability of Morgan Stanley to offer or sell such Securities in the United States or to or for the benefit of U.S. persons. In addition, regulatory reform could ultimately affect the performance of the Relevant Underlyings and hence the performance of the Securities. In particular, some legislative and regulatory proposals, such as those in the Dodd-Frank Act, will, upon implementation, impose limits on the maximum position that could be held by a single trader in certain Relevant Underlyings and may subject certain Relevant Underlyings (and therefore any Securities linked to those Relevant Underlyings) to new forms of regulation that could create barriers to some types of investment activity, including investments via the Securities. Other provisions may require certain of the Securities to be cleared and traded on an exchange, expand entity registration requirements and impose business conduct requirements on persons active in the swaps market. While many provisions of the Dodd-Frank Act must be implemented through future rulemaking, and any regulatory or legislative activity may not necessarily have a direct or indirect, immediate effect upon Morgan Stanley or the Securities, it is possible that, upon implementation of these measures or any future measures, such regulatory reform could potentially limit or completely restrict the ability of Morgan Stanley to offer Securities, increase the costs of offering the Securities or make them less effective, which could then affect the performance of the Securities.

WHERE INVESTORS CAN FIND MORE INFORMATION ABOUT MORGAN STANLEY

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

Morgan Stanley's internet site is www.morganstanley.com. You can access Morgan Stanley's Investor Relations webpage at www.morganstanley.com/about/ir. Morgan Stanley makes available free of charge, on or through its Investor Relations webpage, its proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Morgan Stanley also makes available, through its Investor Relations webpage, via a link to the SEC's internet site, statements of beneficial ownership of Morgan Stanley's equity securities filed by its directors, officers, 10% or greater shareholders and others under Section 16 of the Exchange Act. Such reports, proxy statements, statements of beneficial ownership 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, to the extent that, on or before the date of this Base Prospectus, they have been published and approved by or filed with the Central Bank or a competent authority:

Document filed	Information incorporated by reference	Page
<p>1. The composite Registration Document of Morgan Stanley, Morgan Stanley & Co. International plc, Morgan Stanley (Jersey) Limited and Morgan Stanley B.V. dated 7 June 2012 (the "Registration Document"). The Registration Document has been approved by the Financial Services Authority in its capacity as United Kingdom competent authority for the purposes of the Prospectus Directive.</p>	<p>The entire document with the exception of:</p> <ul style="list-style-type: none"> (i) all documents and/or information incorporated by reference into the Registration Document by way of the section entitled "<i>Information Incorporated by Reference</i>" at pages 19-23); (ii) the section entitled "Description of Morgan Stanley & Co. International plc" at pages 64-69; (iii) the section entitled "Selected Financial Information of Morgan Stanley & Co. International plc" at pages 70-72; (iv) the section entitled "Description of Morgan Stanley (Jersey) Limited" at pages 73-75; and (v) the section entitled "Subsidiaries of Morgan Stanley" at pages 79-108. 	
Morgan Stanley		
<p>2. Current Report on Form 8-K dated 15 May 2012 (relating to matters approved at the Annual General Meeting of shareholders of Morgan Stanley, held on 15 May 2012, including appointment of directors.)</p>	<p>Whole document</p>	
<p>3. Proxy Statement dated 5 April 2012</p>	<p>Whole document</p>	
<p>4. Quarterly Report on Form 10-Q dated 7 May 2012 for the quarterly period ended 31</p>	<p>Whole document</p>	

Document filed	Information incorporated by reference	Page
March 2012		
5. Annual Report on Form 10-K for the year ended 31 December 2011		
	(a) Paragraph titled "Credit Ratings"	91-92
	(b) Report of Independent Registered Public Accounting Firm	125
	(c) Consolidated Statements of Financial Condition	126-127
	(d) Consolidated Statements of Income	128
	(e) Consolidated Statements of Comprehensive Income	129
	(f) Consolidated Statements of Cash Flows	130
	(g) Consolidated Statements of Changes in Total Equity	131-132
	(h) Notes to the Consolidated Financial Statements	133-260
6. Annual Report on Form 10-K for the year ended 31 December 2010		
	(a) Report of Independent Registered Public Accounting Firm	119
	(b) Consolidated Statements of Financial Condition	120-121
	(c) Consolidated Statements of Income	122
	(d) Consolidated Statements of Comprehensive Income	123
	(e) Consolidated Statements of Cash Flows	124
	(f) Consolidated States of Changes	125-126

Document filed	Information incorporated by reference in Total Equity	Page
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	(g) Notes to the Consolidated Financial Statements	127-251
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7.	Annual Report for the year ended 31 December 2011	(a) Statement of comprehensive income	8
		(b) Statement of changes in equity	9
		(c) Statement of financial position	10
		(d) Statement of cash flows	11
		(e) Notes to the financial statements	12-45
		(f) Additional information	46
		(g) Independent auditors' report	47-48
8.	Annual Report for the year ended 31 December 2010	(a) Statement of comprehensive income	8
		(b) Statement of changes in equity	9
		(c) Statement of financial position	10
		(d) Statement of cash flows	11
		(e) Notes to the financial statements	12-43
		(f) Additional information	44
		(g) Independent auditors' report	45-46
9.	Base Prospectus for the Program dated 7 April 2006	Terms and Conditions of the Securities	87-129
10.	Base Prospectus for the Program dated 12 April 2007	Terms and Conditions of the Securities	89-132

	Document filed	Information incorporated by reference	Page
11.	Base Prospectus for the Program dated 11 April 2008	Section 4 (<i>Amendments to the section "Form of Registered Securities"</i>)	4
12.	Supplementary Prospectus for the Program dated 4 June 2008	Terms and Conditions of the Securities	122-165
13.	Base Prospectus for the Program dated 8 April 2009	Terms and Conditions of the Securities	72-115
14.	Base Prospectus for the Program dated 7 April 2010	Terms and Conditions of the Securities	74-120
15.	Base Prospectus for the Program dated 18 November 2010	Terms and Conditions of the Securities	74-120
16.	Base Prospectus for the Program dated 17 November 2011	Terms and Conditions of the Securities	50-92

For the purposes of Article 28.4 of Commission Regulation (EC) No. 809/2004, any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The information contained on any website referred to in this Base Prospectus shall not form part of this Base Prospectus, unless such information has been expressly incorporated herein or is subsequently incorporated herein by way of a supplement to this Base Prospectus.

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 MSBV and the Guarantor incorporated by reference in this Base Prospectus is considered to be part of this Base Prospectus. Following the publication of this Base Prospectus a supplement may be prepared by the Issuer or the Guarantor and approved by the Central Bank 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.

In relation to item 4 incorporated by reference above, ratings of Morgan Stanley Derivative Products Inc.'s senior long term, unsecured debt have been given by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and Moody's Investor Service, Inc. and appear on page 70 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2012.

In relation to item 5 incorporated by reference above, ratings of Morgan Stanley Derivative Products Inc.'s senior long term, unsecured debt have been given by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and Moody's Investor Services, Inc. and appear on page 220 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2011.

In relation to item 6 incorporated by reference above, ratings of Morgan Stanley Derivative Products Inc.'s senior long term, unsecured debt have been given by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and Moody's Investor Services, Inc. and appear on page 210 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2010.

Standard & Poor's Financial Services LLC is not established in the European Economic Area but the rating it has assigned to Morgan Stanley Derivative Products is, with effect from 9 April 2012, endorsed by Standard & Poor's Credit Market Services Europe Limited, a rating agency established in the European Economic Area and registered under the Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended) (the "**CRA Regulation**") by the relevant competent authority.

Moody's Investors Service, Inc. is not established in the European Economic Area but the rating it has assigned to Morgan Stanley Derivative Products Inc. is endorsed by Moody's Investors Service Limited and Moody's Deutschland GmbH, both rating agencies established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities.

In relation to item 4 incorporated by reference above, ratings of Morgan Stanley's senior unsecured debt have been given by Dominion Bond Rating Service, Inc., Fitch, Inc., Moody's Investors Service, Inc., Rating and Investment Information Inc. and Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and appear on pages 58 and 118 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2012.

Dominion Bond Rating Service, Inc. is not established in the European Economic Area but the ratings it has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Fitch, Inc. is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Moody's Investors Service, Inc. is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Limited and Moody's Deutschland GmbH, both rating agencies established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities.

Rating and Investment Information Inc. is not incorporated in the European Union and is not registered under the CRA Regulation in the European Union.

Standard & Poor's Financial Services LLC is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is, with effect from 9 April 2012, endorsed by Standard & Poor's Credit Market Services Europe Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

In relation to item 4 incorporated by reference above, ratings of Morgan Stanley Bank N.A.'s senior unsecured debt have been given by Fitch, Inc., Moody's Investors Service, Inc. and Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and appear on page 118 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2012.

Fitch, Inc. is not established in the European Economic Area but the rating it has assigned to Morgan Stanley Bank N.A. is endorsed by Fitch Ratings Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Moody's Investors Service, Inc. is not established in the European Economic Area but the rating it has assigned to Morgan Stanley Bank N.A. is endorsed by Moody's Investors Service Limited and Moody's Deutschland GmbH, both rating agencies established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities.

Standard & Poor's Financial Services LLC is not established in the European Economic Area but the rating it has assigned to Morgan Stanley Bank N.A. is, with effect from 9 April 2012, endorsed by Standard & Poor's Credit Market Services Europe Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

The Issuer and the Guarantor will, at their registered offices and at the specified offices of the Paying Agents and Transfer Agents, make available for inspection in physical or electronic form during normal office hours, 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 by the Issuer or Guarantor, as the case may be). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or Transfer Agent.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Securities, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Securities.

KEY FEATURES OF THE SECURITIES

The following summary describes the key features of the Securities that the 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.

Issuer	Morgan Stanley B.V.
Guarantor	Morgan Stanley unless specified otherwise in the applicable Final Terms
Distribution Agents	Morgan Stanley & Co. International plc 25 Cabot Square, Canary Wharf, London E14 4QA, Morgan Stanley & Co. LLC 1585 Broadway New York 10036 and MS Equity Financing Services (Luxembourg) S.a.r.l. 8-10 rue Mathias Hardt, L-1717 Luxembourg
Fiscal Agent	Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N
Irish Paying Agent	Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland
US Paying Agent, Registrar and Transfer Agent	Deutsche Bank Trust Company Americas, 17th Floor, 60 Wall Street, New York, New York 10005
Determination Agent	If so specified in the applicable Final Terms, Morgan Stanley & Co. International plc, 20 Bank Street, Canary Wharf, London E14 4AD
Issuance in Series	Securities will be issued in series (each, a “ Series ”). Each Series may comprise one or more tranches (“ Tranches ” and each, a “ Tranche ”) issued on different issue dates. The Securities of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of any distribution amount may be different in respect of different Tranches and each Series may comprise Securities of different nominal amounts. The Securities of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Securities of different nominal amounts.
Forms of Securities	The Issuer will issue Securities in bearer form or in registered form as specified in the applicable Final Terms. Bearer Securities in definitive bearer form will be serially numbered. Registered Securities will be represented by a global security and in limited circumstances by individual registered instruments with one instrument being issued in respect of each

Securityholder's entire holding of Securities in registered form. See "Form of the Bearer Securities" and "Form of Registered Securities" below.

Bearer Securities initially will be represented by a temporary global security or by a permanent global security, that the Issuer will deposit with a common depositary for Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system. Interests in each temporary global security will be exchangeable for interests in permanent global securities or for definitive bearer securities.

Interests in each permanent global security will be exchangeable for definitive bearer securities in the limited circumstances specified in the relevant global securities in accordance with its terms. Definitive bearer securities will, if issued with distributions, have Coupons attached and, if appropriate, a Talon for further Coupons. Securities in bearer form may not be exchanged for Securities in registered form.

Registered Securities which are delivered outside any clearing system will be represented by individual registered instruments, one security being issued in respect of each Securityholder's entire holding of Registered Securities of one Series. Registered Securities that are registered in the name of a nominee for one or more clearing systems will be represented by global securities. Securities in registered form may not be exchanged for Securities in bearer form.

Terms and Conditions

A Final Terms will be prepared in respect of each Tranche of Securities (each, a "**Final Terms**"). The terms and conditions applicable to each Tranche issued will be those set out under the heading "Terms and Conditions of the Securities", as supplemented, modified or replaced, in each case, by the applicable Final Terms.

Specified Currency

Securities may be denominated or payable in any currency as set out in the applicable Final Terms, subject to all applicable consents being obtained and compliance with all applicable legal and regulatory requirements.

Status

Securities will be direct and general obligations of the Issuer.

Guarantee

The payment of all amounts due in respect of Securities issued by the Issuer will, unless specified otherwise in the applicable Final Terms be

unconditionally and irrevocably guaranteed by Morgan Stanley pursuant to a guarantee dated as of 17 November 2011.

Issue Price

Securities may be issued at any price, as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.

Exercise of Certificates and Warrants.....

Certificates and Warrants may be exercisable on any day during a specified exercise period (“**American Style Securities**”), on a specified expiration date (“**European Style Securities**”) or on specified dates during a specified exercise period (“**Bermudan Style Securities**”), 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.

Settlement of Securities

Upon exercise, Certificates and Warrants may entitle the Securityholder to receive from the Issuer a cash settlement amount as specified or calculated in accordance with the applicable Final Terms (“**Cash Settlement Amount**”).

Unless previously redeemed or purchased and cancelled, Notes will be redeemed by the Issuer at their Final Redemption Amount as specified or calculated in accordance with the applicable Final Terms (the “**Final Redemption Amount**”).

Securityholders will not be entitled to receive physical delivery of securities in respect of any Securities.

Minimum Exercise Number or Maximum Exercise Number

Certificates and Warrants are exercisable in the minimum exercise number (or, if so specified, integral multiples of the specified permitted multiples) but subject to the maximum exercise number specified in the applicable Final Terms.

Early Termination

Early termination will be permitted for a number of circumstances including illegality, tax, additional disruption events, extraordinary events relating to the underlying and other reasons specified in the Final Terms in accordance with the “Terms and Conditions of the Securities”.

If so specified in the applicable Final Terms, investors in Notes will have the right to elect to terminate their Notes early in accordance with the terms set out in the applicable Final Terms and the “Terms and Conditions of the Securities”.

Distribution Amounts	Securities may provide for distributions (“ Distribution Amounts ”) to be paid. The payment of Distribution Amounts, if any, may be subject conditions specified in the applicable Final Terms.
Nominal Amounts	Securities may be issued in such nominal amounts as may be specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements. For Securities issued in nominal amounts, such nominal amounts will be at least EUR 1,000 per Security, save that in respect of any Series of Registered Securities, Restricted Securities shall be in minimum nominal amounts of U.S.\$100,000 and higher integral multiples of U.S.\$1,000 thereof.
Taxation	Except as otherwise set out in the relevant Final Terms, all payments by the Issuer and the Guarantor in respect of the Securities shall be net of any relevant Taxes and without limitation, in the event any withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by any jurisdiction or any political subdivision or any authority thereof or therein having power to tax, is required by law, neither the Issuer nor the Guarantor shall be required to make any additional payments on account of such withholding or deduction.
Use of Proceeds	The net proceeds from the sale of Securities offered by this Base Prospectus will be used by the Issuer for general corporate purposes, in connection with hedging the Issuer’s obligations under the Securities, or both.
Listing	Applications have been made to admit the Securities offered under the Program by the Issuer to trading on the Irish Stock Exchange. The applicable Final Terms will specify whether an issue of Securities will be admitted to trading on the Irish Stock Exchange), admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system or will be unlisted, as the Issuer and any Distribution Agent may agree.
Clearing Systems	The Depository Trust Company (“ DTC ”), Euroclear and Clearstream, Luxembourg (in the case of Restricted Securities) and/or any other clearing system as may be specified in the applicable Final Terms, or Euroclear, and Clearstream, Luxembourg

(in the case of Unrestricted Securities and Bearer Securities) and/or any other clearing system as may be specified in the applicable Final Terms.

Governing Law

The Securities and any non-contractual obligations arising out of or in connection with the Securities) will be governed by, and construed in accordance with, English law.

Enforcement of Securities in Global Form.....

In the case of Securities issued by the Issuer in global form (which expression includes global forms of Bearer Securities and Registered Securities), individual holders' rights will be governed by a deed of covenant entered into by the Issuer dated 17 November 2011 (the "**Deed of Covenant**"), copies of which will be available for inspection at the specified office of the Fiscal Agent, the Registrar, the Irish Paying Agent, the Luxembourg Paying Agent and Transfer Agent.

Selling Restrictions

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 "Subscription and Sale and Transfer Restrictions".

Registered Securities

Offers and sales of Registered Securities in accordance with Rule 144A under the Securities Act will be permitted, if specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory requirements of the United States of America.

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the terms and conditions which, as supplemented by the applicable Final Terms and if so specified in the applicable Final Terms will be endorsed on each Security in definitive form issued by Morgan Stanley B.V. under the Program. The terms and conditions applicable to any Security in global form will differ from those terms and conditions which would apply to the Securities were they in definitive form to the extent described under “Summary of Provisions Relating to the Securities while in Global Form” below.

1. INTRODUCTION

1.1 Program: Morgan Stanley B.V. (the “**Issuer**”) maintains a Program (the “**Program**”) for the issuance of notes, certificates and warrants which are expressed to be governed by, and construed in accordance with, English law (“**Notes**”, “**Certificates**” and “**Warrants**” respectively, and together, the “**Securities**”). The payment obligations of the Issuer in respect of Securities issued by it under the Program are (unless otherwise specified in the applicable Final Terms) guaranteed by Morgan Stanley (“**Morgan Stanley**” and in its capacity as guarantor, the “**Guarantor**”) under the terms of a guarantee dated 17 November 2011 (the “**Guarantee**”).

1.2 Final Terms: Securities issued under the Program are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Securities. Each Tranche is the subject of a set of Final Terms (“**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Securities are the Conditions as supplemented by the applicable Final Terms. In the event of any inconsistency between the Conditions and the applicable Final Terms, the applicable Final Terms shall prevail.

1.3 Issue and Paying Agency Agreement: The Securities are the subject of an amended and restated issue and paying agency agreement dated 18 June 2012 (such agreement as from time to time supplemented, modified and/or restated, the “**Issue and Paying Agency Agreement**”) between the Issuer, Morgan Stanley, Deutsche Bank AG, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent, as the case may be, appointed from time to time in connection with the Securities), Deutsche Bank (Luxembourg) S.A. as Luxembourg paying agent (the “**Luxembourg Paying Agent**”, which expression includes any successor Luxembourg paying agent, as the case may be, appointed from time to time in connection with the Securities), Deutsche Bank Trust Company Americas as US paying agent, registrar and transfer agent (the “**US Paying Agent**”, “**Registrar**” and “**Transfer Agent**”, which expression includes any successor US paying agent, registrar or transfer agent, as the case may be, appointed from time to time in connection with the Securities), Deutsche International Corporate Services (Ireland) Limited as paying agent (the “**Irish Paying Agent**” and, together with the Fiscal Agent, Luxembourg Paying Agent, the US Paying Agent and any additional paying agents appointed pursuant thereto, the “**Paying Agents**”, which expression includes any successor paying agents appointed from time to time in connection with the Securities) and Morgan Stanley & Co. International plc, as determination agent (the “**Determination Agent**”, which expression includes any successor determination agents appointed from time to time in connection with the Securities). The “**relevant Paying Agent**” shall be construed as (i) the Fiscal Agent or the Irish Paying Agent in respect of Unrestricted Securities and Bearer Securities that are Notes, (ii) the Luxembourg Paying Agent in respect of Bearer Securities that are Warrants or Certificates, or (iii) the US Paying Agent in respect of Restricted Securities.

1.4 Deed of Covenant and Deed Poll: The Securityholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Deed of Covenant (the “**Deed of Covenant**”) dated 17 November 2011 and the Deed Poll dated 17 November 2011, each of which is made by the Issuer.

1.5 *The Securities*: All subsequent references in the Conditions to “Securities” are to the Securities which are the subject of the applicable Final Terms. Copies of the applicable Final Terms are available for inspection by Securityholders during normal business hours at the Specified Office of each of the Paying Agents, the initial Specified Offices of which are set out below, in each case against such proof of Securityholder status as a Paying Agent may require.

1.6 *Summaries*: Certain provisions of the Conditions are summaries of the Issue and Paying Agency Agreement and are subject to its detailed provisions. The Securityholders (as defined below) and, in the case of Certificates, the holders of the related coupons for distributions, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) relating to Bearer Securities (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Issue and Paying Agency Agreement applicable to them.

1.7 Copies of the Issue and Paying Agency Agreement, the Deed of Covenant and the Deed Poll are available for inspection by Securityholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below, in each case against such proof of Securityholder status as a Paying Agent may require.

2. INTERPRETATION

2.1 *Definitions*: In the Conditions the following expressions have the following meanings:

“**Additional Outperformance**” means the product of the Additional Outperformance Weighting multiplied by the Daily Average Price multiplied by the Additional Outperformance Day Count Fraction;

“**Additional Outperformance Day Count Fraction**” means (i) the actual number of days during the Additional Outperformance Period specified in the applicable Final Terms or, if none is specified, the actual number of days during the period beginning on and including the Issue Date to but excluding the Final Valuation Date (the “**Additional Outperformance Period**”), (ii) divided by 360;

“**Additional Outperformance Weighting**” has the meaning given to it in the applicable Final Terms;

“**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 (b) an entity directly or indirectly under common control with the Issuer;

“**Averaging Date**” means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the applicable Final Terms, subject to provisions of Condition 9 (Adjustment Provisions);

“**Basket**” means:

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

“**Bearer Securities**” has the meaning given to it in Condition 3 (Form, Title and Transfer);

“**Break Fee**” has the meaning given to it in the applicable Final Terms;

“**Break Fee Date**” has the meaning given to it in the applicable Final Terms;

“Business Day” means any day, other than a Saturday or Sunday, (a) that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in each Financial Centre and (b) for Securities denominated in euro, a day that is also a TARGET Settlement Day;

“Business Day Convention”, in relation to any particular date, has the meaning given in the applicable Final Terms and, if so specified in the applicable 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 Business Day Convention”** means that the relevant date shall be brought forward to 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 Amount” has the meaning given to it in the applicable Final Terms;

“Cash Settlement Payment Date” means, in respect of each Exercise Date, the date specified as such or otherwise determined as provided in the applicable Final Terms or, if such date is not a Business Day, the next succeeding Business Day;

“Clearance System” means such Clearance System specified in the applicable Final Terms in which Securities of the relevant Series are 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;

“Commencement Date” means the date specified as such in the applicable Final Terms, or, if such day is not an Exercise Business Day, the next Exercise Business Day;

“Component” means, in respect of an Index, any securities comprising such Index;

“Coupon Sheet” means, in respect of a Bearer Security, a coupon sheet relating to the Bearer Security;

“Daily Average Price” means an amount, as determined by the Determination Agent, equal to the average of the official closing prices of a Share on the Exchange at the Valuation Time on each Scheduled Trading Day during the Additional Outperformance Period which is not a Disrupted Day;

“Delivery Business Day” means, in respect of a Security, a day which is a Business Day and, if a Security is represented by a Global Security, a Clearance System Business Day;

“Determination Agent” means, in respect of any Series of Securities, Morgan Stanley & Co. International plc or such other determination agent as may be specified in the applicable Final Terms;

“Distribution Amount” means, in relation to a Security and if applicable a Distribution Period, the amount specified in or calculated as specified in the applicable Final Terms in respect of that Security if applicable for that Distribution Period;

“Distribution Commencement Date” means the Issue Date of the Securities or such other date as may be specified as the Distribution Commencement Date in the applicable Final Terms;

“Distribution Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms;

“Distribution Period” means each period beginning on (and including), initially, the Distribution Commencement Date, and thereafter, any Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date;

“Distribution Record Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms;

“Distribution Valuation Date” has the meaning given in the applicable Final Terms, subject to the provisions of Condition 9 (Adjustment Provisions);

“Early Termination Amount” means, in the case of termination of the Securities, unless otherwise specified in the applicable Final Terms, an amount determined by the Determination Agent as representing the fair value of such Security on such day as is selected by the Determination Agent acting in good faith and in a commercially reasonable manner and without taking into account the creditworthiness of the Issuer and/or the Guarantor less the cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent acting in good faith and in a commercially reasonable manner;

“EC Treaty” means the Treaty on the Functioning of the European Union (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;

“Eligible Dividend” has the meaning given in the definition of **“Net Yield”**;

“Euro”, “euro”, “€” and “EUR” each means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended;

“Exchange” means (1) in respect of a Share 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 Share or Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the relevant Share (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 Share 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 Share 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;

“Ex-Dividend Date” means, with respect to a relevant dividend or Extraordinary Dividend, the first date on which trading in the Shares on the Exchange is effected without the right to receive the relevant dividend, as determined by the Determination Agent;

“Exercise Business Day” means, in relation to the exercise of a Security, any day which is each of (i) a Business Day (ii) if the Security is represented by a Global Security a Clearance System Business Day and (iii) if the applicable Final Terms specify that Exercise Business Day is to include a Scheduled Trading Day and an Exchange Business Day, a day which is a Scheduled Trading Day and an Exchange Business Day;

“Exercise Date” means, in respect of any Security, the day on which such Security is deemed to have been exercised in accordance with Condition 6.3 (*Deemed Exercise*), if applicable, or on which an Exercise Notice relating to that Security is delivered in accordance with the provisions of Condition 7 (Exercise Procedures);

“Exercise Notice” means any notice in the form scheduled to the Issue and Paying Agency Agreement (or such other form as may from time to time be agreed by the Issuer and the relevant Paying Agent) which is delivered by a Securityholder in accordance with Condition 7 (Exercise Procedures);

“Exercise Period” means, unless otherwise specified in the applicable Final Terms, the period beginning on (and including) the Commencement Date and ending on (and including) the Expiration Date;

“Exercise Receipt” means a receipt issued by a Paying Agent, Registrar or Transfer Agent to a depositing Securityholder upon deposit of a Security with such Paying Agent, Registrar or Transfer Agent by any Securityholder wanting to exercise a Security;

“Expiration Date” means the date specified as such in the applicable Final Terms (or, if such date is not an Exercise Business Day, the next following Exercise Business Day);

“Extraordinary Dividend” means, an amount per Share, or portion thereof, specified in the applicable Final Terms or if none is specified, the dividend per share, or portion thereof, to be characterised as an extraordinary dividend as determined by the Determination Agent;

“Extraordinary Resolution” has the meaning given in the Issue and Paying Agency Agreement;

“Final Redemption Amount” has the meaning given to it in the applicable Final Terms;

“Final Valuation Date” means, unless otherwise specified in the applicable Final Terms, if one or more Valuation Date is specified in the Final Terms, the last of such Valuation Date(s) to occur;

“Financial Centre(s)” means the city or cities specified as such in the applicable Final Terms;

“Global Security” means any Restricted Global Security, Unrestricted Global Security, Temporary Global Security or Permanent Global Security;

“Hedging Realisation Price” means, in respect of a Share, unless otherwise specified in the applicable Final Terms, the volume weighted average of the prices per Share on the Valuation Date or Averaging Date, as the case may be net of any applicable costs or taxes as determined by the Determination Agent which the Issuer or its agent, after using reasonable endeavours, obtains in any actual disposal or realisation of any hedge position entered into by the Issuer or its agent in respect of the Securities.

“Index” means, in respect of any Index Security or Index Basket Security and subject to Condition 9 (Adjustment Provisions), each index specified as such in the applicable Final Terms;

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

“**Index Securities**” means Securities relating to a single Index;

“**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;

“**Individual Registered Instrument**” means an individual registered instrument representing a Securityholder’s holding of a Registered Security, in or substantially in the form scheduled to the Issue and Paying Agency Agreement;

“**Initial Valuation Date**” has the meaning given to it in the applicable Final Terms;

“**Issue Date**” has the meaning given in the applicable Final Terms;

“**Latest Exercise Time**” means 10:00 a.m. ((i) local time in the place where the Clearance System through which the relevant Security is exercised is located if the Security is represented by a Global Security or (ii) otherwise in the place of presentation of the Security), unless specified otherwise in the applicable Final Terms;

“**Maturity Date**” means the date specified as such or otherwise determined as provided in the applicable Final Terms or, if such date is not a Business Day, the next succeeding Business Day;

“**Maximum Exercise Amount**” has the meaning given in the applicable Final Terms;

“**Minimum Exercise Amount**” has the meaning given in the applicable Final Terms;

“**Multi-exchange Index**” means any Index specified as such in the applicable Final Terms;

“**Net Yield**” means an amount, as determined by the Determination Agent, equal to the sum of (i) the product of the Net Yield Weighting and the aggregate of all declared dividend payments (or any part thereof) (other than any Extraordinary Dividend) in respect of one Share for which the Ex-Dividend Date falls during the Reference Period (an “**Eligible Dividend**”) and (ii) if “Extraordinary Dividend” is specified to be applicable in the applicable Final Terms the product of the Net Yield Weighting and the aggregate of all Extraordinary Dividends (or any part hereof) in respect of one Share for which the Ex-Dividend Date falls during the Reference Period. If “**Relevant Deduction**” is specified to be applicable, the Net Yield shall equal to the amount determined in accordance with the immediately preceding sentence less the aggregate amount of any Relevant Deductions. Notwithstanding the above, if (a) the Determination Agent determines that at any time during the Reference Period the price of a Share has fallen to zero, or (b) prior to the Valuation Date the Share Issuer has failed to pay any Eligible Dividend or any Extraordinary Dividend (if applicable) for which the relevant payment date has passed, the Net Yield shall equal zero regardless of the declaration of an Eligible Dividend or an Extraordinary Dividend;

“**Net Yield Weighting**” has the meaning given to it in the applicable Final Terms;

“**Nominal Amount**” has the meaning given in the applicable Final Terms;

“**Optional Termination Amount (Call)**” means, unless otherwise specified in the applicable Final Terms, in respect of any Security to be terminated pursuant to Condition 6.12 (*Termination at the option of the Issuer*), an amount equal to a cash amount in the Specified Currency calculated in the same manner as the Cash Settlement Amount or Final Redemption Amount save that for this purpose the Cash Settlement Amount or Final Redemption Amount shall be calculated as if:

- (i) the Valuation Date were the fifth Business Day (such date, the “**Optional Termination Valuation Date**”) preceding the date specified by the Issuer as the Optional Termination Date (Call) in its notice pursuant to Condition 6.12 (*Termination at the option of the Issuer*) or, if such day is not a Scheduled Trading Day, the immediately following Scheduled Trading Day, subject to adjustment in accordance with Condition 9 (*Adjustment Provisions*); and
- (ii) each of the Reference Period and, if applicable, the Additional Outperformance Period ended on (but excluded) the Optional Termination Valuation Date;

“**Optional Termination Amount (Put)**” means, unless otherwise specified in the applicable Final Terms, in respect of any Security to be terminated pursuant to Condition 6.14 (*Early redemption of Notes at the option of a Securityholder ("Investor Put Option")*) an amount equal to a cash amount in the Specified Currency calculated in the same manner as the relevant Final Redemption Amount save that for this purpose the Final Redemption Amount shall be calculated as if:

- (i) the Valuation Date were the fifth Business Day (such date, the “**Optional Termination Valuation Date**”) preceding the date specified by the relevant Securityholder as the Optional Termination Date (Put) in its notice pursuant to Condition 6.14 (*Early redemption of Notes at the option of a Securityholder ("Investor Put Option")*) or, if such day is not a Scheduled Trading Day, the immediately following Scheduled Trading Day, subject to adjustment in accordance with Condition 9 (*Adjustment Provisions*); and
- (ii) each of the Reference Period and, if applicable, the Additional Outperformance Period ended on (but excluded) the Optional Termination Valuation Date;

“**Optional Termination Date (Call)**” means the date selected by the Issuer for the termination of the Securities where it elects to redeem the Securities pursuant to Condition 6.12 (*Termination at the option of the Issuer*) as specified in the notice contemplated therein or, if later, the second Business Day following the Optional Termination Valuation Date;

“**Optional Termination Date (Put)**” means, subject to any conditions set out in the applicable Final Terms, the date selected by the Securityholder for the termination of the Securities where it elects to redeem the Securities pursuant to Condition 6.14 (*Early redemption of Notes at the option of a Securityholder ("Investor Put Option")*) as specified in the relevant Put Notice contemplated therein or, if later, the second Business Day following the Optional Termination Valuation Date;

“**Outperformance**” means (a) with respect to Eligible Dividends, the product of the Net Yield and the Outperformance Weighting, and (b) with respect to declared dividends (or part thereof) in respect of the Shares for which the Ex-Dividend Date falls outside the Reference Period, zero. Notwithstanding the above, if (a) the Determination Agent determines that at any time during the Reference Period the price of a Share has fallen to zero, or (b) prior to the Valuation Date the Share Issuer has failed to pay any Eligible Dividend for which the relevant payment date has passed, the Net Yield shall equal zero regardless of the declaration of an Eligible Dividend;

“**Outperformance Weighting**” has the meaning given to it in the applicable Final Terms;

“**Participating Member State**” means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the EC Treaty;

“**Payment Business Day**” means a day which is:

- (A) in the case of Securities in definitive form:
 - (i) if the currency of payment is euro, any day which is

- (a) in the case of Bearer Securities a day on which banks in the relevant place of presentation are open for presentation and payment of bearer securities and for dealings in foreign currencies; and
 - (b) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is
- (a) in the case of Bearer Securities a day on which banks in the relevant place of presentation are open for presentation and payment of bearer securities and for dealings in foreign currencies; and
 - (b) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each Financial Centre; and
- (B) in the case of a Security represented by a Global Security, (i) a day on which each Clearance System is open and (ii) in the case of payment by transfer to an account, any day which is (a) a day on which dealings in foreign currencies may be carried on in each Financial Centre; and (b) a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment or if the currency of payment is euro, any day which is a TARGET Settlement Day;

“Permanent Global Security” means a Permanent Global Security substantially in the form set out in the Issue and Paying Agency Agreement by which Bearer Securities offered and sold outside the United States to persons that are not U.S. persons (as defined in Regulation S) in reliance on Regulation S are represented;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality;

“Potential Exercise Date” means each date specified as such in the applicable Final Terms or, if such day is not an Exercise Business Day, the next Exercise Business Day;

“Put Notice” means any notice in the form (for the time being current) available from each Paying Agent or the Registrar or Transfer Agent (as applicable) which is delivered by a Securityholder in accordance with Condition 6.14 (*Early redemption of Notes at the option of a Securityholder (“Investor Put Option”)*);

“Put Receipt” means a receipt issued by a Paying Agent, Registrar or Transfer Agent (as applicable) to a depositing Securityholder upon deposit of a Note with such Paying Agent, Registrar or Transfer Agent (as applicable) by any Securityholder wanting to early redeem such Note in accordance with Condition 6.14 (*Early redemption of Notes at the option of a Securityholder (“Investor Put Option”)*);

“QIB/QP” means a “qualified institutional buyer” as defined in Rule 144A who is also a “qualified purchaser” as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, and the rules thereunder;

“Record Date” has the meaning given to it in Condition 8 (Payments);

“Reference Period” means, unless otherwise specified in the applicable Final Terms, the period from but excluding the Initial Valuation Date to and including the Expiration Date;

“Reference Value” means, unless otherwise specified in the applicable Final Terms, on any day:

- (i) in respect of a Share to which a Share Security or a Share Basket Security relates, save where (iii) below applies, the price per Share determined by the Determination Agent as provided in the applicable 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 Reference Value are so provided: (a) in respect of any Share 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 Reference Value shall be the price per Share 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 Share for which the Exchange is a dealer exchange or dealer quotation system, the Reference Value 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 acting in good faith and in a commercially reasonable manner as provided in the applicable 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 Reference Value 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; and
- (iii) in respect of a Share to which a Share Security or a Share Basket Security relates where "Hedging Realisation Price" is specified to be applicable in the applicable Final Terms, the relevant Hedging Realisation Price or, if the Determination Agent determines that no Hedging Realisation Price can be determined at the relevant time for any reason other than the occurrence of a Disrupted Day (and such reason may include the absence of hedging activities as described in the definition of "**Hedging Realisation Prices**"), the provision of (i)(a) above shall apply.

“**Register**” has the meaning given to it in Condition 3 (Form, Title and Transfer);

“**Registered Securities**” has the meaning given to it in Condition 3 (Form, Title and Transfer);

“**Regulation S**” means Regulation S under the Securities Act;

“**Related Exchange**” means, subject to the proviso below, in respect of a Share 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 Share or Index in the applicable 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 Share 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 Share 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 applicable 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 Share or such Index;

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the principal financial centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Securityholders;

“**Relevant Deduction**” means, in relation to a dividend or an Extraordinary Dividend, each amount of applicable costs and/or taxes which the Determination Agent determines are or would be incurred or suffered by a recipient of such dividend or Extraordinary Dividend, in any such jurisdiction as the Determination Agent may determine to be relevant to the Issuer or its agent for hedging purposes in respect of the Securities;

“**Reserved Matter**” means any proposal to change any date fixed for payment of any amount in respect of the Securities, to reduce such amount payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of any payment under the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“**Restricted Global Security**” means a Restricted Global Security substantially in the form set out in the Issue and Paying Agency Agreement representing Restricted Securities;

“**Restricted Security**” means a Registered Security offered and sold to QIB/QPs in reliance on Rule 144A;

“**Rule 144A**” means Rule 144A under the Securities Act;

“**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 other trading outside of regular trading session hours;

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

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

“**Securityholder**” and (in relation to a Security) “**holder**” means, in the case of a Bearer Security, the bearer of a Security or, in the case of a Registered Security, a person in whose name a Security is registered in the Register;

“**Settlement Amount**” means, as appropriate, the Cash Settlement Amount, the Optional Termination Amount (Call), Optional Termination Amount (Put), the Early Termination Amount, the Final Redemption Amount or such other amount in the nature of a settlement or final amount and other than a distribution as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms;

“**Settlement Value**” means, unless otherwise specified in the applicable Final Terms:

- (i) in respect of an Index Security or a Share Security, the arithmetic mean of the Reference Values of the Index or the Share 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 acting in good faith and in a commercially reasonable manner as provided in the applicable 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 Reference Values of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the applicable Final Terms); and

- (iii) in respect of a Share Basket Security, the arithmetic mean of the amounts for the Basket determined by the Determination Agent acting in good faith and in a commercially reasonable manner as provided in the applicable Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Value 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 Shares of each Share Issuer as the product of (1) the Reference Value of such Shares and (2) the number of such Shares comprised in the Basket;

“**Share**” means, in respect of any Share Security or Share Basket Security and subject to Condition 9 (Adjustment Provisions), a share of the Share Issuer (with a Bloomberg ticker and ISIN as specified in the applicable Final Terms) and “**Shares**” shall be interpreted accordingly;

“**Share Basket Securities**” means Securities relating to a basket of Shares;

“**Share Issuer**” has the meaning given to it in the applicable Final Terms;

“**Share Securities**” means Securities relating to a single Share;

“**Specified Currency**” has the meaning given in the applicable Final Terms;

“**Specified Office**” has the meaning given in the Issue and Paying Agency Agreement;

“**Strike Value**” means the price, level or amount specified as such or otherwise determined as provided in the applicable Final Terms;

“**Talon**” means a talon for further Coupons;

“**TARGET Settlement Day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open;

“**Taxes**” means, in respect of a Security and any relevant exercise or payment in respect of such Security, all applicable stamp tax, stamp duty reserve tax, estate, inheritance, gift, transfer, capital gains, corporation, income, property, withholding, other taxes, duties and charges due by reason of or in connection with or on account of such exercise or payment of such Security;

“**Temporary Global Security**” means a Temporary Global Security substantially in the form set out in the Issue and Paying Agency Agreement by which Bearer Securities offered and sold outside the United States to persons that are not U.S. persons (as defined in Regulation S) in reliance on Regulation S are represented;

“**Total Outperformance**” means the sum of (i) the Outperformance and (ii) the Additional Outperformance; provided, however, that if (i) the Determination Agent determines that at any time during the Reference Period the price of a Share has fallen to zero, or (ii) prior to the Final Valuation Date the Share Issuer has failed to pay any Eligible Dividend for which the relevant payment date has passed, the Total Outperformance shall equal zero regardless of the declaration of an Eligible Dividend;

“**U.S.\$**” means United States dollars;

“**Underlying**” means the Share, the Index, the Basket of Shares or the Basket of Indices specified as such in the applicable Final Terms;

“**Unrestricted Global Security**” means an Unrestricted Global Security substantially in the form set out in the Issue and Paying Agency Agreement representing Unrestricted Securities;

“**Unrestricted Security**” means a Registered Security offered and sold outside the United States to persons that are not U.S. persons (as defined in Regulation S) in reliance on Regulation S;

“**Valuation Date**” means, unless otherwise specified in the applicable Final Terms, (i) the fifth Scheduled Trading Day immediately following each Exercise Date, (ii) each Distribution Valuation Date, and (iii) the Final Valuation Date, subject to the provisions of Condition 9 (Adjustment Provisions); and

“**Valuation Time**” means the time on the relevant Valuation Date or Averaging Date, as the case may be, specified as such in the applicable Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange in relation to each Share or Index to be valued, provided 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.

2.2 *Interpretation:* In the Conditions,

- (i) if Talons are specified in the applicable Final Terms as being attached to the Securities at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (ii) if Talons are not specified in the applicable Final Terms as being attached to the Securities at the time of issue, references to Talons are not applicable;
- (iii) any reference to distributions shall be deemed to include any Distribution Amount and any interim amount (other than a Settlement Amount) payable pursuant to the Conditions;
- (iv) references to Securities being “outstanding” shall be construed in accordance with the Issue and Paying Agency Agreement; and
- (v) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the applicable Final Terms, but the applicable Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Securities.

3. **FORM, TITLE AND TRANSFER**

3.1 *Form of Securities:* The Securities may be issued in bearer form (“**Bearer Securities**”) or in registered form (“**Registered Securities**”), as specified in the applicable Final Terms. Bearer Securities are serially numbered. Registered Securities are not exchangeable for Bearer Securities and Bearer Securities are not exchangeable for Registered Securities. References herein to “**Securities**” shall be to Bearer Securities and/or Registered Securities as specified in the applicable Final Terms. Definitive Bearer Securities with distributions have attached thereto at the time of their initial delivery Coupons, presentation of which will be a prerequisite to the payment of the relevant distribution save in certain circumstances specified herein. In addition, if so specified in the applicable Final Terms, such Securities have attached thereto at the time of their initial delivery, Talons for further Coupons.

3.2 *Nominal Amount of Bearer Securities:* Bearer Securities may be issued (and, in the case of Notes, will be issued) in one or more Nominal Amounts with Coupons and, if specified in the applicable Final Terms, Talons attached at the time of issue. In the case of a Series of Securities with more than one Nominal Amount, Securities of one Nominal Amount will not be exchangeable for Bearer Securities of another Nominal Amount. If a Nominal Amount is so specified, the Securities shall have a minimum Nominal Amount of at least EUR 1,000 (or its equivalent in the Specified Currency in which such Security is denominated).

3.3 *Nominal Amount of Securities in general:* The Securities may be issued with a Nominal Amount specified in the applicable Final Terms. If a Nominal Amount is so specified:

- (i) the Registered Securities (other than Restricted Securities) shall have a minimum Nominal Amount of at least EUR 1,000 (or its equivalent in the Specified Currency in which such Security is denominated); and
- (ii) Restricted Securities shall have a minimum Nominal Amount of at least U.S.\$100,000 and Nominal Amounts shall be an integral multiple of U.S.\$1,000.

3.4 *Currency of Securities:* The Securities are in the Specified Currency. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

3.5 *Title and transfer:*

3.5.1 Title to Bearer Securities, Coupons and Talons passes by delivery.

3.5.2 Title to Registered Securities passes by registration in the register which the Issuer shall procure to be kept by the Registrar (the “**Register**”). An Individual Registered Instrument will be issued to each Securityholder in respect of its registered holding. Each Individual Registered Instrument will be numbered serially with an identifying number which will be recorded in the Register.

3.5.3 The holder of any Security, and any Couponholder will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing on the relevant Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security), or any theft or loss thereof) and no person shall be liable for so treating such Securityholder or Couponholder.

3.6 *Transfer of Registered Securities:*

3.6.1 A Registered Security may, upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement and further subject to the provisions of Conditions 3.6.5 to 3.6.7 below, be transferred in whole or in part only (provided that, if a Nominal Amount is specified in the applicable Final Terms, such part is, or is not less than the minimum Nominal Amount specified) upon the surrender of the relevant Individual Registered Instrument, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or any Transfer Agent. A new Individual Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Security, a new Individual Registered Instrument in respect of the balance not transferred will be issued to the transferor. The Issuer shall have the right to refuse to honor the transfer of any Restricted Securities to a person who is not a QIB/QP. The Issuer shall have the right to refuse to honor the transfer of any Unrestricted Securities to a person who is a U.S. person (as defined in Regulation S) or is in the United States.

3.6.2 An Individual Registered Instrument representing each new Registered Security or Securities to be issued upon the transfer of a Registered Security will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date, be available for collection by each relevant Securityholder at the Specified Office of the Registrar or the Transfer Agent (as the case may be) or, at the option of the Securityholder requesting such exchange or transfer, be mailed (by uninsured post at the risk of the Securityholder(s) entitled thereto) to such address(es) as may be specified by such Securityholder(s). For these

purposes, a form of transfer or request for exchange received by the Registrar, the Fiscal Agent or the Transfer Agent (as the case may be) after the Record Date but on or prior to the due date in respect of any payment due in respect of Registered Securities shall be deemed not to be effectively received by the Registrar, the Fiscal Agent or the Transfer Agent (as the case may be) until the day following the due date for such payment.

3.6.3 For the purposes of these Terms and Conditions:

“**Relevant Banking Day**” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the Specified Office of the Registrar or the Transfer Agent is located;

and

“**transfer date**” shall be the Relevant Banking Day following the day on which the relevant Registered Security shall have been surrendered for transfer in accordance with Condition 3.6.1 above.

3.6.4 The issue of new Registered Securities on transfer will be effected without charge by or on behalf of the Issuer, the Fiscal Agent, the Registrar or the Transfer Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent, the Registrar or the Transfer Agent may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

3.6.5 If the Issuer or an Affiliate acquires a beneficial interest in a Registered Security represented by a Restricted Global Security or Unrestricted Global Security it shall receive such interest in the form of an Individual Registered Instrument. Following any subsequent transfer by the Issuer or such Affiliate of any Individual Registered Instrument:

- (i) if such transfer is made to a non-U.S. person in an offshore transaction in accordance with Regulation S, the transferee shall receive an interest in the relevant Unrestricted Global Security; or
- (ii) if such transfer is made to a QIB/QP pursuant to Rule 144A, the transferee shall receive an interest in the relevant Restricted Global Security.

3.6.6 So far as permitted by applicable law, regulations and any stock exchange requirements by which the Issuer is bound, the Issuer has covenanted and agreed in the Issue and Paying Agency Agreement to give to the Fiscal Agent such information as it requires for the performance of its functions and, without prejudice to the foregoing, for so long as any Registered Securities remain outstanding has covenanted and agreed that it shall, during any period in which it is not subject to the reporting requirements of Section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any Securityholder of such restricted securities, and to any prospective purchaser of such restricted securities designated by such Securityholder in connection with resale of a beneficial interest in such registered securities, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

3.6.7 No Securityholder may require the transfer of a Registered Security to be registered during the period of 15 calendar days ending on the due date for the payment of any amount in respect of such Security.

4. STATUS

- 4.1 *Status of the Securities:* The Securities and, if applicable, Coupons relating to them, constitute direct and general obligations of the Issuer which rank *pari passu* among themselves.
- 4.2 *Status of the Guarantee:* The Guarantor's obligations in respect of the Securities (other than Securities the Final Terms relating to which specifies that such Securities are not guaranteed by Morgan Stanley) constitute direct, unconditional and unsecured obligations of the Guarantor and rank without preference among themselves and *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights.

5. DISTRIBUTION PROVISIONS

- 5.1 *Application:* This Condition 5 (Distribution Provisions) is applicable to the Securities only if the Distribution Provisions are specified in the applicable Final Terms as being applicable.
- 5.2 *Distribution Amount:* A Distribution Amount shall be payable in respect of each Security on each Distribution Payment Date, subject as provided in Condition 8 (Payments) and this Condition 5.2. The Distribution Amount(s) shall equal to such amount(s) or be calculated in such manner as is specified in the applicable Final Terms less any amount in respect of Taxes. The payment of Distribution Amounts in respect of each Security shall be subject to any other terms specified in the applicable Final Terms, including any Distribution Record Date which may apply in respect of any payment.
- 5.3 *Share Issuer Shortfall:* If a Distribution Amount is paid to the Securityholders and which is calculated by reference to dividends or distributions under Shares and the relevant Share Issuer fails to pay the relevant dividend or distribution in full (the extent of any shortfall, the **Relevant Proportion**) then the Issuer may deduct an amount or amounts in aggregate equal to the Relevant Proportion of any such Distribution Amount from one or more subsequent payments under a Security even though such deduction(s) may mean no subsequent amounts are payable under the Securities.
- 5.4 *Maximum or Minimum Distribution Amount:* If any Maximum Distribution Amount or Minimum Distribution Amount is specified in the applicable Final Terms, then the Distribution Amount shall in no event be greater than the Maximum Distribution Amount or be less than the Minimum Distribution Amount so specified.
- 5.5 *Determination:* The Determination Agent will determine the Distribution Amount and any other amount in respect thereof as soon as reasonably practicable after the time or times at which any such amount is to be determined in the manner specified in the applicable Final Terms.
- 5.6 *Publication:* The Determination Agent will cause each Distribution Amount determined by it, together with the relevant Distribution Payment Date, Distribution Record Date (if applicable), and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the relevant Paying Agent and, if the relevant Paying Agent is not the Fiscal Agent, the Fiscal Agent and each listing authority, stock exchange and/or quotation system (if any) by which the Securities have been admitted to listing, trading and/or quotation as soon as practicable after such determination. Notice thereof shall also promptly be given to the Securityholders. The Determination Agent will be entitled to recalculate any Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of any relevant Distribution Period.

5.7 *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Determination Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Registrar and the Transfer Agents, as the case may be, and the Securityholders and the Couponholders (if any) and (subject as aforesaid) no liability to any such Person will attach to the Determination Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

6. EXERCISE RIGHTS, TERMINATION AND CANCELLATION

6.1 *Exercise Style:*

6.1.1 *American Style Securities:* If the Warrants or Certificates are specified in the applicable Final Terms as being “American Style Securities”, then this Condition 6.1.1 is applicable and the Securities are exercisable not later than the Latest Exercise Time on any Exercise Business Day during the Exercise Period, subject to Condition 6.4 (*Securities void on expiry*) and to prior termination of the Securities as provided in the Conditions.

6.1.2 *European Style Securities:* If the Warrants or Certificates are specified in the applicable Final Terms as being “European Style Securities”, then this Condition 6.1.2 is applicable and the Warrants or Certificates are exercisable only not later than the Latest Exercise Time on the Expiration Date, subject to Condition 6.4 (*Securities void on expiry*) and to prior termination of the Warrants or Certificates as provided in the Conditions.

6.1.3 *Bermudan Style:* If the Warrants or Certificates are specified in the applicable Final Terms as being “Bermudan Style Securities”, then this Condition 6.1.3 is applicable and the Securities are exercisable only not later than the Latest Exercise Time on each Potential Exercise Date, subject to Condition 6.4 (*Securities void on expiry*) and to prior termination of the Securities as provided in the Conditions.

6.2 *Cash Settlement upon Exercise:* Upon exercise each Warrant or Certificate entitles the Securityholder to receive from the Issuer, on the Cash Settlement Payment Date, the Cash Settlement Amount (less any amount in respect of Taxes and, if so specified in the Final Terms, Break Fees (if any)). The Cash Settlement Amount will be rounded down to the nearest minimum unit of the Specified 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.

6.3 *Deemed Exercise:* If “**Deemed Exercise**” is specified in the applicable Final Terms to be applicable in relation to a Series of Warrants or Certificates, where an Exercise Notice has not been duly completed and delivered by the Latest Exercise Time on the Expiration Date in respect of any Warrant or Certificate of such Series, each such Warrant or Certificate 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 applicable Final Terms, subject in each case to prior termination as provided for in the Conditions. The expressions “exercise”, “due exercise” and related expressions shall be construed to apply to any Warrant or Certificate which are automatically exercised in accordance with this provision. Notwithstanding such deemed exercise, the Issuer shall be under no obligation to pay any Cash Settlement Amount in respect of any such Warrant or Certificate until the Securityholder has delivered an Exercise Notice in the prescribed form in accordance with Condition 7.2 (*Form of Exercise Notice*), provided that where the Securityholder has not delivered an Exercise Notice together with its Warrants or Certificates in the manner described in Condition 7 (Exercise Procedures) within 30 Delivery Business Days of the day on which such Securities were deemed to have been exercised, such Warrant or Certificate shall become void for all purposes.

- 6.4 *Securities void on expiry:* Subject to Condition 6.3 (*Deemed Exercise*) above, Securities with respect to which an Exercise Notice together with the relevant Security has not been duly completed and delivered in the manner set out in Condition 7 (Exercise Procedures), at or before the Latest Exercise Time or the Expiration Date or last occurring Potential Exercise Date shall become void for all purposes and shall cease to be transferable.
- 6.5 *Minimum Number of Securities Exercisable:* The Warrants or Certificates are exercisable in the Minimum Exercise Number (or, if a “**Permitted Multiple**” is specified in the applicable Final Terms, higher integral multiples of the Permitted Multiple) on any particular occasion or such lesser Minimum Exercise Number.
- 6.6 *Redemption at maturity:* Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.
- 6.7 *Tax Termination:* A Series of Securities may be terminated in whole (but not in part), at the option of the Issuer at any time prior to the last occurring Cash Settlement Payment Date or Maturity Date, upon the giving of a notice of termination to Securityholders as described below, if the Issuer determines that, as a result of:
- 6.7.1 any change in or amendment to the laws, or any regulations or rulings promulgated under the laws of The Netherlands or the United States or of any political subdivision or taxing authority of or in The Netherlands or the United States affecting taxation, or
- 6.7.2 any change in official position regarding the application or interpretation of the laws, regulations or rulings referred to above,
- which change or amendment becomes effective on or after the Trade Date in connection with the issuance of the Securities or any other date specified in the applicable Final Terms, the Issuer or the Guarantor is or will become required by law to make any withholding or deduction with respect to the Securities, as described in Condition 12 (Taxation). The termination price payable in respect of each Security will be equal to the Early Termination Amount unless otherwise specified in the applicable Final Terms. The Issuer will give notice of any tax termination.
- 6.8 Except as otherwise specified in the applicable Final Terms, notice of termination will be given not less than 30 nor more than 60 days prior to the date fixed for termination. The date and the applicable termination price will be specified in the notice.
- 6.9 *Special Tax Termination.* If the Issuer determines that any payment made outside the United States by the Issuer, the Guarantor or any Paying Agent of any amounts, if any, due on any Bearer Security or Coupon would, under any present or future laws or regulations of the United States, be subject to any certification, identification or other information reporting requirement of any kind, the effect of which is the disclosure to the Issuer, the Guarantor, any Paying Agent or any governmental authority of the nationality, residence or identity of a beneficial owner of that Bearer Security or Coupon who is a United States Alien other than such a requirement that:
- 6.9.1 would not be applicable to a payment made by the Issuer, the Guarantor or any Paying Agent
- (i) directly to the beneficial owner or

- (ii) to a custodian, nominee or other agent of the beneficial owner, unless the payment by the custodian, nominee or agent to the beneficial owner would otherwise be subject to any similar requirement, or

6.9.2 can be satisfied by the custodian, nominee or other agent certifying to the effect that the beneficial owner is a United States Alien, unless the payment by the custodian, nominee or agent to the beneficial owner would otherwise be subject to any similar requirement,

the Issuer may (1) redeem the Securities, as a whole, at the termination price specified in the applicable Final Terms or (2) at the election of the Issuer, if the conditions described below are satisfied, pay the additional amounts specified in Condition 6.10 (*Election to pay additional amounts rather than terminate*).

The Issuer will make the determination and election described above as soon as practicable and publish prompt notice thereof (the “**Determination Notice**”) stating:

- (i) the effective date of the certification, identification or other information reporting requirements,
- (ii) whether the Issuer will terminate the Securities or has elected to pay the additional amounts specified below and
- (iii) if the Issuer elects to redeem, the last date by which the termination of the Securities must take place.

If the Issuer terminates the Securities for this reason, the termination will take place on a date, not later than one year after the publication of the Determination Notice. The Issuer will elect the date fixed for termination by notice to the Fiscal Agent and each relevant Paying Agent at least 60 days prior to the date fixed for termination, or within the termination notice period specified in the applicable Final Terms. Notice of the termination of the Securities will be given to the Securityholders not more than 60 nor less than 30 days prior to the date fixed for termination, or within the termination notice period specified in the applicable Final Terms.

Notwithstanding the foregoing, the Issuer will not terminate the Securities if the Issuer subsequently determines, not less than 30 days prior to the date fixed for termination, or prior to the last day of the specified termination notice period in the applicable Final Terms, that subsequent payments would not be subject to any certification, identification or other information reporting requirement, in which case the Issuer will publish prompt notice of the determination and revoke any earlier termination notice.

The term “**United States Alien**” means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

6.10 *Election to pay additional amounts rather than terminate.* If and so long as the certification, identification or other information reporting requirements referred to in Condition 6.9 (*Special Tax Termination*) would be fully satisfied by payment of a backup withholding tax or similar charge, the Issuer may elect to pay such additional amounts as may be necessary so that every net payment made outside the United States following the effective date of those requirements by the Issuer or any Paying Agent of any amount, if any, due in respect of any bearer security or any coupon of which the beneficial owner is a United States Alien will not be less than the amount provided for in the Security or Coupon to be then due and payable after deduction or withholding for or on account of

the backup withholding tax or similar charge, other than a backup withholding tax or similar charge that:

- (i) would not be applicable in the circumstances referred to in Conditions 6.9.1 and 6.9.2 or
- (ii) is imposed as a result of presentation of the Security or Coupon for payment more than 15 days after the date on which the payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later.

The Issuer's ability to elect to pay additional amounts as described in this paragraph is conditional on there not being a requirement that the nationality, residence or identity of the beneficial owner be disclosed to the Issuer, any paying agent or any governmental authority, as a result of the payment of the additional amounts.

- 6.11 If the Issuer elects to pay any additional amounts as described in this Condition 6.11, the Issuer will have the right to terminate the Securities as a whole at any time by meeting the same conditions described in Condition 6.9 (*Special Tax Termination*), and the termination price of the Securities will not be reduced for applicable withholding taxes. If the Issuer elects to pay additional amounts as described in this Condition 6.11 and the condition specified in the first sentence of this Condition 6.11 should no longer be satisfied, then the Issuer may terminate the Securities as a whole under the applicable provisions of Condition 6.9 (*Special Tax Termination*).
- 6.12 *Termination at the option of the Issuer:* If the Issuer's Call Option is specified in the applicable Final Terms as being applicable, a Series of Securities may be terminated at the option of the Issuer in whole only and not in part on any Optional Termination Date (Call) at the relevant Optional Termination Amount (Call) plus any Break Fee, if applicable on the Issuer's giving not less than such number of Business Days' notice specified as the Issuer Call Notice Period in the applicable Final Terms (provided that in no event shall such notice period be less than five Business Days) to the Securityholders (which notice shall be irrevocable) and shall oblige the Issuer to terminate the Securities on the relevant Optional Termination Date (Call) by paying the Optional Termination Amount (Call) plus any Break Fee, if applicable in respect of each Security.
- 6.13 *Compliance with securities laws:* If any holder of any Restricted Security is determined not to be a QIB/QP, the Issuer shall have the right to (i) force such holder to sell its interest in such Security, or sell such interest on behalf of such holder, to (A) a QIB/QP pursuant to Rule 144A or (B) in an offshore transaction in accordance with Regulation S to a non-U.S. person who, following such transaction, receives a beneficial interest in the relevant Unrestricted Global Security or (ii) terminate and cancel such Security. If any holder of any Unrestricted Security is determined to be a U.S. person (as defined in Regulation S), the Issuer shall have the right to force such holder to sell its interest in such Security, or sell such interest on behalf of such holder, to (A) a person who is not a U.S. person (as defined in Regulation S) or (B) pursuant to Rule 144A to a QIB/QP who, following such transaction, receives a beneficial interest in the relevant Restricted Global Security or (ii) terminate and cancel such Security. In the case of any termination and cancellation of a Security as described above no amount shall be payable to the relevant Securityholder and the Issuer shall have no further obligations in respect of the Security.
- 6.14 *Early redemption of Notes at the option of a Securityholder ("Investor Put Option")*
- 6.14.1 Unless previously redeemed or terminated or purchased and cancelled and only where Investor Put Option is specified as applicable in the applicable Final Terms, Notes may be early redeemed by a Securityholder (at his own expense) on any day following the Issue Date (i) by depositing the relevant definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security) with and delivering a duly completed and signed Put Notice to the relevant Paying Agent or, in the

case of a Registered Security, the Registrar or any Transfer Agent and (ii) delivering a copy of such Put Notice to the Determination Agent.

6.14.2 Each Put Notice shall be in the form (for the time being current) available from each Paying Agent or the Registrar or Transfer Agent, and must:

- (i) specify the name, address, telephone and facsimile details of the Securityholder in respect of the Notes being early redeemed;
- (ii) in the case of Notes in registered form, the Nominal Amount or number of such Notes of the relevant Series being early redeemed by the Securityholder;
- (iii) specify the Optional Termination Date (Put) in respect of which the Put Notice is delivered. Such Optional Termination Date (Put) must be due to fall after the expiry of the relevant Investor Put Notice Period (as specified in the applicable Final Terms) and prior to the Maturity Date;
- (iv) specify a bank account (or, if payment is required to be made by cheque, an address) to which any payment due in respect of this Condition 6.14 is to be made;
- (v) include an irrevocable undertaking to pay any (a) applicable Taxes due by reason of early redemption of the relevant Notes, and (b) any Break Fee, if applicable, and an authority to the Issuer to deduct an amount in respect thereof from any Optional Termination Amount (Put) due to such Securityholder or otherwise (on, or at any time after, the Optional Termination Date (Put));
- (vi) in the case of Notes other than Restricted Securities, give a certification as to the non-U.S. beneficial ownership of the Notes being early redeemed therewith; and
- (vii) authorise the production of such certification in any applicable administrative or legal proceedings.

The exercise by a Securityholder of the Investor Put Option will be subject to any further conditions as set out in the applicable Final Terms (including, but not limited to, a restriction as to the dates which a Securityholder may designate as the relevant Optional Termination Date (Put) in the relevant Put Notice). Any Put Notice delivered in breach of requirements as set out in this Condition 6.14 or such further conditions as set out in the applicable Final Terms will be invalid and will have no effect.

6.14.3 The Paying Agent, Registrar or Transfer Agent with which a definitive Bearer Security (in the case of a Bearer Security) or an Individual Registered Instrument (in the case of a Registered Security) is so deposited shall deliver a duly completed Put Receipt to the depositing Securityholder.

6.14.4 Subject to the terms of Condition 6.14.5 below, any Notes that are the subject of a valid Put Notice, will be redeemed on the relevant Optional Termination Date (Put) at an amount equal to the relevant Optional Termination Amount (Put) *plus* any unpaid Distribution Amounts (where applicable) accrued to (but excluding) the Optional Termination Date (Put) *less* any applicable Break Fees.

6.14.5 No definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security), once deposited with a duly completed Put Notice in accordance with this Condition 6, may be withdrawn; provided, however, that if, prior to the relevant due date for termination, any such Security becomes subject to

termination pursuant to Condition 6.7 (Tax Termination), 6.9 (Special Tax Termination), 6.12 (Termination at the option of the Issuer), 6.13 (Compliance with securities laws) or 13 (Illegality) or, following due presentation of any such definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security), payment of the moneys falling due is improperly withheld or refused by the Issuer, the relevant Paying Agent or the Registrar or Transfer Agent, as the case may be, shall mail notification thereof to the depositing Securityholder at such address as may have been given by such Securityholder in the relevant Put Notice and shall hold such definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security) at its Specified Office for collection by the depositing Securityholder against surrender of the relevant Put Receipt.

6.14.6 In the case of the redemption of part only of a Registered Security, a new Individual Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Condition 3.6 (Transfer of Registered Securities) which shall apply as in the case of a transfer of Registered Securities as if such new Individual Registered Instrument were in respect of the untransferred balance.

6.15 *Purchase:* The Issuer or any of its Affiliates may at any time purchase Securities in the open market or otherwise and at any price.

6.16 *Cancellation:* All Securities which are exercised, redeemed or terminated, and all Securities so purchased by the Issuer or any of its Affiliates may, at the discretion of the Issuer, be cancelled (together with all unmatured Coupons attached to or surrendered with them). All Securities so exercised, redeemed or terminated, or purchased and cancelled, may not be reissued or resold.

7. EXERCISE PROCEDURES

This Condition 7 only applies to Warrants and Certificates.

7.1 *Exercise Notice:*

7.1.1 Subject to Condition 6.4 (*Securities void on expiry*) and to prior termination of the Securities as provided in the Conditions, Securities may be exercised by a Securityholder (at his own expense) at such time and on such day(s) as provided in Condition 6.1 (*Exercise Style*) (i) by depositing the relevant definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security) with and delivering a duly completed and signed Exercise Notice to the relevant Paying Agent or, in the case of a Registered Security, the Registrar or any Transfer Agent and (ii) delivering a copy of such Exercise Notice to the Determination Agent in each case on or prior to the Latest Exercise Time on any relevant Exercise Business Day.

7.1.2 The Paying Agent, Registrar or Transfer Agent with which a definitive Bearer Security (in the case of a Bearer Security) or an Individual Registered Instrument (in the case of a Registered Security) is so deposited shall deliver a duly completed Exercise Receipt to the depositing Securityholder.

7.1.3 No definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security), once deposited with a duly completed Exercise Notice in accordance with this Condition 7, may be withdrawn; provided, however, that if, prior to the relevant due date for termination, any such Security becomes subject to termination pursuant to Condition 6.7 (*Tax Termination*), 6.9 (*Special Tax Termination*), 6.12 (*Termination at the option of the Issuer*), 6.13 (*Compliance with securities laws*) or 13 (*Illegality*) or, following due presentation of any such definitive Bearer Security (in the case

of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security), payment of the moneys falling due is improperly withheld or refused by the Issuer, the relevant Paying Agent, the Fiscal Agent or the Registrar or Transfer Agent, as the case may be, shall mail notification thereof to the depositing Securityholder at such address as may have been given by such Securityholder in the relevant Exercise Notice and shall hold such definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security) at its Specified Office for collection by the depositing Securityholder against surrender of the relevant Exercise Receipt.

7.1.4 In the case of the exercise of part only of a Registered Security, a new Individual Registered Instrument in respect of the unexercised balance shall be issued in accordance with Condition 3.6 (*Transfer of Registered Securities*) which shall apply as in the case of a transfer of Registered Securities as if such new Individual Registered Instrument were in respect of the untransferred balance.

7.1.5 Subject to Condition 6.3 (*Deemed Exercise*) and 6.4 (*Securities void on expiry*), any Exercise Notice delivered after the Latest Exercise Time on any Exercise Business Day or on a day which is not an Exercise Business 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 Exercise Business Day 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).

7.2 *Form of Exercise Notice:*

7.2.1 Each Exercise Notice shall be in the form (for the time being current) available from each Paying Agent or the Registrar or Transfer Agent, and must:

- (i) specify the name, address, telephone and facsimile details of the Securityholder in respect of the Securities being exercised;
- (ii) specify the number of Securities of the relevant Series being exercised by the Securityholder (which must not be less than the Minimum Exercise Number);
- (iii) include an irrevocable undertaking to pay any (a) applicable Taxes due by reason of exercise of the relevant Securities, and (b) any Break Fee, if applicable, and an authority to the Issuer 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);
- (iv) in the case of Securities other than Restricted Securities, give a certification as to the non-U.S. beneficial ownership of the Securities being exercised therewith; and
- (v) authorise the production of such certification in any applicable administrative or legal proceedings.

7.3 *Verification of Securityholder:*

7.3.1 To exercise Securities, the Securityholder thereof must duly complete an Exercise Notice. The relevant Paying Agent, Registrar or Transfer Agent shall, in the case of Registered Securities and in accordance with its normal operating procedures, verify that each person exercising Securities is the Securityholder thereof according to the records of the Registrar.

7.3.2 If, in the determination of the relevant Paying Agent, Registrar or Transfer Agent:

- (i) the Exercise Notice is not complete or not in proper form;
- (ii) 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
- (iii) sufficient funds equal to any applicable Taxes (if any) or any Break Fee (if any) are not available,

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

7.3.3 Any determination by the relevant Paying Agent, Registrar or Transfer Agent as to any of the matters set out in Condition 7.3.2 above shall, in the absence of manifest error, be conclusive and binding upon the Issuer, the Securityholder and the legal and beneficial owner(s) of the Securities exercised.

7.4 *Notification to the relevant Agent:* Subject to the verification set out in Condition 7.3.1 above, the relevant Paying Agent, Registrar or Transfer Agent will:

- (i) confirm to the relevant Paying Agent (copied to the Issuer and the Determination Agent) the number of Securities being exercised; and
- (ii) promptly notify the Fiscal Agent (in the case of Bearer Securities) or the Registrar (in the case of Registered Securities) of receipt of the Exercise Notice and the number of the Securities to be exercised.

7.5 *Effect of Exercise Notice:*

7.5.1 For so long as any outstanding Security is held by a Paying Agent or the Registrar or any Transfer Agent in accordance with this Condition 7, the depositor of such definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security) and not such Paying Agent, Registrar or Transfer Agent shall be deemed to be the Securityholder for all purposes.

7.5.2 Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Securityholder to exercise the Securities specified therein, provided that, in the case of a Registered Security, the person exercising and delivering such Exercise Notice is the person then appearing in the records of the Registrar 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.

7.5.3 After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 7.1.2) 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 the Issuer 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.

8. PAYMENTS

8.1 *Bearer Securities:*

- 8.1.1 *Exercise and Redemption:* Payments of any amounts in respect of a Security shall be made only following presentation and (in the case of a Cash Settlement Amount, or amount due on termination of a Security) surrender of Securities at the Specified Office of the relevant Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre of that currency.
- 8.1.2 *Distributions:* Payments of Distribution Amounts shall, subject to Condition 8.1.7 (*Payments other than in respect of matured Coupons*) below and unless otherwise stipulated in the applicable Final Terms, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of the relevant Paying Agent outside the United States in the manner described in Condition 8.1.1 above.
- 8.1.3 *Payments in New York City:* Payments may be made at the Specified Office of the relevant Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amounts on the Securities in the currency in which the payment is due when due, (ii) payment of the full amounts at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law without adverse United States federal tax consequences or other adverse consequences to the Issuer.
- 8.1.4 *Payments subject to fiscal laws:* All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (Taxation) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Securityholders or Couponholders in respect of such payments.
- 8.1.5 *No Further Distribution after Exercise, Redemption or Termination:* If the applicable Final Terms specify that the Distribution Provisions are applicable, on the exercise or redemption of any Security, or termination or redemption of such Security pursuant to the Conditions, no Distribution Amount shall be payable in respect thereof and all unmatured Coupons relating thereto (whether or not still attached) shall become void.
- 8.1.6 *Payments on business days:* If the due date for payment of any amount in respect of any Security or Coupon is not a Payment Business Day, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.
- 8.1.7 *Payments other than in respect of matured Coupons:* Payments of distributions other than in respect of matured Coupons shall be made only against presentation of the relevant Securities at the Specified Office of the relevant Paying Agent outside the United States (or in New York City if permitted by Condition 8.1.3 (*Payments in New York City*) above).

8.1.8 *Partial payments:* If the Fiscal Agent or any relevant Paying Agent makes a partial payment in respect of any Security or Coupon presented to it for payment, such Paying Agent will endorse (or procure that there is endorsed) thereon a statement indicating the amount and date of such payment.

8.1.9 *Exchange of Talons:* On or after the date of payment of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Securities, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the relevant Paying Agent during regular business hours for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (Prescription)). Upon exercise redemption or termination of any Security, any unexchanged Talon relating to such Security shall become void and no Coupon will be delivered in respect of such Talon.

8.2 *Registered Securities:*

8.2.1 Payment of the Settlement Amount (together with accrued Distribution Amounts) due in respect of Registered Securities will be made following presentation and surrender of the relevant Individual Registered Instrument at the specified office of the Registrar or any Transfer Agent (in the case of a Cash Settlement Amount in accordance with Condition 7). If the due date for payment of the Settlement Amount of any Registered Security is not a Payment Business Day, then the Securityholder thereof will not be entitled to payment thereof until the next day which is a Payment Business Day. No further payment on account of any Settlement Amounts, Distribution Amount, interest or otherwise shall be due in respect of such postponed payment.

8.2.2 Payment of amounts due in respect of Securities will be paid to the holder thereof (or, in the case of joint holders, the first named) as appearing in the Register as at opening of business (local time in the place of the specified office of the Registrar) on the Relevant Banking Day (as defined in Condition 3.6.3 (*Transfer of Registered Securities*)) before the due date for such payment (the “**Record Date**”).

8.2.3 Notwithstanding the provisions of Condition 8.3.1 (*General provisions*), payment of amounts due in respect of Registered Securities will be made in the currency in which such amount is due by cheque and posted to the address as recorded in the Register of the holder thereof (or, in the case of joint holders, the first named) on the applicable Record Date (as defined in Condition 3.6.3 (*Transfer of Registered Securities*)), not later than the relevant due date for payment unless prior to the relevant Record Date the holder thereof (or, in the case of joint holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Payment Business Day, then the Securityholder thereof will not be entitled to payment thereof until the first day thereafter which is a Payment Business Day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment.

8.3 *General provisions:*

8.3.1 Payments of amounts due will be made in the currency in which such amount is due (A) by cheque (in the case of payment in Japanese Yen to a non-resident of Japan, drawn on an authorised foreign exchange bank) or (B) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee (in the case of payment in Japanese Yen to a non-resident of Japan, a non-resident account with an authorised

foreign exchange bank specified by the payee). Payments will, without prejudice to the provisions of Condition 12 (Taxation), be subject in all cases to (i) any applicable fiscal or other laws and regulations and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

8.3.2 No commissions or expenses shall be charged to Securityholders or Couponholders in respect of such payments.

9. ADJUSTMENT PROVISIONS

9.1 Disruption

9.1.1 If a Scheduled Valuation Date or a Scheduled Averaging Date is a Disrupted Day, then, subject to Conditions 9.1.2 and 9.1.3 below, the Valuation Date or Averaging Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day.

9.1.2 Disrupted Day adjustment for Valuation Dates

- (i) In the case of a Share Security or an Index Security, if the Scheduled Valuation Date and each of the eight Scheduled Trading Days immediately following such date is a Disrupted Day, then (1) the eighth Scheduled Trading Day following the Scheduled Valuation Date shall be deemed to be the Valuation Date, notwithstanding the fact that it is a Disrupted Day; and (2) the Determination Agent shall determine acting in good faith and in a commercially reasonable manner (a) 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 (b) in respect of a Share Security, its good faith estimate of the value for the Share as of the Valuation Time on that eighth Scheduled Trading Day.
- (ii) In the case of a Share Basket Security, the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Share 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 Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Share. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine acting in good faith and in a commercially reasonable manner its good faith estimate of the value for that Share as of the Valuation Time on that eighth Scheduled Trading Day.
- (iii) 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 acting in good faith and in a commercially reasonable manner 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).

9.1.3 Disrupted Day adjustment for Averaging Dates

If an Averaging Date is a Disrupted Day, then if, in relation to “**Averaging Date Disruption**”, the consequence specified in the applicable 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 Value provided that, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 9.1.2 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 9.1.2 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, acting in good faith and in a commercially reasonable manner, the relevant level or price for that Averaging Date in accordance with Condition 9.1.2(i);
 - (2) in the case of an Index Basket Security or a Share Basket Security, the Averaging Date for each Share or Index not affected by the occurrence of a Disrupted Day shall be the date specified in the applicable Final Terms as an Averaging Date in relation to the relevant Valuation Date and the Averaging Date for a Share or an Index affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Share or Index. If

the first succeeding Valid Date in relation to such Share 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 Share or Index, and (B) the Determination Agent shall determine, acting in good faith and in a commercially reasonable manner, the relevant level or amount for that Averaging Date in accordance with (x) in the case of an Index Basket Security, Condition 9.1.2(iii) and (y) in the case of a Share Basket Security, Condition 9.1.2(ii); 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.

(iv) 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 Maturity Date or (ii) the occurrence of an event as set out in Conditions 9.3 (Merger Events and Tender Offers) or 9.4 (Nationalisation, Insolvency and Delisting), an Additional Disruption Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

9.1.4 The Determination Agent shall as soon as reasonably practicable under the circumstances notify the Issuer and the Fiscal Agent of the existence of a Disrupted Day on any day that but for the occurrence or existence of a Disrupted Day would have been a Valuation Date.

9.1.5 For the purposes hereof:

“**Disrupted Day**” means a day on which (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, or (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 Valuation Time on such Exchange Business Day.

“Exchange Business Day” means (1) in respect of a Share 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(s) is open for trading during its regular trading session, notwithstanding that any Exchange or Related Exchange closing prior to its Scheduled Closing Time.

“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 acting in good faith and in a commercially reasonable manner) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares 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 relevant Share 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 a Share or an 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 made by the Determination Agent acting in good faith and in a commercially reasonable manner), 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 Averaging Date**” means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been an Averaging Date;

“**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;

“**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 Share 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 percent 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.

9.2 Potential Adjustment Events

This Condition 9.2 is applicable only in relation to Securities specified in the applicable Final Terms as being Share Securities or Share Basket Securities.

9.2.1 Following the declaration by the Share Issuer of the terms of any 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 Shares and, if so, will (i) make such adjustment(s), if any, to any amount that is payable in respect of the Securities and/or any other adjustment to the settlement, payment or other terms of the Securities as the Determination Agent determines to be appropriate to account for that diluting or concentrative effect and (ii) determine the effective date(s) of such adjustment(s).

9.2.2 For the purposes hereof:

“**Extraordinary Dividend**” has the meaning given in Condition 2.1.

A “**Potential Adjustment Event**” means:

- (i) a subdivision, consolidation or reclassification of Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders whether by way of bonus, capitalisation or similar issue; or
- (ii) a distribution or dividend to existing holders of the Shares of (A) such Shares or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Issuer equally or proportionately with such payments to holders of such Shares or (C) share capital or other securities of another

issuer acquired or owned (directly or indirectly) by the Share 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 otherwise) at less than the prevailing market price as determined by the Determination Agent; or

- (iii) an Extraordinary Dividend; or
- (iv) a call by the Share Issuer in respect of the relevant Shares that are not fully paid; or
- (v) a repurchase by the Share Issuer or any of its subsidiaries of Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (vi) in respect of the Share 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 Share 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, warrants, debt instruments or stock rights at a price below their market value, as determined by the Determination Agent, or
- (vii) any adjustment effected as a result of any event described in (vi) above; or
- (viii) any other event that may have a diluting or concentrative effect on the theoretical value of the Shares.

9.3 Merger Events and Tender Offers

This Condition 9.3 is applicable only in relation to Securities specified in the applicable Final Terms as being Share Securities or Share Basket Securities.

9.3.1 Following the occurrence of a Merger Event or Tender Offer, if the Issuer determines that the relevant Securities shall continue to be outstanding, (i) the Determination Agent shall notify the Issuer and the Fiscal Agent and the Issuer shall promptly notify the Securityholders in accordance with the Conditions and (ii) the Determination Agent shall on or after the relevant Merger Date or (as the case may be) Tender Offer Date and, unless it determines that no such adjustment(s) that it could make will produce a commercially reasonable result, (A) make such adjustment(s) to the terms of the Securities as the Determination Agent determines appropriate to account for the economic effect on the Securities of such Merger Event or, as the case may be, Tender Offer (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relative to the Shares or the Securities) which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event or (as the case may be) Tender Offer by an options exchange, and (B) determine the effective date(s) of such adjustment(s).

9.3.2 If the Issuer determines that the relevant Securities shall not continue to be outstanding, then the relevant Securities shall cease to be exercisable (as well as any Investor Put Option as specified in 6.14 in respect of the Securities) (or, in the case of any Securities which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to the Settlement Amount pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of the Early Termination Amount, 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.

9.3.3 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.

“**Merger Event**” means, in respect of the Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Share Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Issuer is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the Share Issuer that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Share Issuer or its subsidiaries with or into another entity in which the Share Issuer is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before the Valuation Date (as adjusted in accordance with the Conditions).

“**Tender Offer**” means 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% and less than 100% of the outstanding voting shares of the Share 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).

9.4 Nationalisation, Insolvency and Delisting

This Condition 9.4 is applicable only in relation to Securities specified in the applicable Final Terms as being Share Securities or Share Basket Securities.

9.4.1 If in the determination of the Determination Agent, acting in a commercially reasonable manner:

- (i) all the Shares or all or substantially all the assets of the Share Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof (“**Nationalisation**”); or
- (ii) by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency, dissolution or winding-up of or any analogous proceeding affecting a Share Issuer,
 - (1) all the Shares of that Share Issuer are required to be transferred to a trustee,

liquidator or other similar official or (2) holders of the Shares of that Share Issuer become legally prohibited from transferring them (“**Insolvency**”); or

- (iii) the Exchange announces that pursuant to the rules of such Exchange, the Shares 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 determine, acting in good faith and in a commercially reasonable manner, whether or not the Securities shall continue to be outstanding.

9.4.2 If the Issuer determines that the relevant Securities shall continue to be outstanding, the Determination Agent may make such adjustment as the Determination Agent, acting in good faith and in a commercially reasonable manner considers appropriate, if any, to the Strike Value, the formula for the Cash Settlement Amount or Final Redemption Amount and/or the Settlement Value and/or the Reference Value, the number of Shares to which each Security relates and, in any case, any other variable relevant to the exercise redemption, 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 Shares or any Index, as the case may be, affected by the relevant Nationalisation, Insolvency and Delisting) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

9.4.3 If the Issuer determines that the relevant Securities shall not continue to be outstanding, then the relevant Securities shall cease to be exercisable (as well as any Investor Put Option as specified in 6.14 in respect of the Securities) (or, in the case of any Securities which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to receive the Settlement Amount 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 the Early Termination Amount, 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.

9.4.4 For the purposes hereof, “**Announcement Date**” means, as determined by the Determination Agent, acting in good faith and in a commercially reasonable manner: (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 Shares will cease to be listed, traded or publicly quoted in the manner described in Condition 9.4.1(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.

9.5 European currency related adjustments to Shares

If the Shares were quoted, listed and/or dealt as of the Initial Valuation 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 later time quoted, listed and/or dealt exclusively in euro on the Exchange, then the Determination Agent will adjust any amount that is payable 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 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 9.5 will affect the currency denomination of the Issuer's payment obligations under the Securities.

9.6 Correction of Share Prices and Index Levels

9.6.1 In the event that any price or value published on the Exchange or by the Index Sponsor and which is utilised by the Determination Agent for any calculation or determination (the “**Original Determination**”) is subsequently corrected and the correction (the “**Corrected Value**”) is published by the Exchange or the Index Sponsor prior to the Expiration Date or Maturity Date within one Settlement Cycle after the original publication, 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.

9.6.2 For the purposes hereof:

“**Settlement Cycle**” means the period of Underlying Clearance System Business Days following a trade in the shares underlying such Index or such Shares, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

“**Settlement Disruption Event**” in relation to a Share means an event beyond the control of the Issuer as a result of which or following which the relevant Underlying Clearance System cannot clear the transfer of such Share or the shares underlying such Index.

“**Underlying Clearance System**” means the principal domestic clearance system customarily used for settling trades in the relevant Share or the shares underlying such Index at any relevant time, as determined by the Determination Agent.

“**Underlying Clearance System Business Day**” means any day on which the Underlying 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.

9.7 Adjustments to Indices

This Condition 9.7 is applicable only in relation to Index Securities or Index Basket Securities.

9.7.1 If a relevant Index is (i) not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor acceptable to the Determination Agent acting in good faith and in a commercially reasonable manner or (ii) replaced by a successor index using, in the determination of the Determination Agent (such determination to be made at the Determination Agent acting in good faith and in a commercially reasonable manner), 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.

9.7.2 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 acting in good faith and in a commercially reasonable manner the relevant Reference Value or Settlement Value 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 acting in good faith and in a commercially reasonable manner 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 acting in good faith and in a commercially reasonable manner 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 (as well as any Investor Put Option as specified in Condition 6.14 in respect of the Securities) (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Securityholders to payment of the Settlement Amount pursuant to such exercise shall cease) as of such later date and the Issuer will pay the Early Termination Amount, 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, 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. If the Issuer determines that the relevant Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent acting in good faith and in a commercially reasonable manner 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 acting in good faith and in a commercially reasonable manner to be appropriate.

10. ADDITIONAL DISRUPTION EVENTS

10.1 Following the occurrence of an Additional Disruption Event, the Issuer will acting in good faith and in a commercially reasonable manner determine whether or not the relevant Securities shall continue to be outstanding.

- 10.2 If the Issuer determines that the relevant Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent, acting in good faith and in a commercially reasonable manner, considers appropriate, if any, to the Strike Value, the formula for the Cash Settlement Amount or Final Redemption Amount and/or the Reference Value or Settlement Value set out in the applicable Final Terms, the number of Shares to which each Security relates, the number of Shares comprised in a Basket, the amount and, in any case, any other variable relevant to the exercise, redemption, 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 Share 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 acting in good faith and in a commercially reasonable manner.
- 10.3 If the Issuer determines that the relevant Securities shall not continue to be outstanding, then the relevant Securities shall cease to be exercisable (as well as any Investor Put Option as specified in Condition 6.14 in respect of the Securities) (or, in the case of any Securities which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to the Settlement Amount pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of the Early Termination Amount, 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.
- 10.4 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.
- 10.5 As used herein,

“Additional Disruption Event” means with respect to a Series of Securities (if specified as applicable in the applicable Final Terms), a Change in Law, Hedging Disruption, Increased Cost of Hedging or Loss of Stock Borrow, and any further event or events specified in the applicable Final Terms as an Additional Disruption Event applicable with respect to such Securities.

“Change in Law” means that, on or after the Trade 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 Shares, 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);

“Hedging Disruption” means that the Issuer and/or any Affiliate 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) realize, 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 Trade 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; and

“**Loss of Stock Borrow**” means that the Issuer and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) Shares with respect to the relevant Securities in an amount and at a rate which the Issuer deems necessary to hedge the risk of entering into and performing its obligations with respect to the Securities.

11. PERFORMANCE DISRUPTION

11.1 If the Determination Agent determines, acting in a commercially reasonable manner, that Performance Disruption has occurred, then the Issuer may determine, acting in good faith and in a commercially reasonable manner, that the relevant Securities shall be terminated on the date specified in a notice to the Securityholders and the Issuer will pay the Early Termination Amount, in which event the Security shall cease to be exercisable (as well as any Investor Put Option as specified in Condition 6.14 in respect of the Securities) (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.

11.2 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. TAXATION

No additional amounts and payment net of Taxes: Except as otherwise set out in the applicable Final Terms, all payments by the Issuer and Guarantor in respect of the Securities shall be net of any relevant Taxes and without limitation, in the event any withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by any jurisdiction or any political subdivision or any authority thereof or therein having power to tax, is required by law, neither the Issuer nor the Guarantor shall be required to make any additional payments on account of any such withholding or deduction.

13. ILLEGALITY

13.1 The Issuer shall have the right to terminate the Securities if it shall have determined acting in good faith and in a commercially reasonable manner 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**”).

13.2 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 the Early Termination Amount. Payment will be made in such manner as shall be notified to the Securityholders in accordance with Condition 20 (Notices).

14. PRESCRIPTION

Claims for Settlement Amounts shall become void unless such claims are made within ten years of the appropriate Relevant Date. Claims for distributions shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

15. REPLACEMENT OF SECURITIES AND COUPONS

If any Bearer Security, Individual Registered Instrument or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the relevant Paying Agent (in the case of Bearer Securities and Coupons) or of the Registrar or any Transfer Agent (in the case of Registered Securities) (each a “**Replacement Agent**”) during normal business hours (and, if the Securities are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and the Replacement Agent may reasonably require. Mutilated or defaced Bearer Securities, Individual Registered Instruments or Coupons must be surrendered before replacements will be issued.

16. AGENTS

16.1 In acting under the Issue and Paying Agency Agreement and in connection with the Securities and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Securityholders or Couponholders.

16.2 The Issuer reserves the right at any time to vary or terminate the appointment of any Fiscal Agent, Paying Agent, Registrar, Transfer Agent or Determination Agent and to appoint a successor Fiscal Agent or Determination Agent and additional or successor, Registrar, Paying Agents or Transfer Agents; provided, however, that the Issuer shall at all times maintain:

16.2.1 a Fiscal Agent;

16.2.2 in the case of Registered Securities, a Registrar;

16.2.3 a Paying Agent (or, in the case of Registered Securities, a Transfer Agent);

16.2.4 a Luxembourg Paying Agent;

16.2.5 if a Determination Agent is specified in the applicable Final Terms, a Determination Agent;

16.2.6 if and for so long as the Securities are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, a Registrar and/or a Transfer Agent in any particular place, a Paying Agent, a Registrar and/or a Transfer Agent, each having their Specified Office in the place required by such listing authority, stock exchange and/or quotation system; and

16.2.7 a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

16.3 Notice of any change in any of the Paying Agents, Registrar or Transfer Agent or in their respective Specified Offices shall promptly be given to the Securityholders.

17. DETERMINATIONS

- 17.1* Whenever any matter falls to be determined, considered or otherwise decided upon by the Determination Agent or any other person (including where a matter is to be decided by reference to the Determination Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon by the Determination Agent or such other person, as the case may be acting in good faith and in a commercially reasonable manner. Any amount payable with respect to a Security shall be rounded down to the nearest smallest whole unit of the Specified Currency provided that where a single Securityholder is the Securityholder of more than one Security the amount paid to him may be the figure resulting from aggregation of the amounts determined (without rounding) in respect of the relevant Securities, and then rounded down to the nearest smallest whole unit.
- 17.2* The Determination Agent shall act as an expert and not as an agent for the Issuer or the Securityholders. All determinations, considerations and decisions made by the Determination Agent shall, in the absence of manifest error, wilful default or bad faith, be final and conclusive and the Determination Agent shall have no liability in relation to such determinations except in the case of its wilful default or bad faith.

18. MEETINGS OF SECURITYHOLDERS AND MODIFICATIONS

- 18.1* *Meetings of Securityholders:* The Issue and Paying Agency Agreement contains provisions for convening meetings of Securityholders to consider matters relating to the Securities, including the modification of any provision of the Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Securityholders holding not less than one-tenth of the aggregate Nominal Amount or number of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate Nominal Amount or number of the outstanding Securities at any adjourned meeting, two or more Persons being or representing Securityholders whatever the Nominal Amount or number of the Securities held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Securityholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate Nominal Amount or number of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Securityholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Securityholders who for the time being are entitled to receive notice of a meeting of Securityholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

- 18.2* *Modification:* The Securities and the Conditions may be amended without the consent of the Securityholders or the Couponholders to correct a manifest or proven error or to effect a modification which is of a formal, minor or technical nature or which, in the opinion of the Issuer and the Fiscal Agent, is not materially prejudicial to the interest of the Securityholders. In addition, the parties to the Issue and Paying Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Securityholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Securityholders.
- 18.3* In connection with the Conditions, the Issuer and the Fiscal Agent shall have regard to the interests of the Securityholders and the Couponholders as a class. In particular, but without limitation, the Issuer and the Fiscal Agent shall not have regard to the consequences for individual Securityholders

or Couponholders resulting from such individual Securityholders or Couponholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

19. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Securityholders or the Couponholders, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of distribution) so as to form a single series with the Securities.

20. NOTICES

20.1 To holders of Bearer Securities: Notices to holders of Bearer Securities shall be valid if published in leading English language daily newspapers published in London (which is expected to be the Financial Times) and if the Securities are listed on the Irish Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Ireland (which is expected to be the Irish Times) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Securityholders.

20.2 To holders of Registered Securities: Notices to holders of Registered Securities will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint holders, to the first named in the Register) at their respective addresses as recorded in the Register, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. Notices to holders of Registered Securities will include a reminder that: (1) each holder of any Restricted Security is required to be a QIB/QP; (2) the Restricted Securities can only be transferred (A) to another QIB/QP pursuant to Rule 144A or (B) in an offshore transaction in accordance with Regulation S to a non-U.S. person who, following such transaction, receives a beneficial interest in the relevant Unrestricted Global Security; (3) the Issuer has the right to force any holder of Restricted Securities that is a U.S. person who is not a QIB/QP to (i) sell its Securities to (A) a QIB/QP pursuant to Rule 144A or (B) in an offshore transaction in accordance with Regulation S to a non-U.S. person who, following such transaction, receives a beneficial interest in the relevant Unrestricted Global Security or (ii) terminate such Security; (4) each holder of any Unrestricted Security is required to be a non-U.S. person (as defined Regulation S); and (5) the Issuer has the right to force any holder of Unrestricted Securities who is a U.S. person (as defined in Regulation S) to (i) sell its Securities to (A) a person who is not a U.S. person (as defined in Regulation S) or (B) pursuant to Rule 144A to a QIB/QP who, following such transaction, receives a beneficial interest in the relevant Restricted Global Security or (ii) terminate such Security. The Issuer will send this reminder to participants in DTC and Euroclear and Clearstream, Luxembourg at least once a year with a request that participants pass it along to beneficial owners of Securities. With respect to Registered Securities listed on the Irish Stock Exchange and if the rules of that Stock Exchange so require, any notices to Securityholders must also be published in an Irish daily newspaper and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

21. CURRENCY INDEMNITY

21.1 If any sum due from the Issuer in respect of the Securities or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under the Conditions or such order or judgment into another currency (the

“**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Securities, the Issuer shall indemnify each Securityholder, on the written demand of such Securityholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, or Registrar, as the case may be, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Securityholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

21.2 This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. **ROUNDING**

For the purposes of any calculations referred to in the Conditions (unless otherwise specified in the Conditions or the applicable Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. rounded up to 0.00001 per cent.), (b) all U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent rounded upward), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downward to the next lower whole Japanese Yen amount and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency (with 0.005 rounded up to 0.01).

23. **RENOMINALISATION AND RECONVENTIONING**

23.1 *Application:* This Condition 23 (Renominalisation and Reconventioning) is applicable to the Securities only if it is specified in the applicable Final Terms as being applicable.

23.2 *Notice of renominalisation:* If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Securityholders and Couponholders, on giving at least 30 calendar days’ prior notice to the Securityholders and the Paying Agents and/or, as the case maybe, the Registrar, designate a date (the “**Renominalisation Date**”), being a Distribution Payment Date, Cash Settlement Payment Date or the Maturity Date under the Securities falling on or after the date on which such country becomes a Participating Member State.

23.3 *Renominalisation:* Notwithstanding the other provisions of the Conditions, with effect from the Renominalisation Date:

23.3.1 the Securities shall be deemed to be renominalised into euro in the Nominal Amount of euro 0.01 if applicable with a Nominal Amount for each Security equal to the Nominal Amount of that Security in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the EC Treaty (including compliance with rules relating to rounding in accordance with European Union regulations); provided, however, that, if the Issuer determines, with the agreement of the Fiscal Agent that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Securityholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Securities have been

admitted to listing, trading and/or quotation and the Paying Agents and Registrar of such deemed amendments;

23.3.2 if Securities have been issued in definitive form:

- (a) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Securities) will become void with effect from the date (the “**Euro Exchange Date**”) on which the Issuer gives notice (the “**Euro Exchange Notice**”) to the Securityholders that replacement Securities and Coupons denominated in euro are available for exchange (provided that such Securities and Coupons are available) and no payments will be made in respect thereof;
- (b) the payment obligations contained in all Securities denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Securities in accordance with this Condition 23) shall remain in full force and effect; and
- (c) new Securities and Coupons denominated in euro will be issued in exchange for Securities and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent or Registrar may specify and as shall be notified to the Securityholders in the Euro Exchange Notice;

23.3.3 all payments in respect of the Securities (other than, unless the Renominalisation Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments in respect of periods commencing before the Renominalisation Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Union.

23.4 *Distribution:* Following renominalisation of the Securities pursuant to this Condition 23, where Securities have been issued in definitive form, the amount of any distribution due in respect of the Securities will be calculated by reference to the aggregate Nominal Amount or number of the Securities presented (or, as the case may be, in respect of which Coupons are presented for payment) by the relevant holder.

23.5 *Consequential Changes:* The Determination Agent may acting in good faith and in a commercially reasonable manner make such further adjustments to, with effect from the Renominalisation Date, any variable relevant to the exercise, redemption, settlement, or payment terms of the Securities and/or any other adjustment (including without limitation, the substitution of the Index) to account for the economic effect on the Securities of such renominalisation, which adjustment shall be effective on such date as the Determination Agent shall determine acting in good faith and in a commercially reasonable manner to be appropriate.

24. **SUBSTITUTION FOR THE ISSUER**

Subject to such amendment of the deed of covenant dated 17 November 2011 entered into by the Issuer relating to the Securities (the “**Deed of Covenant**”) and such other conditions as the Issuer may agree with the Fiscal Agent, but without the consent of the holders of Securities or Coupons appertaining thereto (if any), the Issuer may, subject to the Securities and the Coupons appertaining thereto being unconditionally and irrevocably guaranteed by Morgan Stanley, substitute a subsidiary of Morgan Stanley in place of the Issuer as principal obligor under the Securities and the Coupons appertaining thereto (if any) and the Deed of Covenant insofar as it relates to the Securities or may substitute Morgan Stanley in place of the Issuer.

Any Securities in respect of which such a substitution is effected will be fully and unconditionally guaranteed pursuant to a guarantee of Morgan Stanley as to the payment of any amounts on those

Securities when and as the same will become due and payable, whether at expiration, maturity or otherwise. Under the terms of the guarantee, holders of the Securities will not be required to exercise their remedies against the substitute issuer prior to proceeding directly against Morgan Stanley.

25. GOVERNING LAW AND JURISDICTION

25.1 *Governing law:* The Securities and any non-contractual obligations arising out of or in connection with the Securities are governed by, and shall be construed in accordance with, English law.

25.2 *Jurisdiction:* The Issuer agrees for the benefit of the Securityholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which, in each case, may arise out of or in connection with the Securities (including disputes relating to any non-contractual obligations arising out of or in connection with the Securities) (respectively, “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

25.3 *Appropriate forum:* 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.

25.4 *Process agent:* The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA or, if different, its registered office for the time being or at any address of the Issuer in 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 Fiscal Agent, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 calendar 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 Fiscal Agent. Nothing in this Condition 25.4 shall affect the right of any Securityholder to serve process in any other manner permitted by law.

25.5 *Non-exclusivity:* 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.

26. 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.

PRO FORMA FINAL TERMS FOR THE SECURITIES

Final Terms dated [●]

Series Number: [●]

Common Code: [●]

Tranche: [●]

ISIN: [●]

Morgan Stanley B.V.

Issue of [Aggregate Nominal Amount or number of Securities of Tranche] [Title of Securities]

Guaranteed by Morgan Stanley

under the Program for the Issuance of Notes, Certificates and Warrants

[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 (b) below, any offer of the Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (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 Securities. Accordingly any person making or intending to make an offer of the Securities may only do so:

- (a) 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
- (b) in those Public Offer Jurisdictions mentioned in Paragraph 38 of Part A below, provided such person is one of the persons mentioned in Paragraph 38 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 Securities in any other circumstances].¹

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Securities 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 Securities. Accordingly any person making or intending to make an offer in that Relevant Member State of the Securities 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 Securities in any other circumstances].²

¹ Consider including this legend where a non-exempt offer of Securities is anticipated.

² Consider including this legend where only an exempt offer of Securities is anticipated.

The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

PART A – CONTRACTUAL TERMS

THE SECURITIES AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY INCLUDE BEARER SECURITIES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. NEITHER THE ISSUER NOR THE GUARANTOR IS REGISTERED, OR WILL REGISTER, UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). TRADING IN THE FUTURES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED.

[If Securities are offered under Regulation S only, insert:

SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER SECURITIES, DELIVERED, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT 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 TRANSFER RESTRICTIONS" AND "FORM OF THE BEARER SECURITIES – TAX LIMITATIONS ON ISSUANCE OF BEARER SECURITIES" IN THE BASE PROSPECTUS. IN PURCHASING THE SECURITIES, 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.]

[If Securities are offered under both Rule 144A and Regulation S, insert:

INTERESTS IN THIS SECURITY MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**) TO A PERSON WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RESTRICTED GLOBAL SECURITY THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (A **QIB**) WITHIN THE MEANING OF RULE 144A THAT IS ALSO A QUALIFIED PURCHASER (A **QP**) AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, AND IN A NOMINAL AMOUNT OR PURCHASE PRICE FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$100,000 OR (2) TO A PERSON THAT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S) WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN AN UNRESTRICTED GLOBAL SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

SEE "SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS" IN THE BASE PROSPECTUS. IN PURCHASING THE SECURITIES, 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.]

This document constitutes Final Terms relating to the issue of Securities described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 18 June 2012 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) as amended (which includes the amendments made by Directive 2010/73/EU (the “**2010 PD Amending Directive**”) to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area). This document constitutes the Final Terms of the Securities 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 and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

Information Concerning Investment Risk

[]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

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 [original date] [and as amended by the supplemental Base Prospectus dated [●]] which are incorporated by reference in the Base Prospectus dated 18 June 2012 and are attached hereto. This document constitutes the Final Terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) as amended (which includes the amendments made by Directive 2010/73/EU (the “**2010 PD Amending Directive**”) to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) and must be read in conjunction with the Base Prospectus dated 18 June 2012 [and the supplemental Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 18 June 2012 [and the supplemental Base Prospectuses dated [●] and [●]]. [The Base Prospectus [and the supplemental Base Prospectuses] [is][are] available for viewing during normal business hours at [address] [and] [website] and copies may be obtained from [address].]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When adding any other final terms or information of Part A or information in relation to the interests of natural and legal persons involved in the issue/offer in Part B consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. (i) Issuer: Morgan Stanley B.V.
- (ii) Guarantor: Morgan Stanley
2. (i) Series Number: []

(ii) [Tranche Number: []]

(If fungible with an existing Series, details of that Series, including the date on which the Securities become fungible.)]

3. Type: [Basket] [Index/Share] [Warrants/Certificates/Notes]

4. (i) Issue Date: []

(ii) Trade Date []

5. Specified Currency or Currencies: []

6. Aggregate Nominal Amount or number of Securities [admitted to trading]³: [Aggregate Nominal Amount] of Securities [admitted to trading] is []

[Aggregate number of Securities [admitted to trading] is [] Securities]

(i) Series: []

(ii) Tranche: []

7. Nominal Amount per Security: [] [Not Applicable]

[NB Applicable in the case of Notes and *in the case of listed Notes or publically offered Notes, the minimum Nominal Amount per Security must be at least EUR 1,000 or its equivalent*]

8. Issue Price: [[] per cent of the Nominal Amount]

[]

PROVISIONS RELATING TO THE UNDERLYING, VALUATION AND ADJUSTMENTS

9. Underlying: [] (*Specify the Share, the Index, the Basket of Shares or the Basket of Indices. If Share or a Basket of Shares, specify Bloomberg Ticker and ISIN and Share Issuers. If Index or a Basket of Indices, specify if any Index is a multi-exchange Index*)

10. (i) Valuation Date: []

(ii) Initial Valuation Date: [], which date shall be a Scheduled Valuation Date for the purposes of Condition 9.1 (Disruption)

11. Averaging Date Disruption: [Omission/Postponement/Modified Postponement]

³ Delete for Securities with a nominal amount per Security of less than EUR50,000 or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, less than EUR100,000

12. Valuation Time: []
13. Averaging Dates: []
14. Exchange: []
15. Related Exchange: [All Exchanges] []

PROVISIONS RELATING TO DISTRIBUTION AMOUNT(S) (IF ANY) PAYABLE

16. Distribution Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph. If the Distribution Provision makes reference to Net Yield and/or Outperformance, the provisions should be completed.)

- (i) Distribution Commencement Date: [Issue Date/Initial Valuation Date/Specify other]
- (ii) Distribution Valuation Date(s): [] [and for the purpose of any subsequent distribution if any, the relevant Ex-Dividend Date in respect of the Shares]
- (iii) Distribution Payment Date(s): [] [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "**Business Day**"/not adjusted] NB consider also rolling provisions to take account of any delay to a Distribution Valuation Date pursuant to Condition [9] (Adjustment Provisions)]
- (iv) Distribution Amount[(s)]: [] (Specify relevant exchange rate, if applicable)
- (v) Minimum Distribution Amount: [] [Not Applicable]
- (vi) Maximum Distribution Amount: [] [Not Applicable]
- (vii) Other terms relating to the payment of Distribution Amounts: [] [None]
- (viii) Additional Outperformance Weighting: [[] per cent.][Not Applicable]
- (ix) Net Yield Weighting: [[] per cent.][Not Applicable]
- (x) Outperformance Weighting: [[] per cent.][Not Applicable]
- (xi) Additional Outperformance Period: [] [From and including the [Issue Date] to but excluding the [Final Valuation Date]] [Not Applicable]
- (xii) Reference Period: [] [From but excluding the [Initial Valuation Date] to

and including the [Expiration Date]]

- (xiii) Extraordinary Dividend: [] [Not Applicable]
- (xiv) Relevant Deduction: [] [Not Applicable]
- (xv) Final Valuation Date: [] [As defined in Condition 2.1]
- (xvi) Distribution Record Date: []⁴

PROVISIONS RELATING TO EXERCISE, REDEMPTION AND TERMINATION

17. Exercise [Applicable/Not Applicable]
(This is only applicable for Certificates and Warrants. If not applicable, delete the remaining sub-paragraphs of this paragraph)
[European/American/Bermudan style] Securities
- (i) Exercise Style: (If “European”, consider whether any Break Fee is applicable)
 - (ii) Deemed Exercise: [Applicable/Not Applicable]
 - (iii) Call/Put: [[Call/Put] Warrants] [Not Applicable]
 - (iv) Exercise Date or Potential Exercise Date(s): []
 - (v) Exercise Period or Commencement Date: []
 - (vi) Exercise Business Day: [Includes/Excludes] a Scheduled Trading Day [and an Exchange Business Day]
 - (vii) Latest Exercise Time: []
 - (viii) Expiration Date []
 - (ix) Minimum Exercise Amount: []
 - (x) Maximum Exercise Amount: []
 - (xi) Permitted Multiple: [] [Not Applicable]
 - (xii) Cash Settlement Amount of each Security: [] *[give or annex details in relation, if applicable, to lowest nominal amount. In case of Warrants include reference to the relevant Strike Value. If the Cash Settlement Amount makes reference to Net Yield and/or Outperformance or other reference base(s), the relevant provisions should be specified in the Annex hereto.]*
 - (A) Reference Value: []
 - (B) Strike Value (for [] [Not Applicable]

⁴ Insert also any provisions necessary to clarify, in respect of Securities in definitive form, the applicability of the Distribution Record Date and its effect on a holder's entitlement to distribution payments.

Warrants only):

- (C) Settlement Value:⁵ [] [Not Applicable]
- (D) Hedging Realisation Price: [Applicable/Not Applicable] (*specify Hedging Realisation Price if different from definitions of Hedging Realisation Price in the Conditions*)
- (xiii) Cash Settlement Payment Date: []
- (xiv) Maximum Cash Settlement Amount: []
- (xv) Break Fee: [] [[] per cent of the Cash Settlement Amount] [Not Applicable] (*express as amount per Security*)
- (xvi) Break Fee Date: [] [Not Applicable]
- (xvii) Other terms relating to the payment of Cash Settlement Amount: [] [None]

18. Redemption: [Applicable/Not Applicable]

(This is only applicable for Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Final Redemption Amount [] [*give or annex details in relation, if applicable, to lowest nominal amount. If the Final Redemption Amount makes reference to Net Yield and/or Outperformance or other reference base(s), relevant provisions should be specified in the Annex hereto.*]
- (A) Reference Value: []
- (B) Settlement Value:⁶ [] [Not Applicable]
- (C) Hedging Realisation Price: [Applicable/Not Applicable] (*specify Hedging Realisation Price if different from definitions of Hedging Realisation Price in the Conditions*)
- (ii) Maturity Date: []
- (iii) Other terms relating to the payment of Final Redemption Amount: [] [None]

PROVISIONS RELATING TO EARLY TERMINATION AND DISRUPTION

19. Issuer's Call Option: [Applicable/ Not Applicable]

⁵ Where "Averaging Dates" are used.

⁶ Where "Averaging Dates" are used.

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Termination Date (Call): []
- (ii) Issuer Call Notice Period: [[] Business Days] *[NB Not to be less than five Business Days]*
- (iii) Optional Termination Amount (Call): *[Specify if different from the definition of Optional Termination Amount (Call) in the Conditions.]*
- (iv) Break Fee: [] [[] per cent of the Optional Termination Amount] *[Not Applicable] (express as amount per Security)*
- (v) Break Fee Date: [] *[Not Applicable]*
- (vi) Other terms relating to the Issuer's Call Option: [] *[None]*

20. Investor Put Option [Applicable/ Not Applicable]

(This will never be applicable for Certificates or Warrants. If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Termination Date (Put): []
- (ii) Investor Put Notice Period: *[The period from and including the date on which the relevant Put Notice is deemed validly given to both the Paying Agent, Registrar or any Transfer Agent (as applicable) and the Determination Agent (in accordance with Condition 20 (Notices)) to and including the day falling [●] Business Days thereafter] [NB Not to be less than fifteen Business Days]*
- (iii) Optional Termination Amount (Put): *[Specify if different from the definition of Optional Termination Amount (Put) in the Conditions.]*
- (iv) Break Fee: [] [[] per cent of the Optional Termination Amount] *[Not Applicable] (express as amount per Security)*
- (v) Break Fee Date: [] *[Not Applicable]*
- (vi) Other terms relating to the Noteholder's Put Option: [] *[None]*

21. Additional Disruption Event: *[Change in Law, Hedging Disruption, Increased Cost of Hedging, Loss of Stock Borrow] (Specify all that apply and if the early termination amount is different from the provision in the relevant Condition. NB Loss of Stock Borrow (as defined in Condition 10) is applicable to*

Share Securities only.)

22. Early Termination Amount (if different from Condition 2 (Interpretation)): []

Other terms relating to early termination: [] [None]

GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

23. Form of Securities: [Bearer Securities:
- [Temporary Global Security exchangeable for a Permanent Global Security which is exchangeable for Definitive Securities on [60] days' notice/at any time/in the limited circumstances specified in the Permanent Global Security]
- [Temporary Global Security exchangeable for Definitive Securities, bearer form, on [] days' notice]
- [Permanent Global Security exchangeable for Definitive Securities, bearer form, on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Security]]
- [Registered Securities:
- [Unrestricted Global Security [and] Restricted Global Security, exchangeable for Individual Registered Instruments only in circumstances specified in the relevant Global Security]
24. [a] Status of the Guarantee: [Senior/[Dated/Perpetual]
- (i) [[Date [Board] approval for issuance of Securities [and Guarantee] obtained:] [] [and []], respectively] *(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Securities or related Guarantee)*
25. Financial Centre(s): *[Give details. NB Must specify relevant Financial Centre(s) for the purposes of the definitions of "Business Day" and "Payment Business Day"]*
26. Talons for future Coupons or Receipts to be attached to Definitive Securities (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
27. Renominalisation and reconventioning provisions: [Not Applicable/The provisions in Condition [23 (Renominalisation and Reconventioning)]⁷ apply]
28. Consolidation provisions: [Not Applicable/The provisions in Condition [19 (Further

⁷ If the form of Conditions being used is from a previous Base Prospectus, check the correct numbering and name of the corresponding clause in those terms and conditions.

Issues)]⁸ apply]

29. Clearance System: [Euroclear and Clearstream, Luxembourg] [DTC]
30. Determination Agent: [Morgan Stanley & Co. International plc]
31. Additional US Federal Tax Considerations: [Not applicable/give details]
32. Other final terms: [Not Applicable/give details/See Annex]

(When adding any other final terms consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

33. Method of distribution: [Syndicated/Non-syndicated]
34. If syndicated, names [and addresses]⁹ of [Distribution Agents] [and underwriting commitments]¹⁰ [Not Applicable/give names[, addresses and underwriting commitments]¹¹
- [(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Distribution Agents.)]¹²*
- (i) [Date of [Subscription] Agreement: []]¹³
- (ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
35. If non-syndicated, name [and address]¹⁴ of [Distribution Agents]: [Not Applicable/give name [and address]¹⁵]
36. [Total commission and concession: [] per cent. of the Aggregate Nominal Amount]¹⁶

⁸ If the form of Conditions being used is from a previous Base Prospectus, check the correct numbering and name of the corresponding clause in those terms and conditions.

⁹ Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

¹⁰ Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

¹¹ Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

¹² Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

¹³ Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

¹⁴ Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

¹⁵ Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

¹⁶ Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

37. Non exempt Offer: [Not Applicable] [An offer of the Securities may be made by the Distribution Agent[s] [and [specify names of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. "other parties authorised by the Distribution Agent[s]") or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known]] (together with the Distribution Agent[s], the "**Financial Intermediaries**") other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) - which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)] ("**Public Offer Jurisdictions**") during the period from [specify date] until [specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"] ("**Offer Period**"). See further Paragraph 8 of Part B below.

38. Additional selling restrictions: [Not Applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for issue and admission to trading on the [Regulated Market of the Irish Stock Exchange][●]of the Securities described herein pursuant to the Program for the Issuance of Notes, Certificates and Warrants by Morgan Stanley B.V.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Irish Stock Exchange/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Securities to be admitted to trading on [] with effect from [].]
[Not Applicable.]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*
- (iii) [Estimate of total expenses related to admission to trading: []]¹⁷

2. RATINGS

Credit ratings assigned to [the Guarantor] [the Securities]: [None] [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.]*¹⁸

[Specify the credit ratings (if any) assigned to the issuer or its debt securities at the request or with the co-operation of the Issuer in the rating process.]

[The Securities to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert legal names of relevant CRA(s)*].]

¹⁷ Delete for Securities with a nominal amount per Security of less than EUR50,000 or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, less than EUR100,000

¹⁸ Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

EITHER *[[Insert the legal name of the relevant CRA entity]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). *[As such [insert the legal name of the relevant CRA entity] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]*^{19]}

OR *[[Insert the legal name of the relevant non-EU CRA entity]* is not established in the European Union and is not registered in accordance with Regulation (EC) No 1060/2009 (as amended). *[[Insert the legal name of the relevant non-EU CRA entity]* is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].^{20]}

OR *[[Insert the legal name of the relevant non-EU CRA entity]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of *[insert the legal name of the relevant EU CRA entity that applied for registration]*, which is established in the European Union and is registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority ("ESMA") on its website in accordance with such Regulation)^{21]}, disclosed the intention to endorse credit ratings of *[insert the legal name of the relevant non-EU CRA entity]*. [While notification of the corresponding final endorsement decision has not yet been provided by the relevant competent authority, ESMA has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 30 April 2012.]]

OR *[Insert the legal name of the relevant non-EU CRA entity]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings *[[have been]/[are expected to be]]* endorsed by *[insert the legal name of the relevant EU-registered CRA entity]* in accordance with the CRA Regulation. *[Insert the legal name of the relevant EU-registered CRA entity]* is established in the European Union and registered under the CRA Regulation. *[As such [insert the legal name of the relevant EU-registered CRA entity] is included in the*

¹⁹ Include this wording if the relevant CRA declines to confirm its status under the CRA Regulation.

²⁰ Include this wording if the relevant CRA declines to confirm its status under the CRA Regulation.

²¹ Include this wording if the relevant CRA declines to confirm its status under the CRA Regulation.

list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation]^{22]}

OR [*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it [is]/[has applied to be] certified in accordance with the CRA Regulation [and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].^{23]}

OR [*Insert the legal name of the relevant CRA entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority [and [*insert the legal name of the relevant CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation]²⁴.]

OR [*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU CRA entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU CRA entity*][although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU CRA entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation]²⁵.]

²² Include this wording if the relevant CRA declines to confirm its status under the CRA Regulation.

²³ Delete as applicable. N.B. Neither option is required unless the relevant CRA declines to confirm its status under the CRA Regulation.

²⁴ Include this wording if the relevant CRA declines to confirm its status under the CRA Regulation.

²⁵ Include this wording if the relevant CRA declines to confirm its status under the CRA Regulation.

3. [NOTIFICATION]

The [include name of competent authority in home Member State] [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Program and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

4. [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 and Transfer Restrictions”], so far as the Issuer is aware, no person involved in the offer of the Securities has an interest material to the offer.”]

5. 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.)

(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.]

(If the Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation 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.)

6. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, [EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]²⁶ AND OTHER INFORMATION CONCERNING THE UNDERLYING²⁷

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]²⁸. [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

²⁶ Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

²⁷ This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies

²⁸ Delete for Securities with a nominal amount per Security of EUR50,000 or more or, following the implementation of the 2010 PD Amending Directive in the relevant Member State of the European Economic Area, EUR100,000 or more

details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

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].

7. OPERATIONAL INFORMATION

ISIN Code: []

Common Code: []

CUSIP: []

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

Delivery: Delivery [against/free of] payment

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

8. TERMS AND CONDITIONS OF THE OFFER (PUBLIC OFFER ONLY)²⁹

Offer Price: [Issue Price/Not applicable/specify]

[Conditions to which the offer is subject:] [Not applicable/give details]

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

[Details of the minimum and/or maximum amount of application]: [Not applicable/give details]

[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants]: [Not applicable/give details]

[Details of the method and time limits [Not applicable/give details]

²⁹

Delete this section for offers which are not public offers for the purposes of the Prospectus Directive

for paying up and delivering the Notes:]

[Manner in and date on which results of the offer are to be made public:] [Not applicable/*give details*]

[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:] [Not applicable/*give details*]

[Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:] [Not applicable/*give details*]

[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:] [Not applicable/*give details*]

[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:] [Not applicable/*give details*]

[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/*give details*]

ANNEX

[Set out details of Cash Settlement Amount (item 17), Final Redemption Amount (item 18), Renominalisation and reconventioning provisions (item 27), Consolidation provisions (item 28) and any other relevant provision, if required]

FORM OF BEARER SECURITIES

Unless otherwise specified in the applicable Final Terms, each issuance of bearer Securities (“**Bearer Securities**”) initially in the form of a temporary global security (a “**Temporary Global Security**”), without coupons, will be deposited on or around the issue date of such Securities (or any Tranche thereof) with a depositary or a common depositary (a “**Bearer Security Depositary**”) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Upon deposit of each Temporary Global Security, Euroclear Bank S.A./N.V. (“**Euroclear**”) or Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) or, as applicable, any other relevant clearing system, will credit each subscriber with a Nominal Amount or number of Securities equal to the Nominal Amount or number for which it has subscribed and paid.

The interests of the beneficial owner or owners in a Temporary Global Security will be exchangeable, in whole or in part, for interests in a permanent global security (a “**Permanent Global Security**” and, together with a Temporary Global Security, the “**Global Securities**”), without coupons, to be held by a Bearer Security Depositary after the date (the “**Exchange Date**”) that is 40 days after the date on which the Issuer receives the proceeds of the sale of that Security (or the relevant Tranche thereof) (the “**Closing Date**”). The Exchange Date for any Security held by a Distribution Agent (as defined in “*Subscription and Sale and Transfer Restrictions*” - see page 146 of this Base Prospectus) as part of an unsold allotment or subscription more than 40 days after the Closing Date for that Security will be the day after the date that Security is sold by that Distribution Agent. No payments will be made under the Temporary Global Security unless exchange for interests in the Permanent Global Security is improperly withheld or refused. Each issuance of Securities not issued in the form of a Temporary Global Security will be in the form of a Permanent Global Security.

Whenever any interest in the Temporary Global Security is to be exchanged for an interest in a Permanent Global Security, the Issuer shall procure (in the case of the first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Security, duly authenticated, to the bearer of the Temporary Global Security or (in the case of any subsequent exchange) an increase in the Nominal Amount of or number of Securities represented by the Permanent Global Security in accordance with its terms against presentation and (in the case of final exchange) surrender of the Temporary Global Security at the Specified Office of the relevant Paying Agent within seven days of the bearer requesting such exchange.

The aggregate Nominal Amount of or number of Securities represented by the Permanent Global Security shall be equal to the aggregate of the Nominal Amounts provided, however, that in no circumstances shall the Nominal Amount of or number of Securities represented by the Permanent Global Security exceed the initial Nominal Amount of or initial number of Securities represented by the Temporary Global Security.

The Permanent Global Security will be exchangeable in whole, but not in part, for Securities in definitive form (“**Definitive Securities**”), which will be serially numbered, with coupons, if any, attached if:

- (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- (b) any security is terminated following any of the circumstances described in "Terms and Conditions of the Securities" or the date for final settlement or redemption of the relevant Securities has occurred and, in either case, payment in full has not been made in accordance with its terms on the due date for payment.

Whenever the Permanent Global Security is to be exchanged for Definitive Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Securities, duly authenticated and with Coupons (as defined in “Terms and Conditions of the Securities” above) and Talons attached (if so

specified in the applicable Final Terms), in an aggregate Nominal Amount or number of Securities equal to the Nominal Amount of or number of Securities represented by the Permanent Global Security to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security at the Specified Office of the relevant Paying Agent within 30 days of the bearer requesting such exchange. The Bearer Security Depository for Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system will instruct the relevant Paying Agent regarding the aggregate Nominal Amount of or number of Securities represented by Definitive Securities that must be authenticated and delivered to each of Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system. Definitive Securities may not be delivered in the United States. Definitive Securities will be serially numbered.

Terms and Conditions Applicable to the Securities

The terms and conditions of any Definitive Security will be endorsed on that Definitive Security and will consist of the terms and conditions set out under “Terms and Conditions of the Securities”, as set out above (or in the relevant Supplemental Base Prospectus) and the provisions of the applicable Final Terms, which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Security in global form will differ from those terms and conditions which would apply to the Security were it in definitive form to the extent described under “Summary of Provisions Relating to the Securities while in Global Form” below.

FORM OF REGISTERED SECURITIES

Form of Registered Securities

Securities in registered form (“**Registered Securities**”) will not have coupons attached. Registered Securities which are offered and sold outside the United States in reliance on Regulation S (“**Unrestricted Securities**”) will be represented by interests in a global Registered Security (an “**Unrestricted Global Security**”). The Unrestricted Global Security will be registered in the name of a nominee for, and shall be deposited on its issue date with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

Registered Securities offered and sold in reliance on Rule 144A (“**Restricted Securities**”) will be represented by interests in a global Registered Security (a “**Restricted Global Security**” and together with the Unrestricted Global Security, a “**Global Security**”). The Restricted Global Security will be registered in the name of Cede & Co. as nominee for DTC and will be deposited on or about the Issue Date with (1) the DTC custodian or (2) a common depository acting on behalf of Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be. Distributions in the Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear, and Clearstream, Luxembourg and their direct and indirect participants. Individual Registered Instruments (“**Individual Registered Instruments**”) evidencing holdings of Registered Securities will only be available in certain limited circumstances as described below under “Exchange of Distributions in Global Securities for Individual Registered Instruments”.

Exchange of Interest in Global Securities for Individual Registered Instruments

Registration of title to Securities initially represented by the Global Security in a name other than DTC, Euroclear or Clearstream, Luxembourg or a successor depository or one of their respective nominees will not be permitted unless (a) any such entity notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the relevant Global Security or ceases to be a clearing agency (as defined in the Exchange Act), or is at any time no longer eligible to act as such, and the Issuer is (in the case of it ceasing to be depository) unable to locate a qualified successor within 90 calendar days of receiving notice of such ineligibility on the part of such depository or (b) DTC, Euroclear or Clearstream, Luxembourg, as the case may be, is closed for a continuous period of 14 calendar days (other than by reason of legal holidays) or announces an intention permanently to cease business.

In such circumstances, the Issuer shall procure the delivery of Individual Registered Instruments in exchange for the Unrestricted Global Security and/or the Restricted Global Security. A person having an interest in a Global Security must provide the Registrar (through DTC, Euroclear and/or Clearstream, Luxembourg) with (i) such information as the Issuer and the Registrar may require to complete and deliver Individual Registered Instruments (including the name and address of each person in which the Individual Registered Instruments are to be registered and the Nominal Amount or number of Securities of each such person’s holding) and (ii) (in the case of the Restricted Global Security only) a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Security stating either (1) that such holder is not transferring its interest at the time of such exchange or (2) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Securities and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB/QP and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Registered Securities issued in exchange for interests in the Restricted Global Security will bear the legends and be subject to the transfer restrictions set out above under “Subscription and Sale and Transfer Restrictions”.

Whenever a Global Security is to be exchanged for Individual Registered Securities, such Individual Registered Securities will be issued within five business days to the delivery to the Registrar of the information and any required certification described in the preceding paragraph against the surrender of the

relevant Global Security at the Specified Office of the Registrar. Such exchange shall be effected in accordance with the regulations concerning the transfer and registration from time to time in relation to the Securities and shall be effected without charge, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If (a) Individual Registered Securities have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the due date for their delivery in exchange for interests in a Global Security or (b) any of the Securities represented by a Global Security has become due and payable in accordance with the conditions or the date for final exercise or redemption of the Securities has occurred and, in either case, payment in full has not been made to the registered Securityholder of such Global Security in accordance with its terms on the due date for payment, then such Global Security (including the obligation to deliver Individual Registered Securities) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the registered Securityholder will have no further rights under such Global Security (but without prejudice to the rights of holders under the Deed of Covenant).

The Registrar will not register the transfer of or exchange of interests in a Global Security for Individual Registered Securities (i) for a period of 15 calendar days ending on the due date for any payment in respect of the Registered Securities; (ii) during the period 15 calendar days before any date on which Registered Securities may be terminated by the Issuer at its option pursuant to Condition 6.12 (*Termination at the option of the Issuer*) of the “Terms and Conditions of the Securities”; or (iii) after any such Registered Security has been terminated.

Book-Entry Ownership of Global Securities

The Issuer has applied to DTC, Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry settlement systems of the Registered Securities. The Unrestricted Securities and Restricted Securities held within Euroclear and Clearstream will have a common code and an ISIN. The Issuer has also applied to DTC, Euroclear and Clearstream, Luxembourg for acceptance in their respective book entry settlement systems of the Restricted Securities. The Restricted Securities held within the DTC system will have a CUSIP number.

The DTC custodian and DTC will record electronically the Nominal Amount or number of the Securities represented by the Restricted Global Security held within the DTC system. Investors shall hold their interests in the Restricted Global Security directly through DTC, if they are participants in DTC, or indirectly through organisations which are participants in DTC.

The common depository and Euroclear and Clearstream, Luxembourg will record electronically the Nominal Amount or number of the Securities represented by the Unrestricted Global Security held within Euroclear and Clearstream, Luxembourg. Investors shall hold their interests in the Unrestricted Global Security or the Restricted Global Security directly through Euroclear and Clearstream, Luxembourg, if they are participants in Euroclear and Clearstream, Luxembourg, or indirectly through organizations which are participants in Euroclear and Clearstream, Luxembourg.

Payments of any amounts payable under each Global Security registered in the name of DTC’s nominee or in the name of the common depository acting on behalf of Euroclear and Clearstream, Luxembourg will be made to or to the order of DTC’s nominee or the common depository as the registered holder of such Global Security, as the case may be. The Issuer expects that the nominee or common depository, as the case may be, upon receipt of any such payment, will immediately credit participants’ accounts with payments in amounts proportionate to their respective interests in the Nominal Amount of or number of Securities represented by the relevant Global Security as shown on the records of the nominee or common depository, as the case may be. The Issuer also expects that payments by participants to owners of interests in such Global Security held through such participants will be governed by standing instructions and customary practices, as is now the

case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants. None of the Issuer, the Registrar, any Transfer Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Security or for maintaining, supervising or reviewing any records relating to such ownership interests.

While a Restricted Global Security is lodged with DTC or its custodian, or with a common depository for Euroclear and Clearstream, Luxembourg, Securities represented by Individual Registered Instruments will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Transfer of Interests in Global Securities

Transfer of interests in Global Securities within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Securities. Consequently, the ability to transfer interests in a Global Security to such persons will be limited.

Subject to compliance with the transfer restrictions applicable to the Securities described above and under “Subscription and Sale and Transfer Restrictions”, cross-market transfers between DTC participants, on the one hand, and Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected in DTC in accordance with DTC rules and procedures and on behalf of Clearstream, Luxembourg (as the case may be) or Euroclear by its respective depository. However, such cross-market transactions will require delivery of instructions to Clearstream, Luxembourg or (as the case may be) Euroclear by the counter party in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or (as the case may be) Euroclear will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Global Security in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg account holders and Euroclear account holders may not deliver instructions directly to the depositories for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, credits of Securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during the securities settlement processing day dated the business day following the DTC settlement date and such credits of any transactions in such securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear account holder on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of Securities by or through a Clearstream, Luxembourg account holder or a Euroclear account holder to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangement for transfer of Securities, the latter being effected on a free delivery basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Securities, see “Subscription and Sale and Transfer Restrictions”.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Securities (including, without limitation, the presentation of Global Security for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Securities are credited, and only in respect of such portion of the aggregate Nominal Amount of or number of Securities

represented by the Global Securities as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the Global Securities for Individual Registered Instruments (which will, in the case for Restricted Securities, bear the legend set out under “Subscription and Sale and Transfer Restrictions”).

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Securities among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, the Registrar nor any Transfer Agent or any Paying Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Bearer Securities (or any Tranche thereof) represented by a Global Security, references in the “Terms and Conditions of the Securities” to “**Securityholder**” are references to the bearer of the relevant Global Security which, for so long as the Global Security is held by a Bearer Security Depository, will be that Bearer Security Depository.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Security or Permanent Global Securities (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the bearer of such Global Security and in relation to all other rights arising under the Global Security, including any right to exchange any exchangeable Securities or any right to require the Issuer to repurchase such Securities. The respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time will determine the extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Security and the timing requirements for meeting any deadlines for the exercise of those rights. For so long as the relevant Securities are represented by the Global Security, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Securities (including, without limitation, any failure on behalf of Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) to correctly identify the holder of any Security (whether in respect of a Distribution Record Date or otherwise) to whom any such payments are owed) and such obligations of the Issuer will be discharged by payment to the bearer of the Global Security, as the case may be, in respect of each amount so paid.

So long as Euroclear, Clearstream, Luxembourg, DTC or its nominee is the registered holder of a registered Global Security, Euroclear, Clearstream, Luxembourg DTC or such nominee, as the case may be, will be considered the sole owner of the Securities represented by such registered Global Securities for all purposes under the Issue and Paying Agency Agreement and such Securities, except to the extent that in accordance with Euroclear, Clearstream, Luxembourg or DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Exchange of Temporary Global Securities

If:

- (a) a Permanent Global Security has not been delivered or the Nominal Amount thereof or the number of Securities represented thereby increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Security has requested exchange of an interest in the Temporary Global Security for an interest in a Permanent Global Security; or
- (b) a Temporary Global Security (or any part thereof) has become due and payable in accordance with the terms and conditions of such Temporary Global Security as set out in “Terms and Conditions of the Securities” or the date for final exercise or redemption of a Temporary Global Security has occurred and, in either case, payment in full has not been made to the bearer of the Temporary Global Security in accordance with the terms of the Temporary Global Security on the due date for payment,

then the Temporary Global Security (including the obligation to deliver a Permanent Global Security or increase the Nominal Amount thereof or the number of Securities represented thereby, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Security

will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Security or others may have in respect of the Securities under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Security in respect of the Securities will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Temporary Global Security became void, they had been the holders of Definitive Securities in an aggregate Nominal Amount or number of Securities equal to the Nominal Amount or number of the Securities they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Securities

Whenever a Permanent Global Security is to be exchanged for Definitive Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Securities, duly authenticated and with Coupons and Talons attached (if so specified in the applicable Final Terms), in an aggregate Nominal Amount or number of Securities equal to the Nominal Amount of or number of Securities represented by the Permanent Global Security to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security at the Specified Office of the relevant Paying Agent within 30 calendar days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Security was originally issued in exchange for part only of a Temporary Global Security representing the Securities and such Temporary Global Security becomes void in accordance with its terms; or
- (b) a Permanent Global Security (or any part of it) has become due and payable in accordance with the terms and conditions of such Permanent Global Security as set out in “Terms and Conditions of the Securities” or the Securities have been exercised or redeemed and, in either case, payment in full has not been made to the bearer of the Permanent Global Security in accordance with the terms of the Permanent Global Security on the due date for payment,

then the Permanent Global Security (including the obligation to deliver Definitive Securities) will become void at 5.00 p.m. (London time) on the date on which such Temporary Global Security becomes void (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Security or others may have in respect of the Securities under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system in force as being entitled to an interest in a Permanent Global Security in respect of the Securities will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Permanent Global Security became void, they had been the holders of Definitive Securities in an aggregate Nominal Amount or number of Securities equal to the Nominal Amount or number of the Securities they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Registered Securities

If the Final Terms states that Registered Securities are to be represented by a permanent Global Security on issue, the following will apply in respect of transfers of Securities held in Euroclear or Clearstream, Luxembourg and DTC or such other relevant clearing system, as the case may be. These provisions will not prevent the trading of interests in the Registered Securities within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Securities may be withdrawn from the relevant clearing system.

Transfers of the holding of Registered Securities represented by any Global Security pursuant to Condition 3.6 (*Transfer of Registered Securities*) of the “Terms and Conditions of the Securities” may only be made in part:

- (a) if the Securities represented by the Global Security are held on behalf of Euroclear or Clearstream, Luxembourg or DTC, or such other relevant clearing system, as the case may be and any such clearing system is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (a) above, the holder of such Registered Security (the “**Registered Securityholder**”) has given the Registrar not less than 30 calendar days’ notice at its specified office of the Registered Securityholder’s intention to effect such transfer. Where the holding of Securities represented by a Global Security is only transferable in its entirety, the certificate issued to the transferee upon transfer of such holding shall be a Global Security. Where transfers are permitted in part, certificates issued to transferees shall not be Global Securities unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or DTC and/or such other relevant clearing system, as the case may be.

Nominal Amount of the Securities

The Securities may be issued in Nominal Amounts specified in the applicable Final Terms. If a Nominal Amount is specified and for so long as the Securities are represented by a Global Security, and Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, so permit, the Securities shall be tradable in such Nominal Amounts or such minimum number of Securities and integral multiples of any amount thereafter, as specified in the applicable Final Terms. If Definitive Securities are required to be issued in the limited circumstances specified in the Global Security they will only be printed and, if a Nominal Amount is specified in the applicable Final Terms, issued in nominal amounts equal to such Nominal Amount. Accordingly, where applicable, if Definitive Securities are required to be issued, a Securityholder holding Securities having an original Nominal Amount which cannot be fully represented by Definitive Securities in the nominal amount of at least at least EUR 1,000 per Security (or its equivalent) will not be able to receive a Definitive Security in respect of the original Nominal Amount of the Securities by which the original Nominal Amount of such holding of Securities exceeds the next lowest integral multiple of at least EUR 1,000 per Security (or its equivalent), (the “**Excess Amount**”) and will not be able to receive any payment in respect of such Excess Amount. Furthermore, at any meetings of Securityholders while Securities are represented by a Global Security and Securities are issued in Nominal Amounts any vote cast shall only be valid if it is in respect of at least EUR 1,000 (or its equivalent) in Nominal Amount and no vote may be cast in respect of any smaller Nominal Amount

Conditions Applicable to Global Securities

Each Global Security will contain provisions which modify the terms and conditions set out in “Terms and Conditions of the Securities” as they apply to the Global Security. The following is a summary of certain of those provisions:

(a) Exercise procedures:

Subject to Condition 6.4 (*Securities void on expiry*) of the “Terms and Conditions of the Securities” and to prior termination of the Securities as provided in the Conditions, Securities that are Certificates or Warrants may be exercised by a Securityholder (at his own expense) at such time and on such day(s) as provided in Condition 6.1 (*Exercise Style*) of the “Terms and Conditions of the Securities” by delivery of a duly completed and signed Exercise Notice to (i) the relevant Clearance System and (ii) the relevant Paying Agent

or, in the case of a Registered Security, the Registrar or any Transfer Agent, with a copy to the Determination Agent.

In the case of a bearer Global Security, the bearer of the bearer Global Security must, within the period specified therein for the deposit of the relevant Security and exercise notice, give written notice of such exercise to the relevant Paying Agent and/or such other person as is specified in the relevant Final Terms specifying the nominal amount or number of Securities being exercised. Any such notice will be irrevocable and may not be withdrawn.

Subject to Condition 6.4 (*Securities void on expiry*) of the “Terms and Conditions of the Securities”, 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).

Form of Exercise Notice: Each Exercise Notice shall be in the form (for the time being current) available from each Paying Agent or Registrar or Transfer Agent, and must:

- (i) specify the name, address, telephone and facsimile details of the Securityholder in respect of the Securities being exercised;
- (ii) specify the number of Securities of the relevant Series being exercised by the Securityholder (which must not be less than the Minimum Exercise Number);
- (iii) 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 relevant Paying Agent;
- (iv) 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;
- (v) include an irrevocable undertaking to pay (a) any applicable Taxes due by reason of exercise of the relevant Securities and (b) any Break Fee, if applicable, 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;
- (vi) in the case of Securities other than Restricted Securities, give a certification as to the non-U.S. beneficial ownership of the Securities being exercised therewith; and
- (vii) Authorise the production of such certification in any applicable administrative or legal proceedings.

Verification of Securityholder:

To exercise Securities, the Securityholder 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 Securityholder thereof according to the records of such Clearance System and that such Securityholder has an account at the relevant Clearance System which contains Securities in an amount being exercised and funds equal to any applicable Taxes in respect of the Securities being exercised.

If, in the determination of the relevant Clearance System or the relevant Paying Agent or Registrar or Transfer Agent:

- (i) the Exercise Notice is not complete or not in proper form;
- (ii) 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
- (iii) sufficient Securities or sufficient funds equal to any applicable Taxes or any Break Fee 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 Securityholder's Securities is still desired.

Any determination by the relevant Clearance System or the relevant Paying Agent or Registrar or Transfer Agent as to any of the matters set out 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.

Notification to the relevant Paying Agent or Registrar or Transfer Agent and Common Depository:

Subject to the verification set out above, the relevant Clearance System will:

- (i) confirm to the relevant Paying Agent or Registrar or Transfer 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; and
- (ii) promptly notify the Common Depository of receipt of the Exercise Notice and the number of the Securities to be exercised.

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

Effect of Exercise Notice:

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.

After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void) 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.

(b) Early redemption of Notes at the option of a Securityholder (Investor Put Option):

Unless previously redeemed, terminated or purchased and cancelled and only where Investor Put Option is specified as applicable in the applicable Final Terms, Notes represented by a Global Security may be redeemed early by a Securityholder (at his own expense) on any day following the Issue Date by delivery of a duly completed and signed Put Notice to (i) the relevant Clearance System and (ii) the relevant Paying Agent or, in the case of a Registered Security, the Registrar or any Transfer Agent, with a copy to the Determination Agent.

In the case of a bearer Global Security, the bearer of the bearer Global Security must, within the period specified therein for the deposit of the relevant Security and put notice, give written notice of the exercise of the Investor Put to the relevant Paying Agent and/or such other person as is specified in the relevant Final Terms specifying the nominal amount or number of Securities being early redeemed. Any such notice will be irrevocable and may not be withdrawn.

Each Put Notice shall be in the form (for the time being current) available from each Paying Agent or the Registrar or Transfer Agent, and must:

- (i) specify the name, address, telephone and facsimile details of the Securityholder in respect of the Notes being early redeemed;
- (ii) in the case of Notes in registered form, the Nominal Amount or number of such Notes of the relevant Series being early redeemed by the Securityholder;
- (iii) specify the Optional Termination Date (Put) in respect of which the Put Notice is delivered. Such Optional Termination Date (Put) must be due to fall after the expiry of the relevant Investor Put Notice Period (as specified in the applicable Final Terms);
- (iv) specify the number of the Securityholder's account at the relevant Clearance System to be debited with the Notes being early redeemed 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 Notes being early redeemed and credit the same to the account of the relevant Paying Agent;
- (v) where applicable, specify the number of the Securityholder's account at the relevant Clearance System to be credited with the Optional Termination Amount (Put) for the Notes being early redeemed;
- (vi) include an irrevocable undertaking to pay any (a) applicable Taxes due by reason of early redemption of the relevant Notes, and (b) any Break Fee, if applicable, and an authority to the Issuer and the relevant Clearance System to deduct an amount in respect thereof from any Optional Termination Amount (Put) due to such Securityholder or otherwise (on, or at any time after, the Optional Termination Date (Put)) and to debit a specified account of the Securityholder at the relevant Clearance System with an amount or amounts in respect thereof;
- (vii) in the case of Notes other than Restricted Securities, give a certification as to the non-U.S. beneficial ownership of the Notes being early redeemed therewith; and
- (viii) authorise the production of such certification in any applicable administrative or legal proceedings.

The exercise by a Securityholder of the Investor Put Option will be subject to any further conditions as set out in the applicable Final Terms (including, but not limited to, a restriction as to the dates which a Securityholder may designate as the relevant Optional Termination Date (Put) in the relevant Put Notice).

Any Put Notice delivered in breach of requirements as set out in this section (b) or such further conditions as set out in the applicable Final Terms will be invalid and will have no effect.

Verification of Securityholder:

To exercise the Investor Put Option, a Securityholder must duly complete a Put Notice. The relevant Clearance System shall, in accordance with its normal operating procedures, verify that each person purporting to exercise an Investor Put Option in respect of any Securities is the Securityholder thereof according to the records of such Clearance System and that such Securityholder has an account at the relevant Clearance System which contains Securities in an amount being exercised and funds equal to any applicable Taxes in respect of the Securities being so redeemed.

If, in the determination of the relevant Clearance System or the relevant Paying Agent or Registrar or Transfer Agent:

- (i) the Put Notice is not complete or not in proper form;
- (ii) the person submitting a Put Notice is not validly entitled to early redeem the relevant Securities or not validly entitled to deliver such Put Notice; or
- (iii) sufficient Securities or sufficient funds equal to any applicable Taxes or any Break Fee are not available in the specified account(s) with the relevant Clearance System on the Optional Termination Date (Put),

that Put Notice will be treated as void and a new duly completed Put Notice must be submitted if early redemption of the Securityholder's Securities is still desired.

Any determination by the relevant Clearance System or the relevant Paying Agent or Registrar or Transfer Agent as to any of the matters set out above shall, in the absence of manifest error, be conclusive and binding upon the Issuer, the Securityholder and the beneficial owner of the Securities early redeemed.

Notification to the relevant Paying Agent or Registrar or Transfer Agent and Common Depositary:

Subject to the verification set out above, the relevant Clearance System will:

- (i) confirm to the relevant Paying Agent or Registrar or Transfer Agent (copied to the Issuer and the Determination Agent) the Nominal Amount or number of Securities being early redeemed and the number of the account to be credited with the Optional Termination Amount (Put); and
- (ii) promptly notify the Common Depositary of receipt of the Put Notice and the Nominal Amount or number of the Securities to be early redeemed.

Upon early redemption of part of the Global Security, the Common Depositary will note such early redemption on the Schedule to the Global Security and the Nominal Amount or number of Securities so redeemed as represented by the Global Security shall be cancelled pro tanto.

Effect of Put Notice:

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

After the delivery of a Put Notice (other than an Put Notice which shall become void) by a Securityholder, such Securityholder shall not be permitted to transfer either legal or beneficial ownership of the Securities redeemed 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 Put Notice and subsequently: (i) entering into replacement hedging operations in respect of such Securities; or (ii) paying any amount on the subsequent redemption of such Securities without having entered into any replacement hedging operations.

Any Securities that are the subject of a valid Put Notice, will be redeemed on the relevant Optional Termination Date (Put) at an amount equal to the relevant Optional Termination Amount (Put) plus any unpaid distribution (where applicable) accrued to (but excluding) the Optional Termination Date (Put) less any applicable Break Fees.

(c) Debit of Securityholder's Account on exercise or early redemption:

The relevant Clearance System will on or before the Cash Settlement Payment Date or Optional Termination Date debit the relevant account of the Securityholder and credit the relevant account of the relevant Paying Agent (in favour of the Issuer) with: (i) the Securities being exercised or that are the subject of the relevant Put Notice, (ii) any applicable Taxes (if any) in respect of the Securities being exercised or early redeemed, (iii) any Break Fee, if applicable, and (iv) any other amounts as may be specified in the relevant Final Terms.

If any of the items set out in the paragraph above are not so credited to the relevant account of the relevant Paying Agent (in favour of the Issuer), then the Issuer shall be under no obligation to make any payment of any nature to the relevant Securityholder in respect of the Securities being exercised or early redeemed, and the Exercise Notice or Put Notice (as applicable) delivered in respect of such Securities shall thereafter be void for all purposes.

(d) Payments

All payments in respect of a Global Security will be made against presentation and (in the case of payment in full) surrender of the Global Security at the Specified Office of the relevant Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bearer Securities. On each occasion on which a payment is made in respect of the Global Security, the Issuer shall procure that the same is noted in a schedule thereto. Where a Distribution Record Date is specified in the applicable Final Terms, payments made in respect of Distribution Amounts relating to Bearer Securities in global form shall, on receipt by the relevant Clearance System, be payable in accordance with the procedures of such Clearance System to the persons who were shown in the records of the relevant Clearance System as being entitled to an interest in those Securities on the relevant Distribution Record Date. Each Accountholder must look solely to the relevant Clearance System for such Accountholder's share of the relevant payment. For so long as the relevant Securities are represented by a Global Security, Accountholders shall have no claim directly against the Issuer in respect of any such payments. Payments of amounts due in respect of Registered Securities represented by a Global Security will be paid to the holder thereof (or, in the case of joint holders, the first named) as appearing in the Register at the close of the business on:

- (i) in respect of any payment relating to a Distribution Amount and where a Distribution Record Date is specified in the applicable Final Terms, the relevant Distribution Record Date; or
- (ii) the business day (being for this purpose a day on which the relevant Clearance System is open for business) immediately preceding the relevant due date.

(e) Notices

Notwithstanding Condition 20 (Notices) of the “Terms and Conditions of the Securities”, while all the Securities are represented by a Global Security (or by Global Securities) and the Global Security is (or the Global Securities are) deposited with a Clearance System, notices to Securityholders may be given by delivery of the relevant notice to DTC, Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Securityholders in accordance with Condition 20 (Notices) of the “Terms and Conditions of the Securities”, as applicable, on the date of delivery to DTC, Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

(f) Renominalisation

If the Securities are renominalised pursuant to Condition 23 (Renominalisation and Reconventioning) of the “Terms and Conditions of the Securities” then following Renominalisation:

- (iii) if Definitive Securities are required to be issued, they shall be issued at the expense of the relevant Issuer in the nominal amounts of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other nominal amounts as the relevant Fiscal Agent, if such Definitive Securities are Notes, or the Luxembourg Paying Agent, if such Definitive Securities are Warrants or Certificates, shall determine and notify to the Securityholders; and
- (iv) the amount of any distribution due in respect of Securities represented by a Permanent Global Security and/or a Temporary Global Security will be calculated by reference to the aggregate nominal amount of such Securities and the amount of such payment shall be rounded down to the nearest euro 0.01.

MORGAN STANLEY B.V.

Morgan Stanley B.V. was incorporated as a private company with limited liability under the laws of The Netherlands on 6 September 2001 for an unlimited duration. Morgan Stanley B.V. 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 Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands, telephone number +31 20 57 55 600. Morgan Stanley B.V.'s objects and purposes are set out in Article 3 of its Articles of Association and enable it to issue, sell, purchase, transfer and accept warrants, derivatives, certificates, debt securities, equity securities and/or similar securities or instruments and to enter into hedging arrangements in connection with such securities and instruments.

Furthermore its objects are to finance businesses and companies, to borrow, to lend and to raise funds as well as to enter into agreements in connection with the aforementioned, to render guarantees, to bind the company and to pledge its assets for obligations of the companies and enterprises with which it forms a group and on behalf of third parties and to trade in currencies, securities and items of property in general, and the foregoing shall be interpreted as widely as possible.

Morgan Stanley B.V. complies with Section 3:2 of the Act on the Financial Supervision (*Wet op het financieel toezicht*, ("FMSA")) and is therefore not required to obtain a license under the FMSA.

Information that is required to be disclosed in respect of Morgan Stanley B.V. as an Issuer is contained in the following documents, all of which have been filed with the Irish Stock Exchange and are incorporated by reference into this Base Prospectus and the Base Prospectus should be read and construed in conjunction with these documents:

Document filed:	Information incorporated by reference:	Page:
1. The composite Registration Document of Morgan Stanley, Morgan Stanley & Co. International plc, Morgan Stanley (Jersey) Limited and Morgan Stanley B.V. dated 7 June 2012 (the " Registration Document ").	See the "Incorporation by Reference" section of this Base Prospectus.	See the "Incorporation by Reference" section of this Base Prospectus.
2. Annual Report for the year ended 31 December 2011	(a) Statement of comprehensive income	8
	(b) Statement of changes in equity	9
	(c) Statement of financial position	10
	(d) Statement of cash flows	11
	(e) Notes to the financial statements	12-45
	(f) Additional information	46
	(g) Independent auditors' report	47-48

3.	Annual Report for the year ended 31 December 2010	(a)	Independent auditors' report	45-46
		(b)	Statement of comprehensive income	8
		(c)	Statement of changes in equity	9
		(d)	Statement of financial position	10
		(e)	Statement of cash flows	11
		(f)	Notes to the financial statements	12-43
		(g)	Additional information	44

Deloitte Accountants B.V., independent auditors and certified public accountants (members of the Royal Netherlands Institute of Registered Accountants (*Koninklijk Nederlands Instituut van Registeraccountants*)) of Orlyplein 10, 1043 DP Amsterdam, P.O. Box 58110, 1040 HC Amsterdam, The Netherlands have audited the financial statements of Morgan Stanley B.V. for the year ended 31 December 2010 and the year ended 31 December 2011 and an unqualified opinion has been reported thereon.

The financial information in respect of Morgan Stanley B.V. has been prepared in accordance with IFRS as adopted by the European Union for the years ended 31 December 2010 and 31 December 2011.

Trend Information

There has been no material adverse change in the prospects of Morgan Stanley B.V. since 31 December 2011.

Legal and arbitration proceedings

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

Significant Change

Save as disclosed in the section entitled "Events after the Reporting Date" on page 6 of MSBV's Report and Financial Statement for the year end 31 December 2011, there has been no significant change in the financial or trading position of Morgan Stanley B.V. since 31 December 2011.

MORGAN STANLEY

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.

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.

Information that is required to be disclosed in respect of Morgan Stanley as the Guarantor is contained in the following documents, all which have been filed with the Irish Stock Exchange and are incorporated by reference into this Base Prospectus and the Base Prospectus should be read and construed in conjunction with these documents.

Document filed:	Information incorporated by reference:	Page:
1. The composite Registration Document of Morgan Stanley, Morgan Stanley & Co. International plc, Morgan Stanley (Jersey) Limited and Morgan Stanley B.V. dated 7 June 2012 (the " Registration Document ")	See the "Incorporation by Reference" section of this Base Prospectus.	See the "Incorporation by Reference" section of this Base Prospectus.
2. Current Report on Form 8-K dated 15 May 2012 (relating to matters approved at the Annual General Meeting of shareholders of Morgan Stanley, held on 15 May 2012, including appointment of directors.)	Whole document	
3. Proxy Statement dated 5 April 2012	Whole document	-
4. Quarterly Report on Form 10-Q dated 7 May 2012 for the quarterly period ended 31 March 2012	Whole document	
5. Annual Report on Form 10-K for the year ended 31 December 2011	(a) Paragraph titled "Credit Ratings"	91-92
	(b) Report of Independent Registered Public Accounting Firm	125

	(c)	Consolidated Statements of Financial Condition	126-127
	(d)	Consolidated Statements of Income	128
	(e)	Consolidated Statements of Comprehensive Income	129
	(f)	Consolidated Statements of Cash Flows	130
	(g)	Consolidated Statements of Changes in Total Equity	131-132
	(h)	Notes to the Consolidated Financial Statements	133-260
6.	(a)	Annual Report on Form 10-K for the year ended 31 December 2010 Report of Independent Registered Public Accounting Firm	119
	(b)	Consolidated Statements of Financial Condition	120-121
	(c)	Consolidated Statements of Income	122
	(d)	Consolidated Statements of Comprehensive Income	123
	(e)	Consolidated Statements of Cash Flows	124
	(f)	Consolidated Statements of Changes in Total Equity	125-126
	(g)	Notes to the Consolidated Financial Statements	127-143 and 145-251

Deloitte & Touche LLP, the independent registered public accounting firm at Two World Financial Center, New York, New York 10281, U.S.A, has audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Morgan Stanley's consolidated financial statements for the years ended 31 December 2010 and 31 December 2011 and an unqualified opinion has been reported thereon.

The issued share capital of Morgan Stanley as at 31 March 2012 comprised 2,083,893,979 ordinary shares of nominal value U.S.\$0.01.

Trend Information

Save as disclosed in the documents incorporated by reference into this Base Prospectus, there has been no material adverse change in the prospects of Morgan Stanley and its consolidated subsidiaries since 31 December 2011.

Legal and arbitration proceedings

Save as disclosed in the paragraphs beginning with "Residential Mortgage and Credit Crisis Related Matters" in Part I – Item 3 entitled "Legal Proceedings" and in the paragraphs beginning with "Legal" under the heading "Contingencies" in Part 2 – Item 8 entitled "Notes to Consolidated Financial Statements" at pages 214-216 from Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2011, in the paragraphs beginning with "Residential Mortgage and Credit Crisis Related Matters" in Part I – Item 2 entitled "Legal Proceedings" from Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2012 and in Item 8 entitled "Legal Proceedings" in the section entitled "Description of Morgan Stanley" in the Registration Document, there are no, nor have there been, any governmental, legal or arbitration proceedings involving Morgan Stanley (including any such proceedings which are pending or threatened of which Morgan Stanley is aware) during the 12-month period before the date of this Base Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of Morgan Stanley.

Significant Change

Save as disclosed in the documents incorporated by reference into this Base Prospectus, there has been no significant change in the financial or trading position of Morgan Stanley and its consolidated subsidiaries from the date of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2012.

ERISA

The Securities may not be acquired or held by, or acquired with the assets of, (A) any employee benefit plan (as defined in section 3(3) of ERISA), which is subject to Title I of ERISA, (B) any plan subject to section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or (C) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity (within the meaning of the U.S. Department of Labor Regulations section 2510.3-101, as modified by Section 3(42) of ERISA). The term "**ERISA**" means the U.S. Employee Retirement Income Security Act of 1974, as amended

UNITED STATES TAXATION

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE (THE "IRS"), WE INFORM YOU THAT ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY TAXPAYER FOR PURPOSES OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE PROPOSALS DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following summary describes certain U.S. federal income tax considerations that may be relevant to a U.S. holder (as defined below) who purchases a Security, but is not purported to be a complete analysis of all potential tax effects. This summary is based upon the Code, final, temporary, and proposed regulations promulgated thereunder, and published rulings, releases, and court decisions, all as in effect and existing on the date of this Base Prospectus and all of which are subject to change at any time with retrospective or prospective effect. The rules governing the U.S. federal income taxation of option transactions and other derivative financial instruments are complex and depend on a taxpayer's particular circumstances. Accordingly, this summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor in a Security. In particular, this summary deals only with U.S. holders of a Security who purchase securities in the initial offering at the applicable issue price and in whose hands the stock, debt, commodity or other property underlying the Security would be capital assets for U.S. federal income tax purposes. In addition, this discussion assumes that the Warrants are treated as options for U.S. federal income tax purposes, and that when issued they are not significantly "in-the-money". This discussion further assumes that there will be no substitution of another entity in place of the Issuer as principal obligor in respect of the Securities.

This summary also does not discuss the U.S. federal income tax treatment of a U.S. holder who is a member of a class of holders subject to special rules, such as:

- a dealer in securities, commodities or derivative financial instruments;
- a trader in securities, commodities or derivative financial instruments that elects to use a mark-to-market method of accounting for securities or commodities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- an entity that is treated for U.S. federal income tax purposes as a partnership or other pass-through entity;

- an investor who purchases a Security with respect to stock in a company that is treated as a passive foreign investment company (“**PFIC**”) for U.S. federal income tax purposes;
- an investor who purchases a Security and holds any other position (whether long or short, direct or indirect) in any asset underlying such option;
- an investor who enters into a Security that is part of a hedging transaction or that has been hedged against currency risk;
- an investor who enters into a Security that is part of a straddle or conversion transaction for U.S. federal income tax purposes;
- an investor whose functional currency for U.S. federal income tax purposes is not the U.S. dollar; and
- a regulated investment company or a real estate investment trust.

As a consequence of the foregoing, it should be particularly noted that this summary does not address the special U.S. federal income tax considerations that apply to an investment in a combination of Securities with respect to the same underlying assets. Further, this summary does not address alternative minimum tax consequences, the indirect effects on the U.S. holders of equity interests in a holder of a Security or the tax implications for U.S. expatriates and former long-term residents of the United States.

Any of the foregoing circumstances might substantially alter the tax consequences described below, and, in some instances, may require specific identification of positions in the relevant Security before the close of the day on which they are acquired. For example, if the straddle rules were to apply, a U.S. holder of a Security might be required to (i) recognize all or a portion of any gain on such Security that would otherwise be long-term or short-term capital gain, as ordinary income or, if applicable, short-term capital gain, (ii) defer all, or a portion, of any loss realized upon the sale, exchange, exercise, cancellation or lapse of such Security and (iii) capitalize any interest or carrying charges incurred by such U.S. holder with respect to such Security.

This summary does not address the material U.S. federal income tax consequences of every type of Security which may be issued under the Program. Additional U.S. federal income tax consequences, if any, applicable to a particular Security may be set forth in the applicable Final Terms.

U.S. holders are strongly urged to consult their tax advisers concerning the U.S. federal, state, local, foreign and other national tax consequences of the ownership and disposition of Securities in their particular circumstances. U.S. holders should also consult their tax advisers as to the possibility of changes of law affecting taxation of derivative financial instruments with contingent payments, including prepaid forward contracts.

For purposes of this discussion, a “**U.S. holder**” means a beneficial owner of a Security that is:

- (i) a citizen or individual resident of the United States, as defined in Section 7701(b) of the Code,
- (ii) a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any State thereof or the District of Columbia;
- (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source;
- (iv) a trust if (x) 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, or (y) such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person;

(v) otherwise subject to U.S. federal income taxation on a net income basis in respect of the Security.

A “**non-U.S. holder**” is a beneficial owner of a Security that is a nonresident alien individual or a foreign corporation.

If a partnership holds a Security, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners of partnerships holding a Security should consult their tax advisers regarding the U.S. federal income tax consequences of acquiring, owning, exchanging and disposing of a Security.

Warrants

Premium

Premium paid by a U.S. holder for a Warrant will generally be treated as a non-deductible capital expenditure. As described in the following two sections, the amount of such premium will be taken into account upon the exercise, sale, transfer, cash settlement, or lapse of the Warrant.

Sale, Transfer, Cash Settlement, or Lapse of Warrants

A U.S. holder who has purchased a Warrant will generally recognize capital gain or loss upon the sale, transfer, cash settlement or lapse of the Warrant in an amount equal to the difference between (i) the amount realized by the investor from such sale, transfer, settlement, or lapse and (ii) the amount of the premium that the investor paid for the Warrant. Such capital gain or loss will be long-term capital gain or loss if the Warrant was held for more than one year. Certain exceptions to such treatment are noted below and, if appropriate, may be addressed in the applicable Final Terms.

Mark-to-Market Rules

Under Section 1256 of the Code, special mark-to-market and character rules apply in the case of certain “non-equity” options and foreign currency contracts. Unless the Warrants (other than Warrants denominated in the Specified Currency other than the U.S. dollar) are listed on a “qualified board or exchange” for purposes of Section 1256, however, these mark-to-market rules will not be applicable to U.S. holders of the Warrants. Where relevant, the application of the Section 1256 rules to Warrants denominated in the Specified Currency other than the U.S. dollar will be discussed in the applicable Final Terms.

Certificates and Notes

Classification of the Certificates and Notes

Depending on the terms of a Certificate or a Note, such Certificate or Note could be treated as one or more of the following: (i) a prepaid forward contract (which, depending on the terms, may be subject to embedded options), (ii) a combination of a loan and a prepaid forward contract, (iii) an outright or constructive ownership interest in the property underlying such Certificate or Note, or (iv) a contingent payment debt instrument. Additional U.S. federal income tax consequences applicable to a particular issuance of Certificates may be set forth in the applicable Final Terms.

No ruling is being requested from the IRS with respect to the Certificates or Notes, and the treatment of the Certificates described below is not binding on the IRS or the courts. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the Certificates or Notes are uncertain.

Tax Treatment of Prepaid Forward Contracts (With or Without a Loan)

If any Certificates or Notes are treated as prepaid forward contracts (with or without a loan) for U.S. federal income tax purposes, the following description should apply to such Certificates or Notes.

Interest Payments. Payments of interest (if any) will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder's method of tax accounting).

Cash Settlement, Sale, or Other Disposition of the Certificates. If the Certificates or Notes are treated as prepaid forward contracts, upon the receipt of cash upon settlement of a Certificate or Note or upon the sale or other disposition of such Certificate or Note, a U.S. holder will recognize taxable gain or loss, equal to the difference between the amount realized (generally, the amount of cash received) and such U.S. holder's tax basis in the Certificate or Note. In general, a U.S. holder's tax basis in a Certificate or Note will equal the amount that such U.S. holder paid to acquire the Certificate or Note. Subject to the discussion below under "Constructive Ownership," any such gain or loss generally will be long-term capital gain or loss if the Certificates or Notes were held for more than one year at the time of settlement or at the time of sale or other disposition.

Constructive Ownership. Some or all of the net long-term capital gain arising from certain "constructive ownership" transactions may be characterized as ordinary income, in which case an interest charge would be imposed on any such ordinary income. These rules have no immediate application to forward contracts in respect of most property underlying the Certificates or Notes, because they are only applicable to the extent that the underlying property directly or indirectly includes shares of issuers treated as PFICs or as certain other pass-through entities. These rules, however, grant discretionary authority to the U.S. Treasury Department (the "**Treasury**") to expand the scope of "constructive ownership" transactions to include forward contracts in respect of the stock of all corporations, in addition to forward contracts in respect of any debt instrument. The rules also separately direct the Treasury to promulgate regulations excluding a forward contract that does not convey "substantially all" of the economic return on any underlying asset from the scope of "constructive ownership" transactions. It is not possible to predict whether such regulations will be promulgated by the Treasury, or the form or effective date that any regulations that may be promulgated might take.

Interest in the Underlying Property

Depending on the terms of particular Certificates or Notes, a U.S. holder could be treated as owning the property underlying those Certificates or Notes for U.S. federal income tax purposes. In that event, for example, in the case of Index Certificates, the U.S. holder would be required to recognize appropriate amounts of capital gain on the disposition of any shares included in the underlying Index each time that the Index is rebalanced. In such a case, such U.S. holder also would be subject to tax on dividends on shares included in the Index in an amount equal to the gross dividends paid by companies whose shares are included in the Index. In addition, any current expenses (including any withholding taxes) in respect of shares included in the Index would be treated as if made directly by the U.S. holder, and the deductibility of such expenses (or creditability of such withholding taxes) could be subject to certain limitations.

Contingent Payment Debt Instruments

If any Certificates or Notes are treated as contingent payment debt instruments, the tax consequences to a U.S. holder would be determined under U.S. Treasury Regulations governing contingent payment debt instruments (the "**Contingent Payment Regulations**"). The Contingent Payment Regulations are complex, but very generally apply the original issue discount rules of the Code to a contingent payment debt instrument by requiring that the original issue discount be accrued every year at a "comparable yield" for the issuer of the instrument, determined at the time of issuance of the obligation. In addition, the Contingent Payment Regulations require that a projected payment schedule, which results in such a "comparable yield"

be determined by the issuer, and that adjustments to income accruals be made to account for differences between actual payments and projected amounts. To the extent that the comparable yield as so determined exceeds the projected payments on a contingent debt instrument in any taxable year, the owner of that instrument will recognize ordinary interest income for that taxable year in excess of the cash the owner receives and such excess would increase the U.S. holder's tax basis in the debt instrument. In addition, any gain realized on the sale, exchange or redemption of a contingent payment debt instrument will be treated as ordinary income. Any loss realized on such sale, exchange or redemption will be treated as an ordinary loss to the extent that the U.S. holder's original issue discount inclusions with respect to the obligation exceed prior reversals of such inclusions required by the adjustment mechanism described above. Any loss realized in excess of such amount generally will be treated as a capital loss.

Loan and One or More Options

If any Certificates or Notes are treated as a combination of a loan (or deposit) and one or more options, in general, payments of interest (if any) will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder's method of tax accounting), while payments in respect of the options would be taxable in a manner similar to the taxation of corresponding payments under Warrants.

Possible Alternative Tax Treatment

If a Certificate or Note is treated as a unit consisting of a loan and a forward contract, a U.S. holder could be required to accrue a significant amount of original issue discount on a current basis during the period in which it holds the Certificate or Note. Alternatively, it is possible that the Certificates or Notes could be characterized for U.S. federal income tax purposes as debt instruments that are subject to the Contingent Payment Regulations, in which case, among other matters, a U.S. holder would be required to accrue income, as original issue discount, at a "comparable yield" for the Issuer, on the purchase price. Furthermore, any gain realized with respect to the Certificates or Notes would generally be treated as ordinary income.

It is also possible that future regulations or other IRS guidance would require a U.S. holder to accrue income on the Certificates or Notes on a current basis. The IRS and the Treasury recently issued proposed regulations that require the current accrual of income with respect to contingent non-periodic payments made under certain notional principal contracts. The preamble to the regulations states that the "wait and see" method of tax accounting does not properly reflect the economic accrual of income on such contracts, and requires a current accrual of income with respect to some contracts already in existence at the time the proposed regulations were released. While the proposed regulations do not apply to prepaid forward contracts, the preamble to the proposed regulations expresses the view that similar timing issues exist in the case of prepaid forward contracts. If the IRS published future guidance requiring current accrual of income with respect to contingent payments on prepaid forward contracts, it is possible that a U.S. holder could be required to accrue income over the term of the Certificates or Notes.

Securities Denominated in the Specified Currency Other Than the U.S. Dollar

In general, except to the extent that the mark-to-market and character rules under Section 1256 apply (see "— Warrants — Mark-to-Market Rules" above), any gain or loss realized in respect of a Security denominated in the Specified Currency other than the U.S. dollar will be ordinary income or loss. Any such gain or loss generally must be recognized upon a sale, exchange, termination, rollover, settlement or exercise of such Security, as well as upon an offset of one contract against another in certain circumstances. In general, if a Security denominated in the Specified Currency other than the U.S. dollar is subject to Section 1256, a U.S. holder will be required to include mark-to-market gain or loss in respect of such Security at the end of each year (or upon transfer, termination, exercise, lapse or other disposition), with 40% of such gain or loss being short-term and 60% of such gain or loss being long-term.

If appropriate, additional U.S. federal income tax consequences applicable to Securities denominated in the Specified Currency other than the U.S. dollar will be set forth in the applicable Final Terms.

Notice 2008-2

On December 7, 2007, the IRS released a notice that may affect the taxation of holders of the Securities. According to the notice, the IRS and the Treasury are actively considering whether the U.S. holder of an instrument such as the Securities should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, U.S. holders of the Securities will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The IRS and the Treasury are also considering other relevant issues, including whether additional gain or loss from such Securities should be treated as ordinary or capital, whether non-U.S. holders of such Securities should be subject to withholding tax on any deemed income accruals, and whether the special “constructive ownership rules” of Section 1260 of the Code might be applied to such Securities. U.S. holders are urged to consult their tax advisers concerning the significance, and the potential impact, of the above considerations. The Issuer intends to continue treating the Securities for U.S. federal income tax purposes in accordance with the treatment described in this Base Prospectus unless and until such time as the Treasury and IRS determine that some alternative treatment is more appropriate.

Foreign Currency Rules

Payments of premium, exercise price, sale proceeds, and cash settlement amounts in respect of Securities that are denominated in a currency other than the U.S. dollar will be subject to special U.S. tax rules regarding foreign currency transactions. U.S. holders should consult their tax advisers concerning the application of these rules in their particular circumstances.

Non-U.S. Holders

Except as noted in the applicable Final Terms, the following summary describes the tax consequences to non-U.S. holders of investing in Securities.

A non-U.S. holder will generally not be subject to U.S. 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 U.S. federal income tax law:

- (i) the payments or proceeds are not effectively connected with the conduct of a trade or business within the United States by the holder;
- (ii) the holder does not own (directly or by attribution) 10% or more of the total combined voting power of all classes of stock of Morgan Stanley entitled to vote;
- (iii) the holder is not a bank holding the Warrant or Certificate 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;
- (iv) 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; and
- (v) in case of Registered Securities, the beneficial owner of such securities provides an IRS Form W-8BEN or otherwise satisfies applicable documentary requirements for establishing that it is a non-U.S. holder, unless such payments or proceeds are effectively connected with the conduct by the holder of a trade or business in the United States.

Information Reporting and Backup Withholding

The Paying Agent will be required to file information returns with the IRS with respect to payments made to certain U.S. holders of Securities. In addition, certain U.S. holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers to the Paying Agent. 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. Persons holding Securities who are non-U.S. holders may be required to comply with applicable certification procedures to establish that they are non-U.S. holders in order to avoid the application of such information reporting requirements and backup withholding tax.

Non-U.S. holders should consult their own tax advisers regarding the application of information reporting and backup withholding in their particular situations, the availability of an exemption therefrom and the procedure for obtaining the exemption, if available. Backup withholding is not an additional tax. Any amounts withheld from a payment to a non-U.S. holder under the backup withholding rules will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing all required information.

Estate Tax

Subject to benefits provided by an applicable estate tax treaty, a Security that is treated as indebtedness for U.S. federal income tax purposes will generally be excluded from the gross estate of a non-U.S. holder for U.S. federal estate tax purposes upon the individual's death unless, at such time, interest payments on the Security would have been:

- subject to U.S. federal withholding tax without regard to any certification that such holder is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, not taking into account an elimination of such U.S. federal withholding tax due to the application of an income tax treaty; or
- effectively connected to the conduct by the holder of a trade or business in the United States.

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 tax advisers regarding the U.S. federal estate tax consequences of investing in the Securities.

U.S. Foreign Account Tax Compliance Withholding

The Issuer and other financial institutions through which payments on the Securities are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of (i) any Securities treated as debt for U.S. federal tax purposes that are issued after 31 December 2012 or are materially modified from that date and (ii) any Securities treated as equity for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the Code ("**FATCA**") or similar law implementing an intergovernmental approach to FATCA. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution ("**FFI**") (as defined in FATCA) that enters into and complies with an agreement with the IRS to provide certain information on its account holders (making the Issuer a "**Participating FFI**"), (ii) the Issuer has a positive "passthru percentage" (as defined in FATCA), and (iii)(a)

an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of such Participating FFI, or (b) any FFI that is an investor, or through which payment on such Securities is made, is not a Participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Securities is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Securities, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Securities, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. Holders of Securities should consult their own tax advisers on how these rules may apply to payments they receive under the Securities.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. The application of FATCA to Securities issued after 31 December 2012 (or whenever issued, in the case of Securities treated as equity for U.S. federal tax purposes) may be addressed in the relevant Final Terms or a Supplement to the Offering Circular, as applicable.

UNITED KINGDOM TAXATION

The following applies only to persons who are beneficial owners of Securities and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs (HMRC) practice in the United Kingdom relating to the deduction for or on account of United Kingdom income tax from payments of annual payments and interest arising on the Securities and stamp duty on the issue of Securities. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Securities. Some aspects do not apply to certain classes of person (such as dealers and persons connected to the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective holders of Securities depends on their individual circumstances and may be subject to change in the future. Prospective holders of Securities who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Distribution Payments on the Exercisable Warrants and Certificates

Distribution Amounts may be paid in respect of these Securities without withholding or deduction for or on account of United Kingdom income tax unless such Distribution Amount is regarded as an annual payment having a United Kingdom source for United Kingdom tax purposes. This will depend on the terms of the relevant Securities and prospective Securityholders should therefore take legal advice on the question of whether any particular Distribution Amount payable under the Securities may be regarded as such.

Even if Distribution Amounts are regarded as an annual payment having a United Kingdom source for United Kingdom tax purposes, such payments may be made without withholding or deduction for or on account of United Kingdom income tax where the Distribution Amount is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom the Distribution Amount is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards that payment; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment at the time the payment is made) that the payment should be paid under deduction of tax.

In all other cases, where Distribution Amounts are regarded as an annual payment having a United Kingdom source for United Kingdom tax purposes, an amount must generally be withheld from such payments on account of United Kingdom income tax at the basic rate (currently 20%), subject to any direction to the contrary given by HMRC under an applicable double taxation treaty.

Payments of interest on the Notes

Payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax unless such interest is regarded as having a United Kingdom source for United Kingdom tax purposes. This will depend on the terms of the relevant Notes and prospective Noteholders should therefore take legal advice on the question of whether any particular Notes carry a right to United Kingdom source interest.

In the case of interest on Notes which is regarded as having a United Kingdom source, no amount on account of United Kingdom tax will be required to be deducted from such interest in the following circumstances:

- (i) where the Notes are and continue to be listed on a "**recognised stock exchange**" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange. Under a United Kingdom HMRC interpretation, the Notes will satisfy this requirement if they are officially listed in the Republic of Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Irish Stock Exchange.

Provided, therefore that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax;

- (ii) interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner of the interest is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax; or
- (iii) where the maturity of the Notes is less than 365 days (and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days). HMRC issued a consultation document on 27 March 2012 entitled "Possible changes to income tax rules on interest", in which the United Kingdom Government has invited views on repealing this exemption from the obligation to withhold or deduct for or on account of United Kingdom income tax.

In other cases where interest on the Notes has a United Kingdom source, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%), subject to any direction to the contrary given by HMRC under an applicable double taxation treaty.

Reporting of information

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest or such annual payments as are referred to below (as the case may be)) from any person in the United Kingdom who either pays or credits interest, or annual payments payable out of, or in respect of the funds or securities of a body of persons that is not resident in the United Kingdom, to or receives interest, or such annual payments, for the benefit of a Noteholder. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 or receives such amounts for the benefit of another person. Such information may include the name and address of the beneficial owner of the amount payable on redemption. However, HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such annual payments referred to above or amounts payable on the redemption of deeply discounted securities where such annual payments or amounts (as applicable) are paid on or before 5 April 2013. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

Stamp Duties

(i) Exercisable Warrants and Certificates

In the context of retail covered warrants listed on the London Stock Exchange, HMRC has indicated that no charge to United Kingdom stamp duty will arise on the grant of such warrants. It is not clear whether or not HMRC would be prepared to take such a view in relation to these Securities or any instrument granting these Securities. If HMRC were not prepared to take such a view in relation to the Securities, or any instrument granting the Securities, the following charges to stamp duty may arise.

Prospective purchasers of Securities should note that Global Securities representing a Series of Securities and Securities in definitive form may be subject to United Kingdom stamp duty if they are executed in the

United Kingdom or if they relate to any property situate, or to any matter or thing done or to be done, in the United Kingdom.

Even if an instrument is subject to United Kingdom stamp duty there may be no practical necessity to pay that stamp duty, as United Kingdom stamp duty is not an assessable tax. However, an instrument which is not duly stamped cannot be used for certain purposes in the United Kingdom; for example it will be inadmissible in evidence in civil proceedings in a United Kingdom court.

In the event that an instrument is subject to United Kingdom stamp duty, and it becomes necessary to pay that stamp duty (for example because this is necessary in order to enforce the document in the United Kingdom), 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 instrument to the date of payment of the stamp duty. Penalties may also be payable if an instrument which is executed outside the United Kingdom is not stamped within 30 days of first being brought into the United Kingdom. In the case of a Global Security representing a Series of Securities and Securities in definitive form, if any United Kingdom stamp duty is required to be paid, it would be payable at a rate of 0.5 per cent. by reference to the amount of consideration given for the Securities represented by that Global Security or those Securities in definitive form.

Bearer instrument duty

In relation to Securities in bearer form (whether in global form or in definitive form) which are denominated in sterling, a charge to stamp duty at 1.5 per cent. of the value of such Securities (or, in the case of a Global Security in bearer form, the value of the Securities represented by the Global Security) will arise if issued in the United Kingdom. No bearer instrument duty liability will arise on the issue of such Securities if issued and retained outside the United Kingdom.

(ii) Notes

No United Kingdom stamp duty should be payable on the issue of Notes in registered form.

No charge to United Kingdom bearer duty should arise on the issue of Notes in bearer form provided they are denominated in a currency other than sterling, or if denominated in sterling they are executed and retained outside the United Kingdom. If Notes, in bearer form and denominated in sterling, are executed in the United Kingdom no stamp duty would be payable if the Notes are loan capital.

TAXATION - NETHERLANDS

General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Securities, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Securities.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect. Where this summary refers to The Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands located in Europe.

This summary does not address the Netherlands tax consequences for:

- (i) holders of Securities holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Securities of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, as (deemed) settlor, grantor or similar originator (the "**Settlor**") or upon the death of the Settlor, his/her beneficiaries (the "**Beneficiaries**") in proportion to their entitlement to the estate of the Settlor of a trust, foundation or similar arrangement (the "**Trust**") holds (i) an interest of 5 % or more of the total issued capital of the Issuer or of 5 % or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*); and
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.

Withholding Tax

All payments made by the Issuer under the Securities may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, provided that the Securities (i) have a maturity – legally or *de facto* – of not more than 50 years, and (ii) 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 the Issuer, the Guarantor or any other entity related to the Issuer and/or the Guarantor.

Corporate and Individual Income Tax

- (a) Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Securities are attributable, income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Securities are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Securities that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Securities, taxable income with regard to the Securities must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the individual's yield basis exceeds a certain threshold. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Securities less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Securities will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments will be taxed at a rate of 30 %.

- (b) Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of the Netherlands), such holder is not taxable in respect of income derived from the Securities and gains realised upon the settlement, redemption or disposal of the Securities, unless:

- (i) the holder is not an individual and such holder has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Securities are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%.

- (ii) the holder is an individual and such holder (1) has 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 to which permanent establishment or permanent representative the Securities are attributable, or (2) realises income or gains with respect to the Securities that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Securities which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

Income derived from the Securities as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%.

Gift and Inheritance Tax

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Securities by way of gift by, or on the death of, a holder of Securities unless:

- (i) the holder of Securities is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or

- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purposes of the relevant provisions.

A holder of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a gift within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a gift within a twelve month period after leaving the Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

For gift and inheritance tax purposes, (i) a gift by a third party such as a trustee, foundation or similar entity or arrangement, will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule, his/her Beneficiaries, will be deemed to have inherited directly from the Settlor. Subsequently, the Beneficiaries will be deemed the settlor, grantor or similar originator of the Trust for purposes of the Netherlands gift and inheritance tax in case of subsequent gifts or inheritances.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Securities or in respect of a cash payment made under the Securities, or in respect of a transfer of Securities.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Securities.

IRELAND TAXATION

The following is a summary of the Irish withholding tax treatment of payments made by the Issuer in respect of the Securities. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities. The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this Base Prospectus, which are subject to prospective or retroactive change. Prospective investors in the Securities should consult their own advisers as to the Irish tax consequences of the purchase, beneficial ownership and disposition of the Securities.

No Irish withholding tax should arise on payments by the Issuer in respect of the Securities provided that (i) Bearer Securities are not physically located in Ireland; (ii) the Issuer does not maintain a register of Registered Securities in Ireland; (iii) the Issuer does not become Irish tax resident; (iv) the Issuer does not make payments in respect of the Securities in connection with a trade carried on by the Issuer through an Irish branch or agency; and (v) the Issuer does not make any payments from an Irish bank account.

If any payments in respect of the Securities are entrusted to an Irish paying agent or are collected or realised by an Irish collecting agent, Irish encashment tax (currently 20%) may be required to be withheld from the payments made by such agent. Holders of Securities should note that the appointment of an Irish collecting agent may result in Irish encashment tax applying.

Encashment tax does not apply where the Securityholder is not resident in Ireland and has made a declaration in the prescribed form to the Irish agent.

EU SAVINGS DIRECTIVE

Under the EC Council Directive 2003/48/EC on the taxation of savings income, Member States, are required 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 or to certain limited types of entity established in that other Member State. However, for a transitional period, 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 adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS

The Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International plc, Morgan Stanley & Co. LLC and MS Equity Financing Services (Luxembourg) S.a.r.l. (together with any other distribution agent who may be appointed pursuant to the terms of the Distribution Agreement (as defined below), the “**Distribution Agents**”), who have agreed to use reasonable efforts to solicit offers to purchase the Securities. The 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. The 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.

The 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 amended and restated Distribution Agreement dated 18 June 2012 (as further modified and restated from time to time, the “**Distribution Agreement**”) among the Issuer and the Distribution Agents. Pursuant to the Distribution Agreement, the Issuer and the Distribution Agents have agreed to indemnify each other against certain liabilities, or to contribute payments made in respect thereof. The Issuer has also agreed to reimburse the Distribution Agents for certain expenses.

In order to facilitate the offering of the Securities, the Distribution Agents may engage in transactions that stabilize, maintain or otherwise affect the price of the Securities or any other securities the prices of which may be used to determine payments on those Securities. Specifically, the Distribution Agents may over allot in connection with any offering of the Securities, creating a short position in the Securities for their own accounts. In addition, to cover over allotments or to stabilize the price of the Securities or of any other securities, the Distribution Agents may bid for, and purchase, Securities or any other securities in the open market. Finally, in any offering of the Securities through a syndicate of underwriters, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Securities in the offering if the syndicate repurchases previously distributed Securities in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Securities above independent market levels. The Distribution Agents are not required to engage in these activities and may end any of these activities at any time.

United States of America

The Securities and the Guarantee have not been and will not be registered under the Securities Act and the Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and under circumstances which will not require either the Issuer or the Guarantor to register under the Investment Company Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (“**Regulation S**”).

Each Distribution Agent has represented and agreed, and each further Distribution Agent appointed under the Program will be required to represent and agree that, except as permitted by the Distribution Agreement, it will not offer, sell or deliver Securities as part of their distribution at any time within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Distribution Agent to which it sells Securities during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting out the restrictions on offers and sales of the Securities within the United States or to, or for the

account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. In addition, the Distribution Agreement provides that the Distribution Agents may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Restricted Securities in the United States to QIB/QPs in reliance on Rule 144A.

An offer or sale of Securities within the United States by any dealer (whether or not participating in the offering of such Securities) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Base Prospectus has been prepared by the Issuer and the Guarantor for use in connection with the offer and sale of the Securities outside the United States to non-U.S. persons, for the offer and resale of the Securities within the United States to QIB/QPs (in the case of the Restricted Securities only) and for the listing of the Securities on the Irish Stock Exchange. The Issuer, the Guarantor and the Distribution Agents reserve the right to reject any offer to purchase Securities, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than a QIB/QP to whom an offer has been made directly by one of the Distribution Agents or an affiliate of one of the Distribution Agents. Distribution of this Base Prospectus by any non-U.S. person outside the United States or by any QIB/QP in the United States to any U.S. person or to any person within the United States, other than any QIB/QP and those persons, if any, retained to advise such non-U.S. person or QIB/QPs with respect thereto, is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer and the Guarantor, is prohibited.

Each issuance of Index Basket Securities and Index Securities may be subject to such additional U.S. selling restrictions as the Issuer and the relevant Distribution Agent may agree as to the terms of such issuance which additional selling restrictions shall be set out in the Final Terms.

Transfer Restrictions

Each purchaser of Restricted Securities pursuant to Rule 144A, by accepting delivery of this Base Prospectus or the Securities, will be deemed to have represented, agreed and acknowledged that:

- (a) It (i) is a QIB/QP, (ii) is acting for its own account or for one or more accounts, each of which is a QIB/QP, (iii) will provide notice of the transfer restrictions applicable to such Securities to any subsequent transferee (which transferee shall be deemed to make the same representations herein) and (iv) is aware, and each beneficial owner of such Securities has been advised, that the sale of such Securities to it is being made in reliance on Rule 144A.
- (b) It will, along with each account for which it is purchasing, hold and transfer beneficial interests in the Securities in an aggregate principal amount that is not less than the minimum denomination of the Securities.
- (c) It understands that the Securities and the Guarantee have not been and will not be registered under the Securities Act and that neither the Issuer nor the Guarantor has registered or will register as an investment company under the Investment Company Act. It understands that Restricted Securities may not be offered, sold, pledged or otherwise transferred except (i) in accordance with Rule 144A to a QIB/QP purchasing for its own account or for one or more accounts, each of which is a QIB/QP or (ii) to a person that is not a U.S. person (within the meaning of Regulation S) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S who takes delivery in the form of an interest in an Unrestricted Global Security, in each case in accordance with any applicable laws of any State of the United States or any other applicable jurisdiction.

- (d) It understands that the Issuer has the right to compel any beneficial owner that is a U.S. person and not a QIB/QP to sell its interest in the Securities, or may sell such interest on behalf of such owners. In addition, the Issuer has the right to refuse to honour the transfer of an interest in the Securities to a U.S. person who is not a QIB/QP. In addition, it understands that the Issuer and/or the Guarantor may receive a list of participants holding positions in its securities from one or more book-entry depositories.
- (e) It understands that Restricted Securities will bear a legend to the following effect:

“THIS SECURITY AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND NEITHER THE ISSUER NOR THE GUARANTOR HAS REGISTERED OR WILL REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “**INVESTMENT COMPANY ACT**”). TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED.

INTERESTS IN THIS SECURITY MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RESTRICTED GLOBAL SECURITY THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (A “**QIB**”) WITHIN THE MEANING OF RULE 144A THAT IS ALSO A QUALIFIED PURCHASER (A “**QP**”) AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, AND IN A NOMINAL AMOUNT OR PURCHASE PRICE FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$100,000 OR (2) TO A PERSON THAT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”)) WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN AN UNRESTRICTED GLOBAL SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THE HOLDER UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF ALL PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES.

THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS SECURITY IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE GUARANTOR, THE REGISTRAR OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER THAT IS A U.S. PERSON AND IS NOT A QIB AND A QP TO SELL ITS INTEREST IN THE SECURITIES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER. THE

ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THE SECURITIES TO A U.S. PERSON WHO IS NOT A QIB AND A QP.”

- (f) It understands that before any interest in a Restricted Security may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Security, it will be required to provide a Transfer Agent with a written certificate (in the form provided in the Issuing and Paying Agency Agreement) as to compliance with applicable securities laws.
- (g) The Issuer, the Guarantor, the Registrar, the Distribution Agents and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Securities for the account of one or more QIB/QPs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account. Such purchaser of Restricted Securities agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Restricted Securities is no longer accurate, it shall promptly notify each of the Issuer, the Guarantor, the Registrar, the Distribution Agents and their affiliates.

Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of Unrestricted Securities outside the United States pursuant to Regulation S, by accepting delivery of this Base Prospectus or the Securities, will be deemed to have represented, agreed and acknowledged that:

- (a) It is, or at the time such Unrestricted Securities are purchased will be, the beneficial owner of such Unrestricted Securities and it is not a U.S. person (within the meaning of Regulation S) and it is located outside the United States.
- (b) Such Unrestricted Securities have not been and will not be registered under the Securities Act; it will not offer, sell, pledge or otherwise transfer such Unrestricted Securities except (i) in accordance with Rule 144A to a person that takes delivery in the form of an interest in the Restricted Global Security that is a QIB/QP purchasing for its own account or the account of a QIB/QP that in a principal amount of not less than U.S.\$100,000 for the purchaser and for each such account or (ii) to a person that is not a U.S. person (within the meaning of Regulation S) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with all applicable securities laws of any State of the United States and any other applicable jurisdiction and it will provide notice of the foregoing transfer restriction to any subsequent transferee.
- (c) Such Unrestricted Securities will bear a legend to the following effect:

“THIS SECURITY AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND NEITHER THE ISSUER NOR THE GUARANTOR HAS REGISTERED OR WILL REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “**INVESTMENT COMPANY ACT**”). TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED.

INTERESTS IN THIS SECURITY MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES

ACT (“**RULE 144A**”) TO A PERSON WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RESTRICTED GLOBAL SECURITY THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (A “**QIB**”) WITHIN THE MEANING OF RULE 144A THAT IS ALSO A QUALIFIED PURCHASER (A “**QP**”) AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, AND IN A NOMINAL AMOUNT OR PURCHASE PRICE FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$100,000 OR (2) TO A PERSON THAT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”)) WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN AN UNRESTRICTED GLOBAL SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS SECURITY IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE GUARANTOR, THE REGISTRAR OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER THAT IS A U.S. PERSON AND IS NOT A QIB AND A QP TO SELL ITS INTEREST IN THE SECURITIES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THE SECURITIES TO A U.S. PERSON WHO IS NOT A QIB AND A QP.”

- (d) The Issuer, the Guarantor, the Registrar, the Distribution Agents and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.
- (e) Unrestricted Securities offered to a person outside the United States that is not a U.S. person in reliance on Regulation S will be represented by beneficial interests in an Unrestricted Global Security. Before any interest in such Unrestricted Global Security may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Security, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Issuing and Paying Agency Agreement) as to compliance with applicable securities laws.

Public Offer Selling Restriction under the Prospectus Directive

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, warranted and agreed and each further Distribution Agent appointed under the Program will be required to represent, warrant and agree, 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 offered and will not offer any 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 any Relevant Member State of the European Economic Area, except that it may offer such Securities in any 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 and the Issuer has consented in writing to its use for the purpose of that Non-exempt offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 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 or Distribution Agents nominated by the Issuer for any such offer; or
- (d) 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 Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) and includes any relevant implementing measure in each Relevant Member State.

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, and each further Distribution Agent appointed under the Program will be required to 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 the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3), including without limitation, Regulations 7 and 152 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 – 2010 (as amended) and any codes of conduct rules made under Section 117(1) of the Irish Central Bank Act 1989; and
- (c) 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 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 the Central Bank of Ireland.

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, and each further Distribution Agent appointed under the Program will be required to represent to, warrant and agree with, the Issuer and the Guarantor that:

- (a) Securities with maturities of less than one year: in relation to any Securities which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Securities would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer;
- (b) 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 does not, or in the case of the Guarantor, would not, if it was not an authorised person, apply to the Issuer; and
- (c) *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.

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.

The Netherlands

For selling restrictions in respect of The Netherlands, see "Public Offer Selling Restriction under the Prospectus Directive" above and in addition:

- (a) *Specific Dutch selling restriction for exempt offers*: Each Distribution Agent has represented and agreed and each further Distribution Agent appointed under the Programme will be required to represent and agree that it will not make an offer of Securities which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:
 - (i) such offer is made exclusively to legal entities which are qualified investors (as defined in the Prospectus Directive and which includes authorised discretionary asset managers acting

for the account of retail investors under a discretionary investment management contract) in The Netherlands; or

- (ii) standard exemption logo and wording are disclosed as required by article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "FSA"); or
- (iii) such offer is otherwise made in circumstances in which article 5:20(5) of the FSA is not applicable,

provided that no such offer of Securities shall require any 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.

- (b) *Regulatory capacity to offer Program Securities in The Netherlands*: Each Distribution Agent under the Program, and each further Distribution Agent appointed under the Program, which did and does not have the requisite Dutch regulatory capacity to make offers or sales of financial instruments in The Netherlands has represented and agreed respectively will be required to represent and agree with the Issuers that it has not offered or sold and will not offer or sell any of the Securities of the relevant Issuer in The Netherlands, other than through one or more investment firms acting as principals and having the Dutch regulatory capacity to make such offers or sales.
- (c) *Compliance with Dutch Savings Certificates Act*: Bearer zero coupon Securities in definitive form and other bearer Securities that constitute a claim for a fixed sum against the relevant Issuer, in definitive form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen*, the "SCA") may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the transfer and acceptance of rights representing an interest in a zero coupon Security in global form, (ii) the initial issue of such securities to the first holders thereof, (iii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business and (iv) the transfer and acceptance of a particular series of such securities within, from or into The Netherlands if they are physically issued outside The Netherlands and are not, in the course of initial distribution or immediately thereafter, distributed in The Netherlands. In the event that the SCA applies, certain identification requirements in relation to the issue and transfer of and payments on zero coupon Securities have to be complied with and, in addition thereto, if such zero coupon Securities in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987 attached to the Royal Decree of 11 March 1987 (*Staatscourant 129*) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each part to the transaction and the details and serial numbers of such Securities.

Hong Kong

Each Distribution Agent has represented and agreed, and each further Distribution Agent appointed under the Program will be required to represent and agree that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities (except for Securities which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (a) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies

Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any 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 with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Distribution Agent has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Distribution Agent has represented, warranted and agreed, and each further Distribution Agent appointed under the Program will be required to represent and agree 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 a 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 in reliance of an exemption under Section 274 or 275 of the SFA, the Securities shall not be sold within the period of six months from the date of the initial acquisition of the Securities, except to any of the following persons:

- (a) an institutional investor (as defined in Section 4A of the SFA);
- (b) a relevant person (as defined in Section 275(2) of the SFA); or
- (c) any person pursuant to an offer referred to in Section 275(1A) 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:

- (a) to an institutional investor under Section 175(4) of the SFA or to a relevant person defined in Section 275(2) of the SFA, in accordance with the condition specified in Section 275 of the SFA;
- (b) (in the case of a corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of a trust) where the transfer arises from an offer that is made on terms that such rights or interests 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;
- (c) where no consideration is or will be given for the transfer; or
- (d) where the transfer is by operation of law.

Brazil

Notice to Prospective Investors in Brazil

For purposes of Brazilian law, any offer of Securities is addressed to you personally, upon your request and for your sole benefit, and is not to be transmitted to anyone else, to be relied upon elsewhere or for any other purpose either quoted or referred to in any other public or private document or to be filed with anyone without the Issuer's prior, express and written consent.

Any offering of Securities will not be registered under Brazilian Federal Law No. 6385/76 or under any other Brazilian securities law. Accordingly, Securities and any offering of Securities have not been and will not be registered with the Comissão de Valores Mobiliários.

Therefore, as this Base Prospectus does not constitute or form part of any public offering to sell or solicitation of a public offering to buy any Securities, any offering and ANY SECURITIES OFFERED WILL NOT BE, AND MAY NOT BE OFFERED FOR SALE OR SOLD IN BRAZIL EXCEPT IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE A PUBLIC OFFERING OR DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. DOCUMENTS RELATING TO THE SECURITIES, AS WELL AS THE INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC, AS A PUBLIC OFFERING IN BRAZIL OR BE USED IN CONNECTION WITH ANY OFFER FOR SUBSCRIPTION OR SALE OF THE SECURITIES TO THE PUBLIC IN BRAZIL.

Mexico

The Securities have not been registered with the National 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. However the Issuer, whether directly or indirectly, may offer and sell the Securities in Mexico, on a private placement basis, to Mexican qualified or institutional investors pursuant to the applicable law.

Chile

The Securities are not and will not be subject to the laws of Chile and are not, and will not be, registered in Chile in the Securities Registrar (*Registro de Valores*) of the Superintendencia of Securities and Insurance (*Superintendencia de Valores y Seguros*), pursuant to Law N° 18,045 about Securities Market (Ley No.

18,045 de Mercado de Valores). Therefore, the Securities cannot be publicly offered or sold in Chile. The offering materials are the responsibility of the Issuer and may not be publicly distributed in Chile.

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 DTC, Euroclear and Clearstream, Luxembourg. The appropriate CUSIP, common code and ISIN for each issue allocated by DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, 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 under the Program remain outstanding, copies of the following documents will be available from the date hereof, during usual business hours on any week day, for inspection in physical or electronic form at Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, being the London office of the Fiscal Agent, at Deutsche Bank Trust Company Americas, 17th Floor, 60 Wall Street, New York, New York 10005 being the office of the Registrar and at Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland being the office of the Irish Paying Agent, at 2 Boulevard Konrad Adenauer, L-1115, Luxembourg being the office of the Luxembourg Paying Agent and also at the principal executive offices of Morgan Stanley and the registered office of the Issuer:

- (i) copies of the amended and restated Distribution Agreement dated 18 June 2012, the amended and restated Issue and Paying Agency Agreement dated 18 June 2012, the Deed of Covenant, the Deed Poll, the Guarantee dated 17 November 2011 provided by Morgan Stanley, all of the Issuer'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 Deed of Incorporation of the Issuer;
- (iii) the Certificate of Incorporation and Amended and Restated By-laws of Morgan Stanley;
- (iv) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is included or referred to herein;
- (v) the audited accounts of the Issuer for the financial years ended 31 December 2009, 31 December 2010 and 31 December 2011;
- (vi) Morgan Stanley's Annual Reports on Form 10-K for the years ended December 2011 and December 2010.
- (vii) a copy of this document;
- (viii) a copy of any documents incorporated herein.

Save as set out in the Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Securities.

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 21 March 2006, as amended and updated pursuant to resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 18 March 2007.

MSBV

The role of the Issuer as issuer under the Program was authorised by resolutions of the Board of Directors of the Issuer passed on 13 July 2009, as amended and updated pursuant to resolutions adopted at a meeting of the Board of Directors of the Issuer held on 15 June 2012.

**PRINCIPAL EXECUTIVE OFFICES OF
MORGAN STANLEY**

1585 Broadway
New York, New York 10036
U.S.A.

**REGISTERED OFFICE OF MORGAN
STANLEY IN DELAWARE**

The Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801
U.S.A.

REGISTERED OFFICE OF MORGAN STANLEY B.V.

Luna Arena
Herikerbergweg 238
1101 CM
Amsterdam Zuidoost
The Netherlands

FISCAL AGENT

Deutsche Bank AG, London
Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
U.K.

LUXEMBOURG PAYING AGENT AND LISTING AGENT

Deutsche Bank Luxembourg SA
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

US PAYING AGENT, REGISTRAR AND TRANSFER AGENT

Deutsche Bank Trust Company Americas
27th Floor
60 Wall Street
New York, New York 10005
U.S.A.

IRISH PAYING AGENT

Deutsche International Corporate Services (Ireland) Limited
5 Harbourmaster Place
IFSC
Dublin 1 Ireland

LEGAL ADVISORS

*To the Distribution Agents as to
English and U.S. law:*

Allen & Overy LLP

One Bishops Square
London E1 6AD
United Kingdom

To the Issuer:

Freshfields Bruckhaus Deringer
LLP

Strawinskylaan 10
1077XZ Amsterdam
The Netherlands

AUDITORS OF MORGAN STANLEY

Deloitte & Touche LLP
Two World Financial Center
New York, New York 10281
U.S.A.

AUDITORS OF MORGAN STANLEY B.V.

Deloitte Accountants B.V.
Orlyplein 10
1043 DP Amsterdam
P.O. Box 58110
1040 HC Amsterdam
The Netherlands

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