

SECOND BASE PROSPECTUS SUPPLEMENT

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

Morgan Stanley B.V. (“MSBV” or the “**Issuer**”) and Morgan Stanley in its capacity as guarantor (the “**Guarantor**”) have prepared this second base prospectus supplement (the “**Second Base Prospectus Supplement**”) to supplement and be read in conjunction with the base prospectus dated 02 September 2016 (the “**Base Prospectus**”) as supplemented by the first base prospectus supplement dated 11 November 2016 (the “**First Base Prospectus Supplement**”) in relation to MSBV's programme for the issuance of notes, certificates and warrants.

This Second Base Prospectus Supplement has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC, as amended (the “**Prospectus Directive**”). The Central Bank only approves this Second Base Prospectus Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

In addition, this Second Base Prospectus Supplement has been approved by the Irish Stock Exchange as supplementary listing particulars, pursuant to the listing and admission to trading rules of the Irish Stock Exchange, for the purpose of providing information with regard to the Issuer and the Guarantor for the purposes of admitting Securities to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market. The Global Exchange Market is the exchange regulated market of the Irish Stock Exchange and is not a regulated market for the purposes of Directive 2004/39/EC.

Terms defined in the Base Prospectus (as supplemented by the First Base Prospectus Supplement) shall have the same meaning when used in this Second Base Prospectus Supplement. To the extent that there is any inconsistency between any statement in this Second Base Prospectus Supplement and any other statement in, or incorporated by reference in, the Base Prospectus (as supplemented by the First Base Prospectus Supplement), the statements in this Second Base Prospectus Supplement will prevail.

The purpose of this Second Base Prospectus Supplement is to (i) update the disclosure in the Base Prospectus in respect of United States taxation considerations; and (ii) make certain amendments to the pro forma Final Terms and pro forma Pricing Supplement contained in the Base Prospectus in respect of United States taxation considerations which may be applicable to Securities issued under the Program.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Second Base Prospectus Supplement. 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 Second Base Prospectus Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

This Second Base Prospectus Supplement is available for viewing, and copies may be obtained from, the offices of the Issuer and the Paying Agents and is available on Morgan Stanley's website at www.morganstanleyiq.eu.

20 December 2016

MORGAN STANLEY B.V.

MORGAN STANLEY

AMENDMENTS TO THE BASE PROSPECTUS

The Base Prospectus is hereby amended as follows:

1. The sections entitled “*United States Withholding on Dividend Equivalent Payments*” on pages 143 to 144 of the Base Prospectus and “UNITED STATES WITHHOLDING ON DIVIDEND EQUIVALENT PAYMENTS” on page 154 of the Base Prospectus shall be deleted in their entirety and replaced with the following text:

“Dividend Equivalent Amounts

Section 871(m) of the Code and Treasury Regulations promulgated thereunder (“**Section 871(m)**”) impose a withholding tax of 30 per cent. (or lower treaty rate applicable to dividends) on certain “dividend equivalents” paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities. A Security linked to U.S. equities or indices that include U.S. equities (a “**U.S. equity linked Security**”) will generally be subject to the Section 871(m) withholding regime if at issuance it (i) has a “delta” of 0.80 or higher with respect to the underlying U.S. stock or (ii) substantially replicates the economic performance of the underlying U.S. stock, as determined by a “substantial equivalence” test that, among other factors, takes into account the initial number of shares of the underlying U.S. stock needed to hedge the transaction fully. The tests described above are set forth in the regulations, and the applicable test will depend on the terms of the relevant U.S. equity linked Security. Under these rules, withholding may apply even where the relevant U.S. equity linked Security does not provide for any payment that is explicitly linked to a dividend. The regulations provide for certain exceptions to the withholding requirements, in particular for instruments linked to certain broad-based indices (a “**qualified index**”) that meet standards set forth in the regulations.

Under a recent IRS notice, Section 871(m) will not apply to Securities issued before January 1, 2018, that are not “delta one” with respect to any U.S. equity. If the terms of a U.S. equity linked Security are subject to a “significant modification,” the U.S. equity linked Security will generally be treated as reissued at the time of the significant modification.

The amount of a “dividend equivalent” is equal to, for a “simple” contract, the product of (a) the per-share dividend amount, (b) the number of shares of the underlying U.S. stock referenced in each U.S. equity linked Security and (c) the delta, and for a “complex” contract, the product of (x) the per-share dividend amount and (y) the initial hedge.

The dividend equivalent amount will be determined on the earlier of (a) the record date of the dividend and (b) the day prior to the ex-dividend date. Withholding will be imposed on the dividend equivalent amount on the later of (a) the determination date of the dividend equivalent amount and (b) the next date on which a payment on the U.S. equity linked Security is made to the Non-U.S. investor (including any disposition or redemption of the Security).

The relevant Issuer will determine whether a U.S. equity linked Security is subject to withholding under Section 871(m) by performing the calculations described above. If the Issuer has determined, as specified in the Pricing Supplement or Final Terms (as applicable), that a U.S. equity linked Security should not be subject to withholding under Section 871(m), the Issuer will be deemed to instruct its agents and withholding agents that no withholding is required, unless such agent or withholding agent knows or has reason to know otherwise. If withholding is required, the relevant Issuer will not be required to pay any additional amounts with respect to the amounts so withheld.

Section 871(m) is complex and its application may depend on the Non-U.S. Holder’s particular circumstances. For example, the application of Section 871(m) may be affected if a Non-U.S. Holder enters into another transaction in connection with the acquisition of a U.S. equity linked Security. Accordingly, Non-U.S. Holders should consult their tax advisers regarding the potential application of Section 871(m) to the Securities in their particular circumstances.”

2. In the Pro Forma Final Terms for Non-Exempt Securities, the following text shall be inserted as a new item 8, page 108:

8. POTENTIAL SECTION 871(M) TRANSACTION

[Not Applicable] / [The Issuer has determined that the Securities should not be subject to withholding under Section 871(m) of the Code], and hereby instructs its agents and withholding agents that no withholding is required, unless

such agent or withholding agent knows or has reason to know otherwise.] / [The Issuer has determined that the Securities should not be subject to withholding under Section 871(m) of the Code because the Relevant Underlying is a “qualified index” under the applicable U.S. Treasury Regulations[, and hereby instructs its agents and withholding agents that no withholding is required, unless such agent or withholding agent knows or has reason to know otherwise.] / [The Securities are U.S. equity linked Securities subject to withholding under Section 871(m) of the Code. Condition 12.1 applies.] [For further information please [call [•]] / [visit our website at [•]] / [write to [•]].].

3. In the Pro Forma Pricing Supplement for Exempt Securities, the following text shall be inserted as a new item 6, page 122:

- 6. POTENTIAL SECTION 871(M) TRANSACTION**

[Not Applicable] / [The Issuer has determined that the Securities should not be subject to withholding under Section 871(m) of the Code[, and hereby instructs its agents and withholding agents that no withholding is required, unless such agent or withholding agent knows or has reason to know otherwise.] / [The Issuer has determined that the Securities should not be subject to withholding under Section 871(m) of the Code because the Relevant Underlying is a “qualified index” under the applicable U.S. Treasury Regulations[, and hereby instructs its agents and withholding agents that no withholding is required, unless such agent or withholding agent knows or has reason to know otherwise.] / [The Securities are U.S. equity linked Securities subject to withholding under Section 871(m) of the Code. Condition 12.1 applies.] [For further information please [call [•]] / [visit our website at [•]] / [write to [•]].].