

SECOND BASE PROSPECTUS SUPPLEMENT

Morgan Stanley

as issuer and guarantor

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

MORGAN STANLEY & CO. INTERNATIONAL PLC

as issuer

(incorporated with limited liability in England and Wales)

MORGAN STANLEY B.V.

as issuer

(incorporated with limited liability in The Netherlands)

MORGAN STANLEY FINANCE LLC

as issuer

(formed under the law of the State of Delaware in the United States of America)

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

Morgan Stanley (“**Morgan Stanley**”), Morgan Stanley & Co. International plc (“**MSI plc**”), Morgan Stanley Finance LLC (“**MSFL**”) and Morgan Stanley B.V. (“**MSBV**”, together with Morgan Stanley, MSFL and MSI plc, the “**Issuers**”) and Morgan Stanley, in its capacity as guarantor (in such capacity, 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 9 October 2018 (the “**Base Prospectus**”) of Morgan Stanley, MSI plc, MSFL and MSBV (each in its capacity as Issuer) and Morgan Stanley (in its capacity as Guarantor) relating to the Regulation S Program for the Issuance of Notes, Series A and Series B, Warrants and Certificates as supplemented by the first supplement to the Base Prospectus dated 26 October 2018 (the “**First Base Prospectus Supplement**”).

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

The CSSF gives no undertaking as to the economic and financial soundness of any transaction or the quality or solvency of any of the Issuers in line with the provisions of Article 7.7 of the Luxembourg Law on Prospectuses for Securities.

Unless otherwise defined in this Second Base Prospectus Supplement, 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, or incorporated by reference 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:

- (a) disclose the publication by Morgan Stanley of its Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2018 (the “**Morgan Stanley September 2018 10-Q**”) and incorporate by reference, as set out in “Part A” of this Second Base Prospectus Supplement;

- (b) disclose the publication of the third supplement to the Registration Document of Morgan Stanley, MSI plc, MSBV and MSFL dated 7 November 2018 (the “**Third Registration Document Supplement**”) and incorporate by reference certain sections of the Third Registration Document Supplement as set out in “Part A” of this Second Base Prospectus Supplement;
- (c) make certain consequential amendments to the summary in the Base Prospectus (as supplemented by the First Base Prospectus Supplement) pursuant to the publication of the Morgan Stanley September 2018 10-Q and the Third Registration Document Supplement as set out in “Part B” of this Second Base Prospectus Supplement;
- (d) in respect of further issuances only under the Base Prospectus (as supplemented by the First Base Prospectus Supplement), make amendments to the Selected Financial Information of Morgan Stanley in the Base Prospectus (as supplemented by the First Base Prospectus Supplement), as set out in “Part C” of this Second Base Prospectus Supplement;
- (e) in respect of further issuances only under the Base Prospectus (as supplemented by the First Base Prospectus Supplement), make amendments to the General Information section in the Base Prospectus (as supplemented by the First Base Prospectus Supplement), as set out in “Part D” of this Second Base Prospectus Supplement; and
- (f) in respect of further issuances only under the Base Prospectus (as supplemented by the First Base Prospectus Supplement), make amendments to the Taxation section in the Base Prospectus (as supplemented by the First Base Prospectus Supplement), as set out in “Part E” of this Second Base Prospectus Supplement.

In accordance with Article 13 paragraph 2 of the Luxembourg Law on Prospectuses dated 10 June 2005, investors who have agreed to purchase or subscribe for, or have applied to purchase or subscribe for, any Notes prior to the publication of this Second Base Prospectus Supplement shall have the right, exercisable within two Business Days following the date of publication of this Second Base Prospectus Supplement, to withdraw their acceptances or applications by notice in writing to the relevant Issuer or Manager, as the case may be. The final date within which such right of withdrawal must be exercised is 12 November 2018.

Morgan Stanley as the Issuer or the Guarantor, as applicable, confirms the following:

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).

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

Any information or documents incorporated by reference into the Morgan Stanley September 2018 10-Q and the Third Registration Document Supplement does not form part of this Second Base Prospectus Supplement and any information or documents which are not incorporated by reference are either not relevant for the investor or covered in another part of this Second Base Prospectus Supplement.

This Second Base Prospectus Supplement, the Morgan Stanley September 2018 10-Q and the Third Registration Document Supplement are available for viewing, and copies may be obtained from, the offices of the Issuers and the Paying Agents.

This Second Base Prospectus Supplement and the Third Registration Document Supplement are available on Morgan Stanley's website at <http://sp.morganstanley.com/EU/Documents> and on the website of the Luxembourg Stock Exchange at www.bourse.lu.

The Morgan Stanley September 2018 10-Q is available on Morgan Stanley's website at <http://www.morganstanley.com/about-us-ir/> and on the website of the Luxembourg Stock Exchange at www.bourse.lu.

8 November 2018

MORGAN STANLEY

MORGAN STANLEY & CO. INTERNATIONAL PLC

MORGAN STANLEY B.V.

MORGAN STANLEY FINANCE LLC

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**PART A - INCORPORATION BY REFERENCE: MORGAN STANLEY SEPTEMBER 2018 10-Q AND
THIRD REGISTRATION DOCUMENT SUPPLEMENT**

This Second Base Prospectus Supplement incorporates by reference the Morgan Stanley September 2018 10-Q and the Third Registration Document Supplement and supplements the section entitled “*Incorporation by Reference*” contained on pages 125-134 of the Base Prospectus.

This Second Base Prospectus Supplement and the Third Registration Document Supplement are available on Morgan Stanley's website at <http://sp.morganstanley.com/EU/Documents> and on the website of the Luxembourg Stock Exchange at www.bourse.lu.

The Morgan Stanley September 2018 10-Q is available on Morgan Stanley's website at <http://www.morganstanley.com/about-us-ir/> and on the website of the Luxembourg Stock Exchange at www.bourse.lu.

The information incorporated by reference must be read in conjunction with the cross-reference table below which supplements the table of information incorporated by reference in the section entitled “*Incorporation by Reference*” contained on pages 125-134 of the Base Prospectus.

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

Document filed	Information incorporated by reference	Page(s)
Morgan Stanley		
Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2018	(1) Management's Discussion and Analysis of Financial Condition and Results of Operations	1-29
	(2) Quantitative and Qualitative Disclosures about Risk	30-38
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Morgan Stanley

Third Registration Document Supplement of Morgan Stanley, Morgan Stanley & Co. International plc, Morgan Stanley B.V. and Morgan Stanley Finance LLC dated 7 November 2018	(1)	Part B – Consequential Amendments to the Registration Document	3-4
	(2)	Part C – Amendment to the Selected Financial Information of Morgan Stanley Finance LLC	5

This Second Base Prospectus Supplement expressly does not incorporate by reference the documents and/or information identified in the cross-reference table below and supplements the section entitled “*Incorporation by Reference*” contained on pages 125-134 of the Base Prospectus, as they are not relevant for investors.

Document incorporated by reference

Information not incorporated by reference

Morgan Stanley

Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2018

Exhibits
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Third Registration Document Supplement of Morgan Stanley, Morgan Stanley & Co. International plc, Morgan Stanley B.V. and Morgan Stanley Finance LLC dated 7 November 2018

Part A

PART B - AMENDMENTS TO THE SUMMARY

Sub-Section I – Changes to Element B.12

The selected key financial information relating to Morgan Stanley at Element B.12 of the summary in the Base Prospectus (set out on page 4 of the Base Prospectus) shall be replaced with the information below:

B.12	Selected historical key financial information:	[Selected key financial information relating to Morgan Stanley:				
			At 31 December 2016	At 31 December 2017	At 30 September (unaudited)	
		Consolidated Balance Sheets (U.S.\$ in millions)			2017	2018
		<i>Total assets</i>	814,949	851,733	853,693	865,517
		<i>Total liabilities and equity</i>	814,949	851,733	853,693	865,517
			2016	2017	Nine months ended 30 September (unaudited)	
		Consolidated Income Statements (U.S.\$ in millions)			2017	2018
		<i>Net revenues</i>	34,631	37,945	28,445	31,559
		<i>Income from continuing operations before income taxes</i>	8,848	10,403	7,932	9,380
		<i>Net income</i>	6,123	6,216	5,553	7,325
	<p>There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2017, the date of the latest published annual audited financial statements of Morgan Stanley.</p> <p>Not applicable. There has been no significant change in the financial or trading position of Morgan Stanley since 30 September 2018, the date of the latest published interim (unaudited) financial statements of Morgan Stanley.]</p>					

Sub-Section II – Changes to Element B.19 (B.12)

The selected key financial information relating to Morgan Stanley at Element B.19 (B.12) of the summary in the Base Prospectus (set out on page 9 of the Base Prospectus) shall be replaced with the information below:

B.19 (B.12)	Selected historical key financial information:	<p>Selected key financial information relating to Morgan Stanley:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th align="center">At 31 December 2016</th> <th align="center">At 31 December 2017</th> <th align="center" colspan="2">At 30 September (unaudited)</th> </tr> <tr> <th></th> <th></th> <th align="center">2017</th> <th align="center">2018</th> </tr> </thead> <tbody> <tr> <td>Consolidated Balance Sheets (U.S.\$ in millions)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><i>Total assets</i></td> <td align="right">814,949</td> <td align="right">851,733</td> <td align="right">853,693</td> <td align="right">865,517</td> </tr> <tr> <td><i>Total liabilities and equity</i></td> <td align="right">814,949</td> <td align="right">851,733</td> <td align="right">853,693</td> <td align="right">865,517</td> </tr> <tr> <td></td> <td align="center">2016</td> <td align="center">2017</td> <td align="center" colspan="2">Nine months ended 30 September (unaudited)</td> </tr> <tr> <td>Consolidated Income Statements (U.S.\$ in millions)</td> <td></td> <td></td> <td align="center">2017</td> <td align="center">2018</td> </tr> <tr> <td><i>Net revenues</i></td> <td align="right">34,631</td> <td align="right">37,945</td> <td align="right">28,445</td> <td align="right">31,559</td> </tr> <tr> <td><i>Income from continuing operations before income taxes</i></td> <td align="right">8,848</td> <td align="right">10,403</td> <td align="right">7,932</td> <td align="right">9,380</td> </tr> <tr> <td><i>Net income</i></td> <td align="right">6,123</td> <td align="right">6,216</td> <td align="right">5,553</td> <td align="right">7,325</td> </tr> </tbody> </table> <p>There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2017, the date of the latest published annual audited financial statements of Morgan Stanley.</p> <p>There has been no significant change in the financial or trading position of Morgan Stanley since 30 September 2018, the date of the latest published interim (unaudited) financial statements of Morgan Stanley.</p>		At 31 December 2016	At 31 December 2017	At 30 September (unaudited)				2017	2018	Consolidated Balance Sheets (U.S.\$ in millions)					<i>Total assets</i>	814,949	851,733	853,693	865,517	<i>Total liabilities and equity</i>	814,949	851,733	853,693	865,517		2016	2017	Nine months ended 30 September (unaudited)		Consolidated Income Statements (U.S.\$ in millions)			2017	2018	<i>Net revenues</i>	34,631	37,945	28,445	31,559	<i>Income from continuing operations before income taxes</i>	8,848	10,403	7,932	9,380	<i>Net income</i>	6,123	6,216	5,553	7,325
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PART C - AMENDMENTS TO SELECTED FINANCIAL INFORMATION

The section titled “*Selected Financial Information of Morgan Stanley*” set out on page 110 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

“SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY

This section contains selected financial information of Morgan Stanley relating to the years ended 31 December 2016 and 31 December 2017 and the nine months ended 30 September 2017 and 30 September 2018.

The information in respect of the years ended 31 December 2016 and 31 December 2017 set out below is derived from the audited financial statements included in Morgan Stanley’s Annual Report on Form 10-K for the year ended 31 December 2017.

The information in respect of the nine months ended 30 September 2017 and 30 September 2018 set out below is derived from the unaudited financial statements included in the Morgan Stanley Quarterly Report on Form 10-Q for the quarterly periods ended 30 September 2017 and 30 September 2018, respectively.

Consolidated Balance Sheets (U.S.\$ in millions)	At 31 December 2016	At 31 December 2017	At 30 September (unaudited)	
			2017	2018
<i>Total assets</i>	814,949	851,733	853,693	865,517
<i>Total liabilities and equity</i>	814,949	851,733	853,693	865,517

Consolidated Income Statements (U.S.\$ in millions)	2016	2017	Nine months ended 30 September (unaudited)	
			2017	2018
<i>Net revenues</i>	34,631	37,945	28,445	31,559
<i>Income from continuing operations before income taxes</i>	8,848	10,403	7,932	9,380
<i>Net income</i>	6,123	6,216	5,553	7,325

”

PART D - AMENDMENTS TO GENERAL INFORMATION SECTION

1. Sub-paragraph (h) set out on page 910 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

“(h) Annual Report of Morgan Stanley on Form 10-K for the year ended 31 December 2017, Morgan Stanley Current Reports on Form 8-K dated 5 January 2018, 18 January 2018, 31 January 2018, 18 April 2018, 24 May 2018, 26 June 2018, 28 June 2018, 18 July 2018, 16 October 2018 and 31 October 2018, Morgan Stanley Proxy Statement dated 6 April 2018, Quarterly Report of Morgan Stanley on Form 10-Q for the quarterly period ended 31 March 2018, Quarterly Report of Morgan Stanley on Form 10-Q for the quarterly period ended 30 June 2018 and Quarterly Report of Morgan Stanley on Form 10-Q for the quarterly period ended 30 September 2018;”

2. The sub section titled “Morgan Stanley” within the section “No material adverse change in prospects and no significant change in the financial or trading position” set out on page 912 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

“Morgan Stanley

There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2017, the date of the last published annual audited financial statements of Morgan Stanley.

There has been no significant change in the financial or trading position of Morgan Stanley since 30 September 2018, the date of the latest published interim (unaudited) financial statements of Morgan Stanley.”

3. The sub section titled “Legal and arbitration proceedings” set out on pages 912-913 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

“Legal and arbitration proceedings

Save as disclosed in:

- a) *the section entitled "Legal Proceedings" at pages 23-28 and in the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Guarantees and Contingencies" in "Notes to Consolidated Financial Statements" at pages 145-148 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2017 (the "Form 10-K");*
- b) *the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Guarantees and Contingencies" in "Notes to Consolidated Financial Statements (Unaudited)" at pages 69-72 and the section entitled "Legal Proceedings" at page 88 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2018;*
- c) *the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Guarantees and Contingencies" in "Notes to Consolidated Financial Statements (Unaudited)" at pages 74-76 and the section entitled “Legal Proceedings” at page 93 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 June 2018;*
- d) *the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Guarantees and Contingencies" in "Notes to Consolidated Financial Statements (Unaudited)" at pages 69-72 and the section entitled “Legal Proceedings” at page 89 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2018; and*
- e) *the section entitled "Legal Proceedings and Contingencies" at Part 7 of the section entitled "Description of Morgan Stanley" at pages 43-57 of the Registration Document, the section entitled "Legal Proceedings" at Part 7 of the section entitled "Description of Morgan Stanley & Co. International plc" at pages 67-70 of the Registration Document, the section entitled "Legal Proceedings" at Part 7 of the section entitled "Description of Morgan Stanley B.V." at page 74 of the Registration Document and the section entitled "Legal Proceedings" at Part 7 of the section entitled "Description of Morgan Stanley Finance LLC" at page 77 of the Registration Document (as supplemented by the First Registration Document Supplement dated 22 August 2018, the Second*

Registration Document Supplement dated 4 October 2018 and the Third Registration Document Supplement dated 7 November 2018),

other than those disclosed in the audited financial statements, there are no, nor have there been, any governmental, legal or arbitration proceedings involving Morgan Stanley, MSI plc, MSBV or MSFL (including any such proceedings which are pending or threatened of which Morgan Stanley, MSI plc, MSBV or MSFL 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, MSI plc, MSBV, MSFL or the Morgan Stanley Group.”

PART E – AMENDMENTS TO TAXATION SECTION

1. The sub section titled “*UNITED STATES FEDERAL TAXATION*” within the section “*TAXATION*” set out on pages 844 to 847 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

“*UNITED STATES FEDERAL TAXATION*”

This discussion is limited to the U.S. federal tax issues addressed below. Additional issues may exist that are not addressed in this discussion and that could affect the U.S. federal tax treatment of the Notes or the investors. Investors should seek their own advice based upon their particular circumstances from an independent tax adviser.

The following are certain of the U.S. federal income and estate tax consequences of ownership and disposition of the Notes by Non-U.S. Holders (as defined below). This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described herein. This summary does not discuss the consequences of the Medicare tax on investment income. As used herein, the term “Non-U.S. Holder” means a beneficial owner of a Note that is for U.S. federal income tax purposes:

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

The term “Non-U.S. Holder” does not include any of the following persons:

- *an individual present in the United States for 183 days or more in the taxable year of disposition;*
- *certain former citizens or residents of the United States;*
- *a person for whom income or gain in respect of the Notes is effectively connected with the conduct of a trade or business in the United States; or*
- *a person who has 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.*

Special rules may also apply to corporations that for U.S. federal income tax purposes are treated as personal holding companies, controlled foreign corporations, or passive foreign investment companies. Such persons are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of a Note.

If an entity is classified as partnership holds a Note, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partners of partnerships holding Notes should consult their tax advisers regarding the U.S. federal income tax consequences of owning and disposing of a Note.

Tax Treatment of the Notes

General

*Except as otherwise discussed below in “ – Section 897 of the Code,” “ – Dividend Equivalent Amounts,” “ – FATCA” and “ – Backup Withholding and Information Reporting,” or otherwise indicated in an applicable Drawdown Prospectus, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on payments of principal, or interest (including original issue discount, if any) on a Note, or on proceeds from the sale or other disposition of a Note, **provided that**, in the case of a Note issued by Morgan Stanley or MSFL, for U.S. federal income tax purposes:*

- *the Note is treated as indebtedness of the relevant Issuer;*
- *the holder does not own (directly or by attribution) 10 per cent. or more of the total combined voting power of all classes of stock of Morgan Stanley entitled to vote;*
- *the holder is not a bank holding the Note in the context of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and*
- *the holder (and beneficial owner) have complied with all U.S. tax identification and certification requirements.*

The certification requirements referred to in the preceding paragraphs will be fulfilled if the beneficial owner of the Note (or a financial institution holding the Note on behalf of the beneficial owner) furnishes the U.S. Internal Revenue Service ("IRS") Form W-8BEN or W-8BEN-E (or with respect to certain holders and beneficial owners, other appropriate forms), on which, among other things, the beneficial owner certifies under penalties of perjury that it is not a United States person, as defined in the Code.

Exchangeable Notes

Except as otherwise discussed below in "– Section 897 of the Code," "– Dividend Equivalent Amounts," "– FATCA" and "– Backup Withholding and Information Reporting," or otherwise indicated in an applicable Drawdown Prospectus, a Non-U.S. Holder will generally not be subject to U.S. federal income or withholding tax in respect of a principal-protected note that pays at redemption a Physical Delivery Amount of securities (or the value thereof in cash), provided that:

- in the case of a Note issued by Morgan Stanley or MSFL, the requirements for exemption from tax listed above under "–General" are met; and
- in the case of a Note issued by Morgan Stanley or MSFL, the Note is exchangeable only into securities that are actively traded, a basket of securities that are actively traded or an index or indices of securities that are actively traded.

No opinion is expressed herein as to the U.S. federal income or withholding tax consequences of the ownership or disposition of the property received in exchange for the Note.

With regard to the above requirements, the Issuers intend to treat Notes for which the principal amount payable in cash equals or exceeds the issue price (i.e., the first price at which a substantial amount of the Notes is sold to the public) as indebtedness for U.S. federal income tax purposes. There can be no assurance that the IRS or a court will agree.

Notes Linked to Commodity Prices, Single Securities, Baskets of Securities, Indices, Exchange Traded Funds or other Funds, Currencies and Credit-Linked Notes

The U.S. federal income tax consequences to a Non-U.S. Holder of the ownership and disposition of Notes that have principal or interest determined by reference to commodity prices, securities of entities not affiliated with the relevant Issuer, baskets of securities or indices, exchange traded funds or other funds, currencies or the credit of entities not affiliated with the relevant Issuer may vary depending upon the exact terms of the Notes and related factors. Except as otherwise discussed below in "– Section 897 of the Code," "– Dividend Equivalent Amounts," "– FATCA" and "– Backup Withholding and Information Reporting," or otherwise indicated in an applicable Drawdown Prospectus, the Issuers do not expect payments on such Notes to be subject to any U.S. federal withholding tax, provided that, if the Notes are treated in whole or in part as indebtedness issued by Morgan Stanley or MSFL for U.S. federal income tax purposes, the requirements above under "–General" are met. However, Notes containing any of these features may be subject to rules that differ from the general rules discussed above. In these instances, an applicable Drawdown Prospectus will disclose such special rules.

Section 897 of the Code

No opinion is expressed herein as to whether any issuer of any shares to which a Note relates (such shares hereafter referred to as "Underlying Shares") is treated as a "U.S. real property holding corporation" ("USRPHC") within the meaning of Section 897 of the Code. If any issuer of Underlying Shares were so treated, certain adverse U.S. federal income tax consequences might apply upon the sale, exchange or other disposition of a Note (including potential U.S. withholding tax, notwithstanding the discussions above). Holders should refer to information filed with the Securities and Exchange Commission or other governmental authorities by the issuers of the Underlying Shares and consult their tax advisers regarding the possible consequences to such holders if any such issuer is or becomes a USRPHC.

Dividend Equivalent Amounts

Section 871(m) of the Code imposes a withholding tax of 30 per cent. (or lower treaty rate applicable to dividends) on certain "dividend equivalents" paid or deemed paid with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities. Subject to the discussion below concerning Notes issued before January 1, 2021, a Note linked to U.S. equities or indices that include U.S. equities (a "U.S. equity linked Note") will 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 Note. Under these rules, withholding may apply even where the relevant U.S. equity linked Note 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, as well as certain exchange traded funds that track a qualified index.

Pursuant to an IRS Notice, Section 871(m) will not apply to Notes issued before January 1, 2021 that do not have a “delta” of one with respect to any U.S. equity. If the terms of a U.S. equity linked Note are significantly modified (including in the event that a “benchmark” is substituted in accordance with the terms of the Base Prospectus) and if such modification or substitution results in a deemed exchange of the Notes for U.S. federal income tax purposes, the U.S. equity linked Note will generally be treated as reissued at the time of the significant modification.

The calculations of “delta” are generally made at the “calculation date,” which is the earlier of (i) the time of pricing of the U.S. equity linked Note, i.e., when all material terms have been agreed on, and (ii) the issuance of the U.S. equity linked Note. However, if the time of pricing is more than 14 calendar days before the issuance of the U.S. equity linked Note, the calculation date is the date of the issuance of the U.S. equity linked Note. In those circumstances, information regarding the Issuer’s final determinations for purposes of Section 871(m) may be available only after the issuance of the U.S. equity linked Note. As a result, a Non-U.S. Holder should acquire such a U.S. equity linked Note only if it is willing to accept the risk that the U.S. equity linked Note is treated as subject to withholding.

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. equity referenced in the U.S. equity linked Note and (c) the delta, and, for a “complex” contract, the product of (a) the per-share dividend amount and (b) 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. The dividend equivalent amount will include the amount of any actual or, under certain circumstances, estimated dividend. If a U.S. equity linked Note is subject to withholding in respect of dividend equivalents, withholding will, depending on the applicable withholding agents’ circumstances, generally be required either (i) on the underlying dividend payment date or (ii) when cash payments are made on the relevant U.S. equity linked Note or upon the date of maturity, lapse or other disposition thereof by the Non-U.S. Holder.

The relevant Issuer will determine whether a U.S. equity linked Note is subject to withholding under Section 871(m). If the Issuer has determined, as specified in the Pricing Supplement, that a U.S. equity linked Note 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.

The relevant Issuer’s determination is not binding on the IRS, and the IRS may disagree with its determination. 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 Note. Accordingly, Non-U.S. Holders should consult their tax advisers regarding the potential application of Section 871(m) to the U.S. equity linked Notes in their particular circumstances.

FATCA

Legislation commonly referred to as “FATCA” generally imposes a withholding tax of 30 per cent. on payments to certain non-U.S. entities (including financial intermediaries) with respect to certain financial instruments, unless various U.S. information reporting and due diligence requirements have been satisfied. An intergovernmental agreement between the United States and the non-U.S. entity’s jurisdiction may modify these requirements. FATCA generally applies to certain financial instruments that are treated as paying U.S.-source interest or dividends or other U.S.-source “fixed or determinable annual or periodical” income. Withholding (if applicable) applies to any payment of amounts treated as interest or dividend equivalents (as discussed above under “—Dividend Equivalent Amounts”) on the Notes and, for dispositions after December 31, 2018, any payment of gross proceeds of the disposition (including upon retirement) of the Notes treated as providing for U.S.-source interest or dividends. Although, under current law, withholding under FATCA does not apply to payments of non-U.S. source income, such withholding could apply in the future if (i) Notes that pay non-U.S. source income are significantly modified (including in the event that a “benchmark” is substituted in accordance with the terms of the Base Prospectus), (ii) such modification or substitution results in a deemed exchange of the Notes for U.S. federal income tax purposes and (iii) such significant modification occurs after the applicable FATCA grandfathering date. The FATCA grandfathering date for Notes that pay non-U.S. source income is the

date on which final U.S. Treasury regulations that define the term “foreign passthru payment” are filed with the Federal Register, or six months thereafter if the Notes are treated as debt for U.S. federal income tax purposes. If withholding applies to the Notes, the relevant Issuer will not be required to pay any additional amounts with respect to amounts withheld under FATCA. Non-U.S. Holders should consult their tax advisers regarding the potential application of FATCA to the Notes.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes as well as in connection with the proceeds from a sale, exchange or other disposition. A Non-U.S. Holder may be subject to backup withholding in respect of amounts paid to the Non-U.S. Holder, unless such Non-U.S. Holder complies with applicable certification procedures to establish that it is not a United States person for U.S. federal income tax purposes or otherwise establishes an exemption. Compliance with the certification procedures described above will satisfy the certification requirements necessary to avoid backup withholding. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder’s U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Estate Tax

Individual Non-U.S. Holders and entities the property of which is potentially includible in such an individual’s gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers) should note that, absent an applicable treaty exemption, a Note that is treated as indebtedness for U.S. federal estate tax purposes will be treated as U.S. situs property subject to U.S. federal estate tax if payments on the Note, if received by the decedent at the time of death, would have been subject to U.S. federal withholding tax (even if the IRS Form W-8BEN or W-8BENE certification requirement described above were satisfied and not taking into account an elimination of such U.S. federal withholding tax due to the application of an income tax treaty or withholding under FATCA).

Absent an applicable treaty benefit, a Note that is not treated as indebtedness for U.S. federal estate tax purposes may be treated as U.S. situs property subject to U.S. federal estate tax. Non-U.S. Holders should consult their own tax advisers regarding the U.S. federal estate tax consequences of an investment in the Notes and the availability of benefits provided by an applicable estate tax treaty, if any.”