

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 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**”) supersedes the Base Prospectus dated 7 April 2006 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 certificates and warrants (the “**Certificates**”, 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 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 12 April April 2007.

The Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International Limited, Morgan Stanley & Co. Incorporated and MSDW 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” beginning on page 70 of Part C (*Securities Note*) to 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 after the date falling 40 days after the completion of the distribution of such Tranche upon certification as to non-U.S. beneficial ownership. 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 “Form of the Bearer Securities”.

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 (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 a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company (“**DTC**”) 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 “Form of Registered Securities”. Bearer Global Securities and registered Global Securities are together referred to herein as “**Global Securities**”.

Application has been made to the Irish Financial Services Regulatory Authority (“**IFSRA**”) as competent authority under Directive 2003/71/EC, for the Base Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Securities 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 Investment Services Directive 93/22/EEC. However, unlisted Securities may be issued pursuant to the Program and the Program provides that Securities may be listed on such other stock exchange(s) (or markets of the Irish Stock Exchange) 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 or market). 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.

Copies of this document in relation to the Securities to be issued during the period of 12 months from the date of this Prospectus have been filed with and approved by IFSRA in its capacity as competent authority in Ireland for the purposes of Directive 2003/71/EC. 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 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area. 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.

This Base Prospectus comprises, (a) Part A (*Summary*), (b) Part B (*Registration Document*), and (c) Part C (*Securities Note*) to this Base Prospectus.

The Securities will be governed by, and construed in accordance with, English law.

Investing in the Securities involves risks. See “Risk Factors” beginning on page 11 of Part B (*Registration Document*) to this Base Prospectus and on page 70 of Part C (*Securities Note*) 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. 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 REGULATION S).

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. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

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 Limited, Morgan Stanley & Co. Incorporated or MSDW 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

12 April 2007

Each of the Issuer and the Guarantor accepts responsibility for 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.

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.

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 12 April 2007 (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 organised under the laws of The Netherlands. Except for Joe Solan, a director of the Issuer, 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 no Specified Company is regulated by IFSRA 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 IFSRA. All references in this Base Prospectus to "Sterling" and "£" are to the lawful currency of the United Kingdom, all references to "U.S. dollars," "U.S.\$" and "\$" are to the lawful currency of the United States of America, all references to "Japanese Yen" and "¥" are to the lawful currency of Japan, all references to "Australian dollars" and "AUD" are to the lawful currency of the Commonwealth of Australia, all references to "New Zealand dollars" and "NZD" are to the lawful currency of New Zealand, and all references to "euro", "€" and "EUR" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended (the "EC Treaty").

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PART A: SUMMARY

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 Certificates and Warrants**

This summary has been prepared in accordance with Article 5(2) of the Prospectus Directive (Directive 2003/71/EC) (the “Prospectus Directive”) and must be read as an introduction to the Registration Document and Securities Note prepared by the Issuer (each, together with this summary, the “Base Prospectus”) relating to the Securities referred to below. 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 Guarantor and the Issuer

Morgan Stanley (the “Guarantor”)

The auditors of Morgan Stanley for the period 1 December 2003 to 30 November 2004, 1 December 2004 to 30 November 2005 and 1 December 2005 to 30 November 2006 are Deloitte & Touche LLP, an independent registered public accounting firm.

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

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

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

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

Morgan Stanley is a holding company 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 is a global financial services firm that maintains significant market positions in each of its business segments - Institutional Securities, Global Wealth Management Group, Asset Management and Discover.

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

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

The authorised share capital of Morgan Stanley as at 30 November 2006 comprised 3,500,000,000 ordinary shares of nominal value U.S.\$0.01 and 30,000,000 preferred stock of nominal value U.S.\$ 0.01.

The issued, non-assessable and fully paid up share capital of Morgan Stanley as at 30 November 2006 comprised 1,211,701,552 ordinary shares of nominal value U.S.\$0.01.

For the year ended 30 November 2006, total assets of Morgan Stanley amounted to U.S.\$1,120,645 million and total liabilities and shareholders' equity amounted to U.S.\$1,120,645 million. For the fiscal year ended 30 November 2005, total assets of Morgan Stanley amounted to U.S.\$898,523 million and total liabilities and shareholders' equity amounted to U.S.\$898,523 million.

MSBV (the "Issuer")

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

The Issuer's objects and purposes are set out in Article 3 of its Articles of Association and enable it to, *inter alia*, issue notes, warrants and other securities. All material assets of the Issuer are obligations of (or securities issued by) one or more Morgan Stanley group companies. The Issuer's auditors are Deloitte Accountants B.V. (members of the Royal Netherlands Institute of Register accountants).

The Issuer has no subsidiaries and is ultimately controlled by Morgan Stanley.

The directors of the Issuer are C.E.C Hood, J. Solan G.C. De Boer and TMF Management B.V. The Issuer has no employees.

The authorised share capital of the Issuer comprises 900 ordinary shares of nominal value EUR100. The issued, allotted and fully paid up share capital of the Issuer comprises 180 ordinary shares of nominal value EUR100.

The net revenue for the financial years ended November 2006 and 2005 was EUR908,000 and EUR-1,614,000 respectively, representing issuance fees received on the issuance of financial instruments less guarantee fees payable. The profit or loss before tax for the financial years ended 2006 and 2005 was a profit of EUR1,075,000 and a loss of EUR1,475,000 respectively.

The current assets of the Issuer rose from EUR641,974,000 in 2005 to EUR3,893,257,000 in 2006 with a total amount owing to creditors rising from EUR639,578,000 in 2005 to EUR3,890,086,000 in 2006. The principle reason for the increase in debt was an increase in client demand for financial instruments.

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

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 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 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 expiration date, 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 (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". 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.

Securities may be issued with a nominal amount. If Securities are issued with a nominal amount, the nominal amount will be at least EUR 1,000 per Securityholder, 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 Securities Note 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 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.

PART B: REGISTRATION DOCUMENT

Morgan Stanley

as guarantor

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

MORGAN STANLEY B.V.

as issuer

(incorporated with limited liability in The Netherlands)

SECTION 1 - GENERAL

This Part B has been prepared for the purpose of providing the disclosure information with regard to Morgan Stanley (“**Morgan Stanley**”), and Morgan Stanley B.V. (“**MSBV**”, the “**Issuer**”) required by Directive 2003/71/EC (the “**Prospectus Directive**”) to be included in the Registration Document element of the base prospectus of which this Part B forms part (the “**Registration Document**” which term means this Part B as amended or supplemented and includes all documents incorporated by reference herein).

No person has been authorised by either Morgan Stanley or the Issuer to give any information or to make any representation not contained or incorporated by reference in this Registration Document, and, if given or made, that information or representation should not be relied upon as having been authorised by Morgan Stanley or the Issuer. Neither the delivery of this Registration Document nor the offering, sale or delivery of any securities will, in any circumstances, create any implication that the information contained in this Registration Document is true subsequent to the date hereof or the date upon which this Registration Document has been most recently amended or supplemented or that there has been no adverse change in the financial situation of any of Morgan Stanley or the Issuer since the date hereof or, as the case may be, the date upon which this Registration Document has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which have been incorporated into this Registration Document by reference by way of a supplement to this Registration Document, or that any other information supplied 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. Investors should review, *inter alia*, the most recent financial statements of Morgan Stanley and the Issuer when evaluating any securities or an investment therein (such financial statements shall not form a part of this Registration Document unless they have been expressly incorporated herein by way of a supplement to this Registration Document).

Each of Morgan Stanley and the Issuer has confirmed that to the best of their knowledge and belief and having taken all reasonable care to ensure that such is the case, this Registration Document (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 Registration Document the omission of which would make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. Each of Morgan Stanley and the Issuer has further confirmed that this Registration Document (including each document incorporated by reference herein) contains all such information as may be required by all applicable laws, rules and regulations.

The distribution of this Registration Document and the offering, sale and delivery of securities in certain jurisdictions may be restricted by law. Persons into whose possession this Registration Document comes are required by Morgan Stanley and the Issuer to inform themselves about and to observe those restrictions.

This Registration Document should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference therein.

This Registration Document does not constitute an offer of or an invitation to subscribe for or purchase any securities and should not be considered as a recommendation by either of Morgan Stanley or the Issuer that any recipient of this Registration Document should subscribe for or purchase any securities. Each recipient of this Registration Document will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of Morgan Stanley or the Issuer (as applicable) and of the particular terms of any offered securities.

The investor should rely only on the information contained or incorporated by reference in this Registration Document. Neither Morgan Stanley nor the Issuer has authorised anyone else to provide the investor with different or additional information.

RISK FACTORS RELATING TO THE ISSUER AND THE GUARANTOR

Prospective investors should read the entire Registration Document and any relevant securities note (and where appropriate, any relevant final terms). Words and expressions defined elsewhere in this Registration Document have the same meanings in this section. Investing in securities involves certain risks. Prospective investors should consider, among other things, the following:

Risks Relating to Morgan Stanley

Liquidity 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 substantially negatively affected by an inability to raise funding in the long-term or short-term debt capital markets or an 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, 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 negative watch by the rating agencies, it suffers a decline in the level of its business activity, regulatory authorities take significant action against it, or it discovers serious 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 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.

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 significant to the determination of Morgan Stanley's credit ratings or otherwise affect its ability to raise short-term and long-term financing include the level and volatility of its earnings; Morgan Stanley's relative competitive position in the markets in which it operates; its geographic and product diversification; its ability to retain key personnel; its risk profile; its risk management policies; its cash liquidity; its capital adequacy; its corporate lending credit risk; and legal and regulatory developments. A deterioration in any of these factors or combination of these factors may lead rating agencies to downgrade Morgan Stanley's credit ratings, thereby increasing its cost of obtaining unsecured funding.

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, Morgan Stanley would be required to provide additional collateral to certain counterparties in the event of a downgrade by either Moody's Investors Service or Standard & Poor's.

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 and regulations that authorize 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 and regulations may hinder Morgan Stanley's ability to access funds that it may need to make payments on its obligations.

If Morgan Stanley's liquidity and funding policies are not adequate, it may be unable to access sufficient financing.

Morgan Stanley's liquidity and funding policies have been designed to ensure that it maintains sufficient liquid financial resources to continue to conduct its business for an extended period in a stressed liquidity environment. If its liquidity and funding policies are not adequate or it does not adhere to the policies, Morgan Stanley may be unable to access sufficient financing to service its financial obligations when they come due, which could have a material adverse franchise or business impact.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices of commodities or securities, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as liquidity, will result in losses for a position or portfolio.

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

The amount, duration and range of Morgan Stanley's market risk exposures have been increasing over the past several years, and may continue to do so. Morgan Stanley's results of operations may be materially affected by market fluctuations due to economic factors. Results of operations in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including political, economic and market conditions; the availability and cost of capital; the liquidity of global markets; 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. In addition, there have been legislative, legal and regulatory developments related to Morgan Stanley's businesses that potentially could increase costs, thereby affecting future results of operations. These factors also may have an impact on its ability to achieve its strategic objectives.

The results of Morgan Stanley's Institutional Securities business, 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 unfavorable market or economic conditions, the level of individual investor participation in the global markets may also decrease, which would negatively impact the results of its Global Wealth Management Group business. 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. Furthermore, changes in economic variables, such as the number and size of personal bankruptcy filings, the rate of unemployment and the level of consumer confidence and consumer debt, may substantially affect consumer loan levels and credit quality, which, in turn, could impact the results of its Discover business.

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, proprietary trading, investing, block trading, underwriting and lending businesses in the event of unfavorable market movements. Morgan Stanley has committed substantial amounts of capital to these businesses, which often require it to take large positions in the securities of, or make large loans to, a particular issuer or issuers in a particular industry, country or region. Moreover, the trend in all major capital markets is towards larger and more frequent commitments of capital in many of these activities, and Morgan Stanley expects this trend to continue.

The profitability of certain of Morgan Stanley's commodities marketing activities depends on the availability of supplies of petroleum products. A significant decrease in available supplies for any reason could adversely affect the sales and results of operations of certain businesses within its commodities activities.

The success of Morgan Stanley's marketing and distribution in its commodities business depends on its ability to generate positive margins on sales of refined petroleum products. In addition, Morgan Stanley's terminal, tug and barge business depends on an active market for refined petroleum products to create demand for terminal services. The availability of supplies of refined petroleum products is essential to Morgan Stanley's pipeline, transport and terminal operations. A material disruption in the flow of refined petroleum product supplies could adversely affect its revenues from rack spot and contract sales, as well as throughput and storage fees. Among such risks are "force majeure" conditions caused by natural disasters, adverse weather conditions, terrorist attacks and other events beyond its control. These conditions also may adversely affect the pipeline and marine operations as well as the shipping and terminaling operations in its commodities business.

Morgan Stanley may 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, and originate loans secured by commercial and residential properties. Morgan Stanley also securitizes 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 could be adversely affected by a downturn in the real estate sector.

Credit Risk

Credit risk refers to the risk of loss arising from the default by a borrower, counterparty or other obligor when it is unable or unwilling to meet its obligations to Morgan Stanley. Morgan Stanley is exposed to three distinct types of credit risk in its businesses.

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

Morgan Stanley incurs significant, “single-name” credit risk exposure through the Institutional Securities business. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have long-term obligations to make payments to Morgan Stanley and by extending credit to its clients through various credit arrangements. Morgan Stanley incurs “individual consumer” credit risk in the Global Wealth Management Group business through margin loans to individual investors and loans to small businesses, both of which are generally collateralized. Morgan Stanley incurs “consumer portfolio” credit risk in the Discover business primarily through cardholder receivables. Credit risk in a pool of cardholder receivables is generally highly diversified, without significant individual exposures, and, accordingly, is managed on a portfolio and not a single-name basis.

The amount, duration and range of Morgan Stanley’s credit exposures have been increasing over the past several years, and may continue to do so. In recent years, Morgan Stanley has significantly expanded its use of swaps and other derivatives and it may continue to do so. Corporate clients are increasingly seeking loans or lending commitments from Morgan Stanley in connection with investment banking and other assignments. In addition, Morgan Stanley has experienced, due to competitive factors, increased pressure to assume longer-term credit risk, to extend credit against less liquid collateral and to price derivatives instruments more aggressively based on the credit risks that it takes. As a clearing member firm, Morgan Stanley finances its customer positions and it could be held responsible for the defaults or misconduct of its customers. Although it regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

Defaults by another larger 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 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 potential damage to a firm’s reputation, arising from inadequate or failed internal processes, people, resources and systems or from external events (e.g. external or internal fraud, legal and compliance risks, damage to physical assets, etc.). Morgan Stanley may incur operational risk across its full scope of business activities, including revenue generating activities (e.g. sales and trading) and support functions (e.g. information technology and facilities management). As such, Morgan Stanley may incur operational risk in each of its businesses, as well as within the control groups.

Morgan Stanley is subject to operational risk and an operational event 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 centers 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 third party's systems or improper action by third parties or employees, Morgan Stanley could suffer financial loss, an impairment to its liquidity, a disruption of its businesses, regulatory sanctions or damage to its reputation.

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, electrical, communications or other services used by Morgan Stanley, its employees or third parties with whom Morgan Stanley conducts business.

Legal Risk

Legal risk refers to the risk of non-compliance with applicable legal and regulatory requirements and standards. Legal risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable.

The financial services industry faces substantial litigation and regulatory risks, 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, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or in financial distress.

Morgan Stanley is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding its business, including, among other things, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. The number of these investigations and proceedings has increased in recent years with regard to many firms in the financial services industry, including Morgan Stanley. 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 or significant regulatory action against Morgan Stanley 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.

Morgan Stanley is subject to extensive regulation in the jurisdictions in which it conducts its businesses.

Morgan Stanley is subject to extensive regulation globally and faces the risk of significant intervention by regulatory authorities in the jurisdictions in which it conducts its businesses. Among other things, Morgan Stanley could be fined, prohibited from engaging in some of its business activities or subject to limitations or conditions on its business activities. Significant regulatory action

against Morgan Stanley could have material adverse financial effects, cause significant reputational harm to it, or harm its business prospects. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to Morgan Stanley's clients may also adversely affect Morgan Stanley's business.

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, Morgan Stanley engages in the production, storage, transportation, marketing and trading of several commodities, including metals (base and precious), crude oil, oil products, natural gas, electric power, emission credits, coal and related products. In addition, Morgan Stanley owns three exempt wholesale generators in the U.S. and one electric generation facility in The Netherlands. As a result of these activities, Morgan Stanley is subject to extensive and evolving energy, environmental, safety and other governmental laws and regulations. Morgan Stanley's commodities business also exposes it to the risk of unforeseen and catastrophic events, including leaks, spills and terrorist attacks.

Although Morgan Stanley has attempted to mitigate its pollution and other environmental risks, including those discussed below, 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 and results of operations may be adversely affected by these events.

Morgan Stanley also expects the other laws and regulations affecting its energy business to increase in both scope and complexity. During the past several years, intensified scrutiny of the 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. Morgan Stanley may incur substantial costs in complying with current or future laws and regulations and its overall businesses and reputation may be adversely affected by the current legal environment.

Pipeline, Marine Transport and Terminal Operations. The risk of substantial environmental costs and liabilities is inherent in pipeline, marine transport and terminal operations. As is the case with respect to Morgan Stanley's other commodities activities, both U.S. and international environmental laws are or may be applicable, including U.S. and foreign oil spill anti-pollution statutes. Liability may be incurred without regard to fault under federal laws and regulations and analogous state laws for the remediation of contaminated areas.

Prior owners, tenants or users of properties now owned by Morgan Stanley or its subsidiaries may have disposed of or released hydrocarbons or solid wastes on or under such assets. Additionally, the acquired pipeline, transport and terminal operations are located near current or former refining and terminal operations. There is a risk that contamination, if ever present, has migrated or could migrate from those properties. Increasingly strict environmental laws, regulations and enforcement policies and claims for damages and other similar developments could result in substantial costs and liabilities.

Certain operations in Morgan Stanley's commodities business are subject to the hazards inherent in the transportation and storage of volatile and sometimes toxic petroleum products, including explosions, the release of toxic substances, fires and accidents on land and at sea that could result in personal injuries, loss of life and suspension of operations. These operations also are subject to risks associated with natural disasters, adverse weather conditions, terrorist attacks and other events beyond

Morgan Stanley's control. Although Morgan Stanley maintains substantial insurance coverage, catastrophic events of this kind could exceed such coverage.

Power Generation Facilities. The power generation facilities owned by Morgan Stanley are subject to wide-ranging U.S. federal, state and local environmental laws and regulations in the U.S. and abroad relating to air quality, water quality and hazardous and solid waste management. They also are regulated under U.S. health and safety regulations. These laws may require capital expenditures as well as remediation where the facility has failed to comply with environmental, health or safety rules or has released pollutants into the environment. Additionally, the owners of such facilities may be subject to fines or penalties for failure to comply with environmental, health or safety rules.

Oil Trading Activities. The U.S. and foreign water pollution laws and numerous specific oil spill anti-pollution statutes apply to Morgan Stanley's oil trading activities to the extent it owns petroleum in storage or during waterborne or overland transit or it arranges for transportation or storage. In the event of an oil spill, one or more entities owned by Morgan Stanley could be held responsible for remediation as well as property and natural resource damages. Other U.S. federal and state laws apply to the specifications of the gasoline and diesel fuel that Morgan Stanley blends and import and provide for substantial penalties in the event of non-compliance. Oil pollution laws in non-U.S. jurisdictions also apply to Morgan Stanley in certain instances when it trades petroleum internationally and/or charter vessels. Like the U.S. statutes, these laws often provide for penalties and damage assessments should a spill event occur.

Conflicts of interest are increasing and a failure to appropriately deal with conflicts of interest could adversely affect Morgan Stanley's businesses.

Morgan Stanley's reputation is one of its most important assets. As Morgan Stanley has expanded the scope of its businesses and its client base, Morgan Stanley increasingly has to address potential conflicts of interest, including those relating to its proprietary activities. For example, conflicts may arise between Morgan Stanley's position as a financial advisor in a merger transaction and a principal investment it holds in one of the parties to the transaction. In addition, hedge funds and private equity funds are an increasingly important portion of Morgan Stanley's client base, and also compete with Morgan Stanley in a number of its businesses. Morgan Stanley has procedures and controls that are designed to address conflicts of interest. However, appropriately dealing with conflicts of interest is complex and difficult and Morgan Stanley's reputation could be damaged if it fails, or appears to fail, to deal appropriately with conflicts of interest. In addition, the SEC and other federal and state regulators have increased their scrutiny of potential conflicts of interest. It is possible that potential or perceived conflicts could give rise to litigation or enforcement actions. It is possible that the regulatory scrutiny of, and litigation in connection with, conflicts of interest will make Morgan Stanley's clients less willing to enter into transactions in which such a conflict may occur, and will adversely affect the businesses of Morgan Stanley.

Morgan Stanley is subject to tax contingencies that could adversely affect results.

Morgan Stanley is subject to the income and indirect tax laws of the U.S., its states and municipalities and those of the foreign jurisdictions in which it has significant business operations. These tax laws are complex and subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. Morgan Stanley must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income taxes and the expense for indirect taxes and must also make estimates about when in the future certain items affect taxable income in the various tax jurisdictions. Disputes over interpretations of the tax laws may be settled with the taxing authority upon examination or audit.

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 of Morgan Stanley's businesses, are intensely competitive, and Morgan Stanley expects them to remain so. Morgan Stanley competes with commercial banks, 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 and price. Over time, certain sectors of the financial services industry have become considerably more concentrated, as financial institutions involved in a broad range of financial services have been acquired by or merged into other firms. This convergence could result in Morgan Stanley's competitors gaining greater capital and other resources, such as a broader range of products and services and geographic diversity. Morgan Stanley may experience pricing pressures as a result of these factors and as some of its competitors seek to increase 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 moves with performance. 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.

International Risk

Morgan Stanley is subject to numerous political, economic, legal, operational 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, operational and other risks that are inherent in operating in many countries, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities. 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.

Morgan Stanley has expanded, and continues to look at opportunities to expand, in the emerging markets. In the last several years, various emerging market countries have experienced severe economic and financial disruptions, including significant devaluations of their currencies, capital and currency exchange controls, and low or negative growth rates in their economies. These conditions could adversely impact Morgan Stanley's businesses and increase volatility in financial markets generally.

The emergence of a pandemic or other widespread health emergency, or concerns over the possibility of such an emergency, 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.

Acquisition Risk

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

Morgan Stanley expects to grow in part through acquisitions, joint ventures and minority stakes. To the extent Morgan Stanley makes acquisitions or enter into combinations or joint ventures, it 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 and business partners. In the case of joint ventures and minority stakes, Morgan Stanley is subject to additional risks and uncertainties in that 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. In addition, conflicts or disagreements between Morgan Stanley and its joint venture partners may negatively impact the benefits to be achieved by the joint venture. There is no assurance that Morgan Stanley's recent acquisitions or any business it acquires in the future will be successfully integrated and result in 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 may be materially and adversely affected.

Credit Card Risk

Discover business subjects Morgan Stanley to risks that impact the credit card industry.

The performance of Morgan Stanley's Discover business is subject to numerous risks that impact the credit card industry, including rising cost of funds pressuring spreads; slow industry growth with rising payment rates; future loan loss rate uncertainty, especially given bankruptcy reform and changing minimum payment requirements; and a consolidating industry with competitive pressures and increasing marketing constraints. Changes in economic variables, such as the number and size of personal bankruptcy filings, the rate of unemployment and the level of consumer confidence, consumer spending and consumer debt may substantially affect consumer loan levels and credit quality. Morgan Stanley's financial condition and results of operations may be adversely affected by these factors.

Risk Management

Hedging strategies of Morgan Stanley 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 expect 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. Management of 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.

Risks relating to the Issuer

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

WHERE THE INVESTOR CAN FIND MORE INFORMATION ABOUT MORGAN STANLEY

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

Morgan Stanley’s common stock, par value U.S.\$0.01 per share, is listed on the New York Stock Exchange, Inc. under the symbol “MS.” The investor may inspect reports, proxy statements and other information concerning Morgan Stanley and its consolidated subsidiaries in physical or electronic form at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 (such reports, proxy statements and other information shall not form a part of this Registration Document unless they have been expressly incorporated herein by way of a supplement to this Registration Document).

INCORPORATION BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Registration Document, to the extent that, on or before the date of this Registration Document, documents (i) - (v) have been filed with the Irish Stock Exchange in its capacity as Irish competent authority for the purposes of the Prospectus Directive:

- (i) Morgan Stanley’s Current Report on form 8-K dated 10 April 2007 (as set out at <http://www.sec.gov>);
- (ii) Morgan Stanley’s Proxy Statement dated 23 February 2007 (as set out at <http://www.sec.gov>);
- (iii) Morgan Stanley’s Annual Report on form 10-K for the fiscal year ended 30 November 2006 (as set out at <http://www.sec.gov>);
- (iv) Morgan Stanley’s Annual Report on form 10-K for the fiscal year ended 30 November 2005 (as set out at <http://www.sec.gov>);
- (v) the Issuer’s Annual Report for year ended 30 November 2006; and

(vi) the Issuer's Annual Report for year ended 30 November 2005,

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

The information about Morgan Stanley and the Issuer incorporated by reference in this Registration Document (the "**Incorporated Information**") is considered to be part of this Registration Document. Because future filings of Morgan Stanley with the SEC and future financial statements published by the Issuer are made from time to time, those future filings or financial statements, as the case may be, may modify or supersede some of the information included or incorporated by reference in this Registration Document. This means that investors should look at all other documents filed by Morgan Stanley with the SEC pursuant to sections 13(a), 13(c), 14 and 15(d) of the United States Securities Exchange Act of 1934 after the date of this Registration Document and all of the financial statements of the Issuer to determine if any of the statements in this Registration Document or in any document previously incorporated by reference have been modified or superseded.

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 business hours and free of charge, upon oral or written request, a copy of this Registration Document (or any document incorporated by reference in this Registration Document and any future filings or financial statements published such Issuer). Written or oral requests for inspection of such documents should be directed to the specified office of any Paying Agent or Transfer Agent.

SECTION 2 - DESCRIPTION OF MORGAN STANLEY

The following description contains general information on Morgan Stanley (“**Morgan Stanley**”, or the “**Guarantor**”).

Auditors

The auditors of Morgan Stanley for the period 1 December 2003 to 30 November 2004 and 1 December 2004 to 30 November 2005 and 1 December 2005 to 30 November 2006 are Deloitte & Touche LLP, Two World Financial Center, New York, New York 10281, USA, an independent registered public accounting firm (the “**Auditors**”).

The Auditors are registered with the Public Company Accounting Oversight Board (United States).

The Auditors have issued a report dated February 12, 2007 (April 10, 2007 as to the effects of the discontinued operations discussed in Note 30), appearing in the Current Report on Form 8-K of Morgan Stanley dated April 10, 2007, relating to the consolidated financial statements of Morgan Stanley and reports dated February 12, 2007, relating to the financial statement schedule and management’s report on the effectiveness of internal control over financial reporting appearing in the Annual Report on Form 10-K for the fiscal year ended November 30, 2006 (which reports on the consolidated financial statements and financial statement schedule express an unqualified opinion and include explanatory paragraphs relating to the adoption, in fiscal 2005, of Statement of Financial Accounting Standards No. 123(R), “Share-Based Payment” and relating to, in fiscal 2006, Morgan Stanley’s change in accounting policy for recognition of equity awards granted to retirement-eligible employees and relating to, in fiscal 2006, the application of Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements When Quantifying Misstatements when Quantifying Misstatements in Current Year Financial Statements”).

Risk Factors

Information about risk factors relating to Morgan Stanley is contained in “Risk Factors Relating to the Guarantor and the Issuer” in this Registration Document.

Information about Morgan Stanley

1.1 History and development of Morgan Stanley

1.1.1 Legal name, place of registration and registration number, date of incorporation

Morgan Stanley was originally incorporated under the laws of the State of Delaware on 1 October 1981 under registered number 0923632, and its predecessor companies date back to 1924. On 31 May 1997, Morgan Stanley Group, Inc. was merged with and into Dean Witter Discover & Co. (“**Dean Witter Discover**”) in a merger of equals. At that time, Dean Witter Discover changed its corporate name to Morgan Stanley, Dean Witter, Discover & Co. (“**MSDWD**”). On 24 March 1998, MSDWD changed its corporate name to Morgan Stanley Dean Witter & Co, and to Morgan Stanley on 20 June 2002.

1.1.2 Registered office

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, NY 10036, U.S.A., telephone number +1 (212) 761-4000.

1.1.3 *Legal and commercial name of Morgan Stanley*

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

1.1.4 *Legislation*

Morgan Stanley is subject both to the laws of the United States of America and to the General Corporation Law of the State of Delaware ("DGCL"). United States federal laws affect many aspects of corporate affairs in the United States and concern such diverse matters as antitrust, bankruptcy, labor-management relations, the sale of securities and taxation. Certain United States federal securities laws are administered by the SEC and generally prohibit the sale of securities by fraudulent means and require most corporations that have issued securities, which are publicly held, such as Morgan Stanley, to make periodic financial and other reports to the SEC and to shareholders.

In the United States, business corporations are generally incorporated under the laws of one of the states. Morgan Stanley is incorporated under the laws of the State of Delaware.

Effective December 1, 2005, Morgan Stanley became a consolidated supervised entity ("CSE") as defined by the SEC. As such, Morgan Stanley is subject to group-wide supervision and examination by the SEC and to minimum capital requirements on a consolidated basis. Morgan Stanley continues to work with its regulators on the implementation of the CSE rules and Basel II capital standards. As rules related to Basel II are released, Morgan Stanley will consult with regulators on the new requirements. Compliance with EU requirements (capital, oversight and reporting) will be a focus item through 2008.

1.1.5 *Recent events*

On December 19, 2006, Morgan Stanley announced that its Board of Directors had approved the spin-off of Discover in order to enhance shareholder value. The Discover Spin-off will allow Morgan Stanley to focus its efforts on more closely aligned firm-wide strategic priorities within its Institutional Securities, Global Wealth Management Group and Asset Management business segments. The Discover Spin-off is subject to regulatory approval and other customary conditions, and is expected to occur in the third quarter of fiscal 2007. At the time of the Discover Spin-off, shareholders of Morgan Stanley will receive shares in Discover on a tax-free basis.

1.2 **Investments**

1.2.1 *Principal investments*

The following is a description of the principal investments made since the date of the last published annual financial statements.

CityMortgage Bank. On December 21, 2006, Morgan Stanley acquired CityMortgage Bank ("CityMortgage"), a leading Moscow-based mortgage bank that specializes in originating, servicing and securitizing residential mortgage loans in the Russian Federation. The results of CityMortgage will be included within the Institutional Securities business segment.

Olco Petroleum Group Inc. On December 15, 2006, Morgan Stanley acquired a 60% equity stake in Olco Petroleum Group Inc. ("Olco"), a petroleum products marketer and distributor based in eastern Canada. The results of Olco will be included within the Institutional Securities business segment.

Saxon Capital, Inc. On December 4, 2006, Morgan Stanley acquired Saxon Capital, Inc. (“**Saxon**”), a servicer and originator of residential mortgages. The results of Saxon will be included within the Institutional Securities business segment.

FrontPoint Partners. On December 4, 2006, Morgan Stanley acquired FrontPoint Partners (“**FrontPoint**”), a leading provider of absolute return investment strategies. The results of FrontPoint will be included within the Asset Management business segment.

1.2.2 *Principal future investments*

To the best of Morgan Stanley’s knowledge, there are no principal future investments on which the management bodies of Morgan Stanley have already made a firm commitment.

2. OVERVIEW OF THE ACTIVITIES

2.1 Principal Activities

Morgan Stanley is a holding company 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.

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments—Institutional Securities, Global Wealth Management Group, Asset Management and Discover. A summary of the activities of each of the business segments follows.

Institutional Securities includes capital raising; financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; corporate lending; sales, trading, financing and market-making activities in equity securities and related products and fixed income securities and related products, including foreign exchange and commodities; benchmark indices and risk management analytics; research; and investment activities.

Global Wealth Management Group provides brokerage and investment advisory services covering various investment alternatives; financial and wealth planning services; annuity and insurance products; credit and other lending products; banking and cash management services; retirement services; and trust and fiduciary services.

Asset Management provides global asset management products and services in equity, fixed income, alternative investments and private equity to institutional and retail clients through proprietary and third party retail distribution channels, intermediaries and Morgan Stanley's institutional distribution channel. Asset Management also engages in investment activities.

Discover offers Discover®-branded credit cards and related consumer products and services and operates the Discover Network, a merchant and cash access network for Discover Network -branded cards, and PULSE EFT® Association LP (“**PULSE**”), an automated teller machine/debit and electronic funds transfer network. Discover also offers consumer finance products and services in the U.K., including Morgan Stanley-branded, Goldfish-branded and various other credit cards issued on the MasterCard® and Visa® networks. On December 19, 2006, Morgan Stanley announced that its Board of Directors had approved the spin-off of Discover in order to enhance shareholder value (the “**Discover Spin-off**”). The Discover Spin-off will allow Morgan Stanley to focus its efforts on more closely aligned firm-wide strategic priorities within its Institutional Securities, Global Wealth Management Group and Asset Management business segments. The Discover Spin-off is subject to regulatory approval and other customary conditions, and is expected to take place in the third quarter of 2007. At the time of the Discover Spin-off, Morgan Stanley shareholders will receive shares in Discover on a tax-free basis.

2.2 Principal Markets

Morgan Stanley conducts its business from its headquarters in New York City, its regional offices and branches throughout the U.S. and its principal offices in London, Tokyo, Hong Kong and other world financial centers.

All aspects of Morgan Stanley's businesses are highly competitive and Morgan Stanley expects them to remain so. Morgan Stanley competes in the U.S. and globally for clients, market share and human talent in all aspects of its business segments. Morgan Stanley's competitive position depends on its reputation, the quality of its products, services and advice. Morgan Stanley's ability to sustain or

improve its competitive position also depends substantially on its ability to continue to attract and retain qualified employees while managing compensation and other costs.

Institutional Securities and Global Wealth Management Group: Morgan Stanley's competitive position depends on innovation, execution capability and relative pricing. Morgan Stanley competes directly in the U.S., and globally with other securities and financial services firms and broker-dealers, and with others on a regional or product basis. Morgan Stanley competes with commercial banks, 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's ability to access capital at competitive rates (which is generally dependent on Morgan Stanley's credit ratings) and to commit capital efficiently, particularly in its capital-intensive underwriting and sales, trading, financing and market-making activities, also affects its competitive position. Corporate clients continue to request that Morgan Stanley provide loans or lending commitments in connection with certain investment banking activities.

Over time, certain sectors of the financial services industry have become more concentrated, as financial institutions involved in a broad range of financial services industries have been acquired by or merged into other firms. This convergence could result in Morgan Stanley's competitors gaining greater capital and other resources, such as a broader range of products and services and geographic diversity. It is possible that competition may become even more intense as Morgan Stanley continues to compete with financial institutions that may be larger, or better capitalized, or may have a stronger local presence and longer operating history in certain areas. Many of these firms have greater capital than Morgan Stanley and have the ability to offer a wide range of products that may enhance their competitive position and could result in pricing pressure in our businesses. The complementary trends in the financial services industry of consolidation and globalization present, among other things, technological, risk management, regulatory and other infrastructure challenges that require effective resource allocation in order for Morgan Stanley to remain competitive.

Morgan Stanley has experienced intense price competition in some of its businesses in recent years. In particular, the ability to execute trades electronically through the internet and other alternative trading systems has increased the pressure on trading commissions. The trend toward the use of alternative trading systems will likely continue. It is possible that Morgan Stanley will 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.

Asset Management: Competition in the asset management industry is affected by several factors, including Morgan Stanley's reputation, investment objectives, quality of investment professionals, performance of investment products relative to peers and an appropriate benchmark index, advertising and sales promotion efforts, fee levels, the effectiveness of and access to distribution channels, and the types and quality of products offered. Morgan Stanley's products compete with the funds and separately managed account products of other asset management firms and other investment alternatives.

Discover: Credit cards issued by Discover compete directly with other bank-issued credit cards (the vast majority of which bear the MasterCard or Visa servicemark), charge cards, credit cards issued by travel, entertainment and financial advisory companies and debit cards. Credit cards issued on the Discover Network by third parties may also compete with credit cards offered by Discover. Competition centers on merchant acceptance of credit and debit cards (either directly or through merchant acquirers), account acquisition and customer utilization of credit and debit cards. Merchant acceptance is based on, among other factors, competitive transaction pricing and the volume and usage of cards in circulation. Credit card account acquisition and customer utilization are driven by competitive and appealing credit card features, such as fee levels, interest rates and other customized

features targeting specific consumer groups. Credit card industry participants have increasingly used advertising, targeted marketing, account acquisitions and pricing competition in interest rates, annual fees, reward programs and low-priced balance transfer programs to compete and grow.

The Discover Network competes with other card networks, including among others, MasterCard, VISA and American Express. The principal competitive factors that affect the network business include the number of merchants that accept cards, the number of cards in force and the amount of spending on these cards, the quantity and quality of places where cards can be used, the economic attractiveness to card issuers and merchants participating in the network, reputation and brand recognition, innovation in systems, technology and product offerings, and quality of customer service.

3. ORGANISATIONAL STRUCTURE

Morgan Stanley is a holding company that provides, through its subsidiaries and affiliates, its products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals, through its subsidiaries and affiliates.

For further information see section “Overview of the activities” above.

Structure of the Group

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Morgan Stanley	Delaware
Arara LLC	Delaware
Bayfine DE LLC	Delaware
Bayview Holding Ltd.	Cayman Islands
Bayfine Cayman Ltd.	Cayman Islands
Bayfine DE Inc.	Delaware
Bayfine UK	United Kingdom
Belmondo LLC	Delaware
Cauca LLC	Delaware
Corporate Equipment Supplies, Inc.	Delaware
Cournot Capital Inc.	Delaware
Dean Witter Alliance Capital Corporation	Delaware
Dean Witter Capital Corporation	Delaware
Dean Witter Realty Inc.	Delaware
Dean Witter Holding Corporation	Delaware
Civic Center Leasing Corporation	Delaware
Lewiston Leasing Corporation	Delaware
Sartell Leasing Corporation	Delaware
Dean Witter Leasing Corporation	Delaware
Dean Witter Realty Credit Corporation	Delaware
Dean Witter Realty Fourth Income Properties Inc.	Delaware
Dean Witter Realty Growth Properties Inc.	Delaware
Dean Witter Realty Income Properties I Inc.	Delaware
Dean Witter Realty Income Properties II Inc.	Delaware
Dean Witter Realty Income Properties III Inc.	Delaware
Dean Witter Realty Yield Plus Inc.	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Dean Witter Realty Yield Plus II Inc.	Delaware
Realty Management Services Inc.	Delaware
Dean Witter Reynolds Venture Equities Inc.	Delaware
Demeter Management Corporation	Delaware
Early Adoper Fund Manager Inc.	Delaware
Fuegos LLC	Delaware
FV-I, Inc.	Delaware
GSS III Funding, Inc.	Delaware
GSS III Funding Partner, Inc.	Delaware
Global Special Situations III Funding L.P.	Delaware
Japan Core Funding Inc.	Delaware
Jolter Investments Inc.	Delaware
Merope LLC	Delaware
Electra Ltd	Cayman Islands
Maia Ltd	Cayman Islands
Millport Holdings LLC	Delaware
Millport I LLC	Delaware
Morgan Rundle Inc.	Delaware
MR Ventures Inc.	Delaware
Morgan Stanley & Co. Incorporated	Delaware
Design Enterprises Limited	British Virgin Islands
DigitalGlobe, Inc. *	Delaware
Graystone Wealth Management Services LLC	Delaware
Morgan Stanley Flexible Agreements Inc.	Delaware
Morgan Stanley Management Services II, Inc.	Delaware
MS Securities Services Inc.	Delaware
Prime Dealer Services Corp.	Delaware
TVN Entertainment Corp.*	Delaware
V2 Music (Holdings) Limited*	United Kingdom
V2 Music Group Limited	United Kingdom
JBO Limited	United Kingdom
Timbuktu Music Limited*	United Kingdom
V2 Holdings (USA), Inc.	Delaware
E Musica Entertainment Group Inc.*	Delaware
E Musica Acquisition Corporation	Delaware
E Musica Holdings Inc.	Delaware
Musiteca Music Corporation	Delaware
Protel Records Inc.	Delaware
Revolu Inc.	Delaware
Soundmex Inc.	New York
E Musica Records LLC	Delaware
E Musica Publishing LLC	Delaware
Kubaney Acquisition, LLC	Delaware
Gee Street Records, Inc.	Delaware
V2 Records (Canada) Inc.	Canada
V2 Records, Inc.	Delaware
V2 Matrix Limited	United Kingdom
V2 Music (France) Sàrl	France
V2 Music Limited	United Kingdom
V2 Music Scandinavia AB	Sweden

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
V2 Records (Nederland) BV	The Netherlands
V2 Records Australia Pty Ltd	Australia
V2 Records Belgium SA	Belgium
V2 Records GmbH	Germany
V2 Records Hellas SA*	Greece
V2 Records International Limited	United Kingdom
V2 Records Italy Srl	Italy
V2 Records Japan Inc.	Japan
V2 Records Norge SA	Norway
V2 Records Spain SL	Spain
V2 TV Limited	United Kingdom
V2 Music Publishing (Holdings) Limited	United Kingdom
V2 Music Publishing France Sarl	France
V2 Music Publishing Holdings (USA) Inc.	Delaware
Gee Street Sounds, Inc.	Delaware
In Bed Music, Inc.*	Delaware
Realization Music Ltd.*	Delaware
Tunes of V2 America	Delaware
Songs of V2 America, Inc.	Delaware
Music of V2 America, Inc.	Delaware
V2 Music Publishing Limited	United Kingdom
V2 Publishing (Italy) S.A.	Italy
V2 Publishing (Holdings) Limited	United Kingdom
Morgan Stanley ABS Capital I Inc.	Delaware
Morgan Stanley ABS Capital II Inc.	Delaware
Morgan Stanley Altabridge Ltd.	Cayman Islands
Morgan Stanley Amanu LLC	Delaware
Makatea JV Inc.	Delaware
Morgan Stanley Moorea Inc.	Delaware
Morgan Stanley Pinaki Limited	Cayman Islands
Morgan Stanley Raraka Limited	Cayman Islands
Morgan Stanley Tepoto Limited	Cayman Islands
Morgan Stanley Asset Funding Inc.	Delaware
Morgan Stanley Becketts LLC	Delaware
Morgan Stanley Copse LLC	Delaware
Morgan Stanley Chapel LLC	Delaware
Woodcote Capital S.à.r.l.	Luxembourg
Morgan Stanley Atlas, Inc.	Delaware
Morgan Stanley Biscay LLC	Delaware
Morgan Stanley Alpha Investments LLP	United Kingdom
Morgan Stanley Epsilon Investments Limited	United Kingdom
Morgan Stanley Leitrim S.à.r.l	Luxembourg
Morgan Stanley Plymouth Limited	Cayman Islands
Morgan Stanley Cork Limited	Cayman Islands
Morgan Stanley Viking LLC	Delaware
Morgan Stanley Fastnet LLC	Delaware
Morgan Stanley Humber LLC	Delaware
Fitzroy Partnership	Delaware
Morgan Stanley Kite LLC	Delaware
Morgan Stanley Firecrest LLC	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Morgan Stanley Puffin LLC	Delaware
Morgan Stanley Semaine Sari	Luxembourg
Ras Dashen Cayman Ltd.	Delaware
Morgan Stanley Boscastle Holding Limited	Cayman Islands
Morgan Stanley Cornerways Cayman Limited	Cayman Islands
Morgan Stanley Monmouth UK	United Kingdom
Morgan Stanley White Horse UK	United Kingdom
Morgan Stanley Capital I Inc.	Delaware
Morgan Stanley Capital Group Inc.	Delaware
Heidmar Group Inc.	Delaware
GT Energy Corporation	Texas
Houston Marine Services, Inc.	Texas
Heidenreich Marine Inc.	Liberia
Canterbury Tankers LLC	Marshall Islands
Darien Tankers Inc.	Liberia
Heidenreich Marine Investments LLC	Marshall Islands
Global Lightering Solutions LLC	Marshall Islands
Heidenreich Lightering Services Inc.	Liberia
Heidenreich Marine (UK) Limited	United Kingdom
Heidmar Euro LLC	Marshall Islands
Heidmar (Far East) LLC	Marshall Islands
Heidmar (Far East) Pte. Ltd.	Singapore
Heidmar Force Inc.	Liberia
Protank Shipping Inc.	Liberia
Heidmar International Pools Inc.	Liberia
Dorado Tankers Inc.	Liberia
Marida Tankers Inc.	Liberia
Sigma Tankers Inc.	Liberia
Star Tankers Inc.	Liberia
Heidmar LLC	Marshall Islands
Heidenreich Marine Caracas, C.A.	Venezuela
Heidmar Lightering Inc.	Liberia
Norwalk Tankers Inc.	Liberia
Q88.Com LLC	Marshall Islands
QFleet Com LLC	Marshall Islands
Unicorn-Heidmar Tankers LLC	Marshall Islands
Heidmar Intermediate Holdings Limited	Cayman Islands
Morgan Stanley Capital Group (España), S.L.	Spain
Morgan Stanley Energy Development Corp.	Delaware
Morgan Stanley Petroleum Development LLC	Delaware
MSDW Power Development Corp.	Delaware
Minnewit B.V.	The Netherlands
MS Retail Development Corp.	Delaware
Naniwa Energy LLC	Delaware
Naniwa Terminal LLC	Delaware
Power Contract Finance, L.L.C.	Delaware
Power Contract Financing II, Inc.	Delaware
Power Contract Financing II, L.L.C.	Delaware
South Eastern Electric Development Corporation	Delaware
South Eastern Generating Corporation	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
TransMontaigne Inc.	Delaware
TransMontaigne Product Services Inc.	Delaware
TransMontaigne Services Inc.	Delaware
TransMontaigne Transport Inc.	Delaware
Coastal Tug and Barge, Inc.	Delaware
Morgan Stanley Capital International Inc. *	Delaware
Barra, Inc.	Delaware
Barra International Ltd.	Delaware
BarraConsult Ltda.	Brazil
Barra International (Australia) Pty Ltd	Australia
Investment Performance Objects Pty Ltd	Australia
Barra Japan Co., Ltd	Japan
Barra Ventures, Inc.	Delaware
Barra Holding Company Ltd	United Kingdom
Barra POSIT, Inc.	Delaware
Financial Engineering Associates, Inc.	California
MSCI Barra Financial Information Consultancy (Shanghai) Limited Note: legal name is 博跃财经信息咨询(上海)有限公司	People's Rep. of China
Morgan Stanley Capital International Australia Pty Limited	Australia
Morgan Stanley Capital International Limited	United Kingdom
Morgan Stanley Capital International S.A.	Switzerland
Morgan Stanley Capital International Services Private Limited	India
Morgan Stanley Capital International Singapore Pte Limited	Singapore
Morgan Stanley Capital Management, LLC	Delaware
Morgan Stanley Domestic Capital, Inc.	Delaware
Morgan Stanley Bank	Utah
Morgan Stanley Credit Corporation	Delaware
NOVUS Receivables Financing Inc.	Delaware
Morgan Stanley Credit Corporation of Iowa	Iowa
Morgan Stanley Credit Corporation of Minnesota	Minnesota
Morgan Stanley Credit Corporation of Pennsylvania	Pennsylvania
Morgan Stanley Credit Corporation of Tennessee	Tennessee
NOVUS Credit Services Inc.	Delaware
Discover Community Development Corporation	Delaware
Bank of New Castle	Delaware
Discover Bank	Delaware
Discover Products Inc.	Utah
GTC Insurance Agency, Inc.	Delaware
Discover Card Limited	Gibraltar
Discover Financial Services (Canada), Inc.	Canada
Discover Financial Services LLC	Delaware
PULSE EFT GP LLC	Delaware
PULSE EFT Association L.P.	Delaware
Money Station, Inc.	Ohio
Tyme Corporation	Virginia
PULSE LP LLC	Delaware
Discover Financial Services Insurance Agency, Inc.	Delaware
Discover Services Corporation	Delaware
SCFC Receivables Corp.	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Discover Receivables Financing Corporation	Delaware
NOVUS Financial Corporation of Washington	Washington
Morgan Stanley Capital Partners III, Inc.	Delaware
Morgan Stanley Capital REFT Inc.	Delaware
Morgan Stanley Capital Services Inc.	Delaware
Morgan Stanley Baltic Limited	Cayman Islands
Morgan Stanley Caspian Limited	Cayman Islands
MS Avondale 1 B.V.	The Netherlands
MS Avondale 2 B.V.	The Netherlands
Morgan Stanley Capital Trust II	Delaware
Morgan Stanley Capital Trust III	Delaware
Morgan Stanley Capital Trust IV	Delaware
Morgan Stanley Capital Trust V	Delaware
Morgan Stanley Commercial Financial Services, Inc.	Delaware
Morgan Stanley Commercial Mortgage Capital, Inc.	Delaware
Morgan Stanley Content Corporation	Delaware
Morgan Stanley Credit Enhancing Inc.	Delaware
Morgan Stanley Credit Servicing Inc.	Delaware
Morgan Stanley Dean Witter Equity Funding, Inc.	Delaware
Morgan Stanley Dean Witter International Incorporated	Delaware
Dean Witter International Ltd.	United Kingdom
Dean Witter Reynolds GmbH	Germany
Dean Witter Reynolds International, Inc.	Panama
Dean Witter Reynolds (Geneva) S.A.	Switzerland
Dean Witter Reynolds (Lausanne) S.A.	Switzerland
Dean Witter Reynolds (Lugano) S.A.	Switzerland
River View International Inc.	Delaware
Morgan Stanley Dean Witter Wealth Management, Inc.	Delaware
Morgan Stanley Derivative Products Inc.	Delaware
Morgan Stanley Distributors Inc.	Delaware
Morgan Stanley Domestic Leasing Inc.	Delaware
Morgan Stanley DW Inc.	Delaware
Dean Witter Reynolds Insurance Agency (Massachusetts) Inc.	Massachusetts
Dean Witter Reynolds Insurance Agency (Ohio) Inc.	Ohio
Dean Witter Reynolds Insurance Agency (Oklahoma) Inc.	Oklahoma
Dean Witter Reynolds Insurance Agency (Texas) Inc.	Texas
Dean Witter Reynolds Insurance Services (Illinois) Inc.	Illinois
Dean Witter Reynolds Insurance Services, Inc. (Puerto Rico)	Puerto Rico
Dean Witter Reynolds Insurance Services (Maine) Inc.	Maine
Dean Witter Reynolds Insurance Services (Montana) Inc.	Montana
Dean Witter Reynolds Insurance Services (Nevada) Inc.	Nevada
Dean Witter Reynolds Insurance Services (New Hampshire) Inc.	New Hampshire
Dean Witter Reynolds Insurance Services (South Dakota) Inc.	South Dakota
Dean Witter Reynolds Insurance Services (Washington) Inc.	Washington
Dean Witter Reynolds Insurance Services (Wyoming) Inc.	Wyoming
Morgan Stanley Dean Witter Insurance Services (Alabama) Inc.	Alabama
Morgan Stanley Dean Witter Insurance Services (Arizona) Inc.	Arizona
Morgan Stanley Dean Witter Insurance Services (Arkansas) Inc.	Arkansas
Morgan Stanley Insurance Services Inc.	Delaware
Dean Witter Reynolds Insurance Agency (Indiana) Inc.	Indiana

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Morgan Stanley Investment Management (Korea) Limited Legal Name: 모간스탠리 투자자문 주식회사	Republic of Korea
Morgan Stanley Elan LLC	Delaware
Cimarron Investments LLC	Delaware
Riva Investments LLC	Delaware
Morgan Stanley Emerging Markets Inc.	Delaware
Always Limited	Cayman Islands
Hybrid Capital Y.K.	Japan
Inter Capital Alliance Company Limited *	Thailand
MS China 1 Limited	Cayman Islands
MS China 2 Limited	Cayman Islands
MS China 3 Limited	Cayman Islands
MS China 4 Limited	Cayman Islands
MS China 5 Limited	Cayman Islands
DAH Limited	Cayman Islands
Dare Limited	Cayman Islands
Dash Limited	Cayman Islands
MS China 6 Limited	Cayman Islands
MS China 7 Limited	Cayman Islands
MS China 8 Limited	Cayman Islands
MSGHYLADD	Ireland
MSJI LLC	Delaware
Philippine Asset Investment (SPY - AMC) Inc.	The Philippines
Morgan Stanley Equity Services Inc.	Delaware
Morgan Stanley Europa LLC	Delaware
Morgan Stanley Callisto Cayman Ltd.	Cayman Islands
Morgan Stanley Elara Cayman Ltd.	Cayman Islands
Morgan Stanley Eurydome Cayman Ltd.	Cayman Islands
Morgan Stanley Luxembourg Holdings Sarl	Luxembourg
Morgan Stanley Luxembourg Reinsurance S.A.	Luxembourg
Morgan Stanley Stoneyside Cayman Limited	Cayman Islands
Morgan Stanley Himalia Cayman Limited	Cayman Islands
Morgan Stanley Sinope Cayman Limited	Cayman Islands
Morgan Stanley Adrastea Netherlands B.V.	The Netherlands
Morgan Stanley IO Cayman Limited	Cayman Islands
Morgan Stanley Iocaste Cayman Limited	Cayman Islands
Morgan Stanley Pasiphae Netherlands B.V.	The Netherlands
Morgan Stanley Leda Ltd.	Cayman Islands
Morgan Stanley Finance (Jersey) Limited	Jersey, Channel Is.
Morgan Stanley Fund Capital (Jersey) Limited	Jersey, Channel Is.
Morgan Stanley Funding, Inc.	Delaware
Morgan Stanley Funding Services Corporation	Delaware
Morgan Stanley Fund Services Inc.	Delaware
Morgan Stanley Fund Services (Bermuda) Ltd.	Bermuda
Morgan Stanley Fund Services (Cayman) Ltd.	Cayman Islands
Morgan Stanley Fund Services (Ireland) Limited	Ireland
Morgan Stanley Fund Services (UK) Limited	United Kingdom
Morgan Stanley Fund Services USA LLC	Delaware
Morgan Stanley Galway LLC	Delaware
Morgan Stanley Clare Sarl	Luxembourg

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Morgan Stanley Global Emerging Markets, Inc.	Delaware
Morgan Stanley International Holdings Inc.	Delaware
Arigil Menkul Degerler A.S.	Turkey
Arno Limited	Cayman Islands
European Principal Assets Limited	United Kingdom
Credito Fondario e Industriale - Fonspa SpA	Italy
Morgan Stanley AB	Sweden
Morgan Stanley Advantage Services Private Limited	India
Morgan Stanley Asia Holdings I Inc.	Delaware
Morgan Stanley Asia Holdings II Inc.	Delaware
Morgan Stanley Asia Holdings III Inc.	Delaware
Morgan Stanley Asia Holdings IV Inc.	Delaware
Morgan Stanley Asia Holdings VI Inc.	Delaware
Morgan Stanley Asia Pacific (Holdings) Limited	Cayman Islands
Morgan Stanley Asia Regional (Holdings) III LLC	Cayman Islands
Morgan Stanley Dean Witter (Singapore) Holdings Pte Ltd	Singapore
Morgan Stanley Asia (Singapore) Securities Pte Ltd	Singapore
Morgan Stanley Dean Witter Asia (Singapore) Pte	Singapore
Morgan Stanley Dean Witter Capital Group (Singapore) Pte	Singapore
Morgan Stanley Investment Management Company	Singapore
Morgan Stanley Labuan Investment Bank Limited	Labuan/Malaysia
Morgan Stanley Dean Witter (Hong Kong) Holdings	Hong Kong
Morgan Stanley Asia International Limited	Cayman Islands
Morgan Stanley Hong Kong 1238 Limited	Hong Kong
MSDW Asia Securities Products LLC	Cayman Islands
Morgan Stanley Asia Products Limited	Cayman Islands
Morgan Stanley Dean Witter Asia Limited	Hong Kong
Morgan Stanley Dean Witter Asia (Taiwan) Ltd.	Rep. of China
Morgan Stanley Dean Witter Futures (Hong Kong) Limited	Hong Kong
Morgan Stanley Dean Witter Hong Kong Securities Limited	Hong Kong
Morgan Stanley Dean Witter Pacific Limited	Hong Kong
Morgan Stanley Investment Consultancy (Beijing) Company Limited Note: Legal Name is 摩根士丹利投資顧問北京有限公司	People's Rep. of China
Morgan Stanley Hong Kong 1239 Limited	Hong Kong
Morgan Stanley Information Technology (Shanghai) Limited Note: Legal Name is 摩根士丹利信息技术(上海)有限公司	People's Rep. of China
Morgan Stanley Services Limited	Australia
MSDW-JL Holdings I Limited	Cayman Islands
Morgan Stanley Bosphorus Limited	Cayman Islands
Morgan Stanley Canmore Limited	Cayman Islands
Morgan Stanley Caledonia Limited	Cayman Islands
Morgan Stanley Japan (Holdings) Ltd.	Cayman Islands
City Forum Capital Limited	Cayman Islands
Morgan Stanley Dean Witter Japan Group, Ltd.	Cayman Islands
MSDW-JL Holdings II Limited	Cayman Islands

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Morgan Stanley Products Limited	Cayman Islands
MS Capital Cayman Ltd.	Cayman Islands
MS Remora Ltd.	Cayman Islands
MSJL Holdings 4682 Limited	Cayman Islands
MSJL Holdings Limited	Cayman Islands
Jipang Mortgage Finance Co., Ltd.	Japan
Morgan Stanley Japan Group Co., Ltd.	Japan
Morgan Stanley Japan Securities Co., Ltd	Japan
MSJS Preferred YK	Japan
MSDW Birkdale Limited	Cayman Islands
MSDW Portrush Limited	Cayman Islands
MSDW (Holdings) III Limited	Cayman Islands
Morgan Stanley Credit Services Japan Limited	Cayman Islands
MSDW Muirfield Limited	Cayman Islands
MSDW Lytham Limited	Cayman Islands
Swilken Limited	Cayman Islands
Morgan Stanley Asset & Investment Trust Management Co., Limited	Japan
Morgan Stanley Asset Management S.A.	Luxembourg
Morgan Stanley Bank AG	Germany
Morgan Stanley B.V.	The Netherlands
Morgan Stanley Canada Limited	Canada
Morgan Stanley Capital S.A. de C.V., SOFOM, E.N.R.	Mexico
Morgan Stanley Capital (Luxembourg) S.A.	Luxembourg
Morgan Stanley Cayman Holdings I Limited	Cayman Islands
Morgan Stanley Commodities Trading Cayman Holdings Limited	Cayman Islands
Morgan Stanley Commodities Trading Hong Kong Holdings Limited	Hong Kong
Morgan Stanley Commodities Trading (China) Limited (摩根士丹利商貿(中國)有限公司)	People's Rep. of China
Morgan Stanley Dean Witter Asia (China) Limited	Hong Kong
Morgan Stanley Dean Witter Australia Finance Limited	Australia
Morgan Stanley (Australia) Real Estate Holdings Pty Limited	Australia
Morgan Stanley (Australia) Servco Pty Limited	Australia
Morgan Stanley International Real Estate Limited	Australia
Morgan Stanley Dean Witter Hong Kong Nominees Limited	Hong Kong
Morgan Stanley Dean Witter Mauritius Company Limited	Mauritius
Morgan Stanley Asia Regional (Holdings) II LLC	Cayman Islands
Morgan Stanley India Securities Private Limited *	India
JM Morgan Stanley Securities Private Limited *	India
Morgan Stanley Investment Management Private Limited *	India
MSIM Global Support and Technology Services Private Limited	India
Morgan Stanley Dean Witter (Thailand) Limited	Thailand
Morgan Stanley Elbe GmbH	Germany
Morgan Stanley Weser GmbH	Germany
Morgan Stanley (España), S.A.	Spain
Morgan Stanley Havel GmbH	Germany
Morgan Stanley Warta GmbH	Germany
Morgan Stanley Werra GmbH & Co. KG	Germany
Morgan Stanley Hungary Analytics Kft.	Hungary
Morgan Stanley International Limited	United Kingdom

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Morgan Stanley Funding II Limited	Jersey, Channel Is.
Morgan Stanley Group (Europe)	United Kingdom
Advantage Home Loans Limited	United Kingdom
Bayfine UK Products	United Kingdom
Morgan Stanley Bramley Limited	United Kingdom
Morgan Stanley Capital Group Limited	United Kingdom
Morgan Stanley Card Services Limited	United Kingdom
Morgan Stanley (Europe) Limited	United Kingdom
Morgan Stanley Finance plc	United Kingdom
Morgan Stanley Caballa Limited	United Kingdom
Morgan Stanley Gastoro Limited	United Kingdom
Morgan Stanley Pintado Investments Limited	United Kingdom
Woburn IV Cooperatieve UA	The Netherlands
Woburn V Cooperatieve UA	The Netherlands
MSDW Corporate Holdings Limited	United Kingdom
MSDW Corporate Investments I Limited	Jersey, Channel Is.
MSDW Corporate Investments II Limited	Jersey, Channel Is.
Sunningdale Cooperatieve UA	The Netherlands
Woburn Cooperatieve UA	The Netherlands
Wentworth Cooperatieve U.A.	The Netherlands
Morgan Stanley Gala Limited	Jersey, Channel Is.
Morgan Stanley Investment Management Limited	United Kingdom
Morgan Stanley Investment Management (ACD) Limited	United Kingdom
Morgan Stanley JY Holdings Limited	United Kingdom
Morgan Stanley JY Limited	United Kingdom
Morgan Stanley Laxton	United Kingdom
Morgan Stanley Bank International Limited	United Kingdom
Nan Tung Bank Ltd. Zhuhai (珠海南通銀行)	People's Rep. of China
Morgan Stanley Property Management (UK) Limited	United Kingdom
Morgan Stanley Services (UK) Limited	United Kingdom
Morgan Stanley Strategic Funding Limited	United Kingdom
Morgan Stanley (Structured Products) Jersey Limited	Jersey, Channel Is.
Morgan Stanley UK Group	United Kingdom
Morgan Stanley & Co. International Limited	United Kingdom
Morgan Stanley Bowline Limited	United Kingdom
Archimedes Investments Cooperatieve U.A.	The Netherlands
Christoffelberg Cooperatieve UA	The Netherlands
Morgan Stanley Bridel S.a.r.l.	Luxembourg
Morgan Stanley Dean Witter Strategic Investments Limited	United Kingdom
MSDW Lyle Investments Limited	United Kingdom
Morgan Stanley Dover Investments Limited	United Kingdom
Morgan Stanley Penberthy Limited	United Kingdom
Hanger Straight Limited	Cayman Islands
Morgan Stanley Equity Finance (Denmark) ApS	Denmark
Morgan Stanley Equity Financing Services (Sweden) AB	Sweden
Morgan Stanley Fisher Investments Limited	United Kingdom
Ashwood Cooperatieve U.A.	The Netherlands
Woburn VI Cooperatieve U.A.	The Netherlands

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Morgan Stanley (France) SAS	France
Morgan Stanley International Nominees Limited	United Kingdom
Morgan Stanley Lundy Investments Limited	United Kingdom
Morgan Stanley Mandarin Limited	United Kingdom
Morgan Stanley Harlequin Investments Limited	United Kingdom
Metsys Cooperatieve U.A.	The Netherlands
Morgan Stanley Pintail Investments Limited	United Kingdom
Bonaire Cooperatieve U.A.	The Netherlands
Tamboer Cooperatieve U.A.	The Netherlands
Orangewood Cooperatieve U.A.	The Netherlands
Saenredam Cooperatieve UA	The Netherlands
Saldanha Cooperatieve U.A.	The Netherlands
Morgan Stanley Neudorf S.a.r.l.	Luxembourg
Morgan Stanley Rivelino Investments Limited	United Kingdom
Morgan Stanley Dolor Limited	Cayman Islands
Morgan Stanley Gerson Limited	Cayman Islands
Morgan Stanley Tostao Limited	Cayman Islands
Denilson Company Pty Limited	Australia
Everaldo LP	Australia
Morgan Stanley Zico Investments Limited	United Kingdom
Morgan Stanley Silvermere Limited	United Kingdom
Morgan Stanley Shanklin Limited	Cayman Islands
Morgan Stanley Northcote Investments Limited	United Kingdom
Borderwijk Cooperatieve U.A.	The Netherlands
Morgan Stanley Norton Investments Limited	United Kingdom
Bermont Co-operatieve U.A.	The Netherlands
Shavano Cooperatieve UA	The Netherlands
Morgan Stanley Yarmouth Limited	Cayman Islands
Morgan Stanley Wertpapiere GmbH	Germany
MSDW Turnberry Ltd.	United Kingdom
Eustatius Cooperatieve U.A.	The Netherlands
MSDW Jubilee Investments Ltd.	United Kingdom
Augusta Cooperatieve UA	The Netherlands
MSDW Eden Investments Ltd.	United Kingdom
MSDW Mallard Investments Limited	United Kingdom
Brit Alliance Finance B.V.*	The Netherlands
Carysforth Investments Limited	Cayman Islands
Haddington Investments Limited	Cayman Islands
MSDW Montgomerie Limited	United Kingdom
Wadway 1 Cooperatieve U.A.	The Netherlands
Wadway 2 Cooperatieve U.A.	The Netherlands
Morgan Stanley Humboldt Investments Limited	United Kingdom
Morgan Stanley Malin Investments Limited	United Kingdom
Morgan Stanley Portland Investments Limited	United Kingdom
MSDW Raleigh Investments Limited	United Kingdom
Drake Investments Limited *	Cayman Islands
Livingstone Investments Limited	Jersey, Channel Is.
Woburn III Cooperatieve UA	The Netherlands
Morgan Stanley & Co. Limited	United Kingdom
East Sussex Financieng Limited	Jersey, Channel Is.

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Cottenden Financing Unlimited	Jersey, Channel Is.
Morgan Stanley Foreign Complex Trust	Delaware
Morgan Stanley Foreign Complex Trust 1X	Delaware
Morgan Stanley Securities ACD Limited	United Kingdom
Morgan Stanley Securities Limited	United Kingdom
Morstan Nominees Limited	United Kingdom
MSDW Equity (UK) Plc	United Kingdom
Morgan Stanley Taiwan Limited	Republic of China
Morgan Stanley UK Limited	United Kingdom
Morgan Stanley Trustee Limited	United Kingdom
OOO Morgan Stanley Bank	Russian Federation
MS Leasing UK Limited	United Kingdom
Morgan Stanley Finance (C.I.) Limited	Jersey, Channel Is.
MSDW Fixed Income Limited	Jersey, Channel Is.
Willow Capital Limited	Jersey, Channel Is.
Morgan Stanley Investment Management (Australia) Pty Limited	Australia
Morgan Stanley Investments (Mauritius) Limited	India
Morgan Stanley Isar GmbH	Germany
Morgan Stanley Spree GmbH	Germany
Morgan Stanley (Israel) Ltd.	Israel
Morgan Stanley Japan Limited	Cayman Islands
Morgan Stanley Latin America Incorporated	Delaware
Banco Morgan Stanley Dean Witter S.A.	Brazil
Morgan Stanley Dean Witter Administradora de Carteiras S.A.	Brazil
Morgan Stanley Dean Witter Corretora de Titulos e Valores Mobiliários S.A.	Brazil
Morgan Stanley Dean Witter do Brasil Ltda.	Brazil
Morgan Stanley Uruguay Ltda.	Uruguay
MSLA Advisors Incorporated	Delaware
Morgan Stanley Middle East Inc.	Delaware
Morgan Stanley Mortgage Servicing Ltd.	United Kingdom
Morgan Stanley Newport S.a.r.l.	Luxembourg
Morgan Stanley Pacific Services Limited	United Kingdom
Morgan Stanley Private Equity Management Korea, Ltd.	Republic of Korea
Morgan Stanley Real Estate Investment GmbH	Germany
Morgan Stanley SGR (Società di Gestione del Risparmio) SpA	Italy
Morgan Stanley South Africa (Pty) Limited	South Africa
Morgan Stanley, S.V., S. A.	Spain
AB Asesores Bursátiles Cordoba, S.A.	Spain
AB Asesores Ceuta, S.L.	Spain
Morgan Stanley Consulting, S.A.	Spain
Morgan Stanley Gestion Pensiones EGFP, S.A.	Spain
Morgan Stanley Gestion SGIIC, S.A.	Spain
Morgan Stanley Swiss Holdings GmbH	Switzerland
Bank Morgan Stanley AG	Switzerland
Fosbury Investments Cooperatieve U.A.	The Netherlands
Morgan Stanley Trading Beteiligungs-GmbH	Germany
MSAM/Kokusai (Cayman Islands), Inc.	Cayman Islands
MSAM/Kokusai II (Cayman Islands), Inc.	Cayman Islands
MSDW Equity Financing Services (Luxembourg) S.à.r.l.	Luxembourg

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
MSDW Finance (Netherlands) BV	The Netherlands
MS Italy (Holdings) Inc.	Delaware
MSL Incorporated	Delaware
Morgan Stanley SPY I (Cayman Islands) LLC	Cayman Islands
Farlington Company	Ireland
ITALSEC S.r.l.	Italy
Providence DE LLC	Delaware
Providence Canada Co.	Canada
Providence Cayman Investments Limited	Cayman Islands
Providence DE Investments Co.	Delaware
PT Morgan Stanley Indonesia	Indonesia
YK Hybrid Capital Second	Japan
Morgan Stanley International Incorporated	Delaware
Morgan Stanley Asia Holdings V Inc.	Delaware
Morgan Stanley (Australia) Holdings Pty Limited	Australia
Morgan Stanley (Australia) Securities Holdings Pty Limited	Australia
Morgan Stanley Dean Witter Australia Securities Limited	Australia
Morgan Stanley Dean Witter Australia Securities (Nominee) Pty Limited	Australia
Morgan Stanley Capital Holdings	United Kingdom
Morgan Stanley Dean Witter Financial Holdings, LLC	Delaware
Morgan Stanley Dean Witter Hong Kong Finance Limited	Hong Kong
Morgan Stanley Dean Witter UK Capital Limited	United Kingdom
Morgan Stanley Dean Witter HK RAV IV, LLC	Delaware
Morgan Stanley International Finance S.A.	Luxembourg
Morgan Stanley Shannon Limited	Cayman Islands
Morgan Stanley Brighton Limited	Cayman Islands
Morgan Stanley Kerry Limited	Cayman Islands
Morgan Stanley Dean Witter Australia Limited	Australia
Morgan Stanley International Insurance Ltd.	Bermuda
MSIIL Captive Insurance, Inc.	Arizona
Morgan Stanley Offshore Investment Company Ltd.	Cayman Islands
Morgan Stanley Select Investment Strategies Ltd.	Cayman Islands
Morgan Stanley SerCo Solutions Pty Limited	Australia
Morgan Stanley SPY II (Cayman Islands) LLC	Cayman Islands
MSDW Investment Holdings Limited	Cayman Islands
Cabot 2 Limited	United Kingdom
MS Cabot Inc.	Delaware
MSDW Investment Holdings (US) Inc.	Delaware
Morgan Stanley UK Trader	United Kingdom
Morgan Stanley Corporate Trader	United Kingdom
Morgan Stanley Financial Trader	United Kingdom
Morgan Stanley Equity Trader	United Kingdom
Morgan Stanley Russet LLP	United Kingdom
MSDW Investment Holdings (UK) Ltd.	United Kingdom
Cabot 1 Limited	United Kingdom
Applied Risc Technologies Limited	United Kingdom
Cornwall Financing UK Limited	Jersey, Channel Is.
Morgan Stanley Cornwall Investments UK Limited	Jersey, Channel Is.
Morgan Stanley Investment Holdings Jersey Limited	Jersey, Channel Is.

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Hampshire Trading B.V. *	The Netherlands
Lancashire Trading B.V.	The Netherlands
Norfolk Trading B.V.	The Netherlands
Suffolk Trading B.V. *	The Netherlands
Wiltshire Trading B.V.	The Netherlands
Morgan Stanley Funding Limited	Jersey, Channel Is.
Yorkshire Trading B.V.	The Netherlands
Morgan Stanley Cumbria Investments	United Kingdom
Morgan Stanley Derivative Products (Netherlands) B.V	The Netherlands
Morgan Stanley Equity Finance (Malta) Limited	Malta
Morgan Stanley Durham Investments Limited	United Kingdom
Morgan Stanley Langton Limited	United Kingdom
Morgan Stanley Equity Holdings (Ireland) Limited	Ireland
Morgan Stanley Derivative Products (Spain) SL	Spain
Morgan Stanley Longcross Limited	United Kingdom
Morgan Stanley Investment Advisors Inc.	Delaware
Morgan Stanley Services Company Inc.	Delaware
Morgan Stanley Investment Management Inc.	Delaware
Morgan Stanley AIP Funding Inc.	Delaware
Morgan Stanley Alternative Investments Inc.	Delaware
Morgan Stanley AIP (Cayman) GP Ltd.	Cayman Islands
Morgan Stanley AIP GP LP	Delaware
Morgan Stanley Alternative Investment Partners LP	Delaware
Morgan Stanley Comprehensive Alternatives Fund I LP	Delaware
Morgan Stanley Distribution, Inc.	Pennsylvania
Morgan Stanley Global Franchise Inc.	Delaware
Morgan Stanley (Jersey) Limited	Jersey, Channel Is.
Morgan Stanley Kristinestad LLC	Delaware
Morgan Stanley Leveraged Equity Fund II, Inc.	Delaware
Morgan Stanley Dean Witter Private Equity Asia Limited	Hong Kong
Morgan Stanley Leveraged Equity Holdings Inc.	Delaware
Morgan Stanley Market Products Inc.	Delaware
Morgan Stanley Milla LLC	Delaware
Morgan Stanley Lineker LLC	Delaware
Morgan Stanley ML Acquisition Inc.	Delaware
Morgan Stanley Mortgage Capital Inc.	New York
Angle Merger Subsidiary	Maryland
Morgan Stanley Dean Witter Asset Capital Inc.	Delaware
MS LIQ-I, Inc.	New York
MSSHG I Ltd.	Cayman Islands
Morgan Stanley Municipal Funding Inc.	Delaware
Morgan Stanley Municipal Management, Inc.	Delaware
Morgan Stanley Overseas Finance Ltd.	Cayman Islands
Morgan Stanley Overseas Services (Jersey) Limited	Jersey, Channel Is.
Morgan Stanley Principal Funding, Inc.	Delaware
Morgan Stanley (Hungary) Financial Services Limited	Hungary
SPV Columbus S.r.L.	Italy
Morgan Stanley Principal Strategies, Inc.	Delaware
Morgan Stanley Private Equity Asia, Inc.	Delaware
Morgan Stanley Procurement Inc.	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Morgan Stanley Real Estate Advisor, Inc.	Delaware
MSREA Holdings, Inc.	Delaware
MSREA Holdings, LLC	Delaware
MSREA LL Holdings, LLC	Delaware
Morgan Stanley Real Estate F Funding, Inc.	Delaware
Morgan Stanley Real Estate F Funding Partner, Inc.	Delaware
Morgan Stanley Real Estate Investment Management Inc.	Delaware
Morgan Stanley Real Estate Fund, Inc.	Delaware
MSREF I, L.L.C.	Delaware
MSREF I-CO, L.L.C.	Delaware
Morgan Stanley Real Estate Investment Management II, Inc.	Delaware
MSREF II-CO, L.L.C.	Delaware
Morgan Stanley Realty Incorporated	Delaware
BH-MS Realty Inc.	Delaware
BH-MS Leasing Inc.	Delaware
BH-Sartell Inc.	Delaware
Brooks Harvey & Co., Inc.	Delaware
Dean Witter Global Realty Inc.	Delaware
Japan Realty Finance Company	Cayman Islands
Japan Realty Finance Company II	Cayman Islands
Morgan Stanley Properties, Inc.	Delaware
Morgan Stanley Properties Corso Venezia S.r.l.	Italy
Morgan Stanley Properties France SAS	France
Morgan Stanley Properties Germany GmbH	Germany
Morgan Stanley Properties Hong Kong Limited	Hong Kong
Morgan Stanley Properties Korea Limited	Republic of Korea
MSK Management II, Ltd. *	Republic of Korea
Morgan Stanley Properties (Mauritius) India	Mauritius
Morgan Stanley Properties India Real Estate Management Private Limited	India
Morgan Stanley Properties (UK) Limited	United Kingdom
MSP China Holdings Limited	Cayman Islands
Morgan Stanley Properties Advisory Corp. Limited	Cayman Islands
Beijing Kaili Asset Servicing Co., Ltd. *	People's Rep. of China
Morgan Stanley Properties (China) Co. Ltd. Legal name is 摩根士丹利資產服務諮詢(中國)有限公司	People's Rep. of China
MSDI Investment Services *	People's Rep. of China
Morgan Stanley Properties Japan, K.K.	Japan
K.K. MST Investment Management *	Japan
K.K. Panorama Hospitality	Japan
Lombard Servicing Inc.	Japan
Morgan Stanley Realty of California Inc.	California
Morgan Stanley Realty of Illinois Inc.	Delaware
Tokyo Realty Investment Company	Cayman Islands
Tokyo Realty Investment Company II	Cayman Islands
Morgan Stanley Risk Services LLC	Cayman Islands
Morgan Stanley SECAP Funding, LLC	Delaware
Morgan Stanley Securities, Inc.	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
MS Equity Products (Luxembourg) S.à.r.l	Luxembourg
Morgan Stanley Securitization Funding Inc.	Delaware
Morgan Stanley Senior Funding, Inc.	Delaware
Morgan Stanley European Event Driven Finance, Inc.	Delaware
Morgan Stanley European Funding, Inc.	Delaware
Morgan Stanley European Leveraged Products Inc.	Delaware
Morgan Stanley European Transaction Finance, Inc.	Delaware
Morgan Stanley MSSF LLC	Delaware
Morgan Stanley Senior Funding (Capital), Inc.	Delaware
Morgan Stanley Senior Funding (Nova Scotia) Co.	Canada
Tenedora Dalia, S. de R.L. de C.V.	Mexico
Morgan Stanley Services Inc.	Delaware
Morgan Stanley Special Situations Group Inc.	Delaware
Morgan Stanley Structured Products (Cayman) I Limited	Cayman Islands
Morgan Stanley Technical Services Inc.	Delaware
Morgan Stanley Technical Services MB/VC Inc.	Delaware
Morgan Stanley Tower, LLC	Delaware
MS Financing Inc.	Delaware
G.H.Y. Capital IIB.V.	The Netherlands
Morgan Stanley 750 Building Corp.	Delaware
G.H.Y. Capital B.V.	The Netherlands
Morgan Stanley CS Aviation Holdings, LLC	Delaware
Morgan Stanley Delta LLC	Delaware
Morgan Stanley Tokyo Properties Y.K.	Japan
MSDW LTCP, L.L.C.	Delaware
MS Harrison LLC	Delaware
Morgan Stanley Trust	Federal Charter
Morgan Stanley Trust National Association	Federal Charter
Morgan Stanley Venture Capital II, Inc.	Delaware
Morgan Stanley Venture Capital III, Inc.	Delaware
Morgan Stanley Venture Capital Inc.	Delaware
Morgan Stanley Wind LLC	Delaware
Morstan Development Company, Inc.	Delaware
Moranta, Inc.	Georgia
Porstan Development Company, Inc.	Oregon
MS 10020, Inc.	Delaware
MS Capital Holdings Inc.	Delaware
MS Debt Opportunities Corp.	Delaware
MS Holdings Incorporated	Delaware
ARS BCO GP Inc.	Delaware
ARS FI F GP Inc.	Delaware
ARS GMEMN GP Inc.	Delaware
ARS JEMN GP Inc.	Delaware
ARS NAHV GP Inc.	Delaware
ARS US SMC GP Inc.	Delaware
Morgan Stanley ARS Funding Inc.	Delaware
Morgan Stanley Global Macro Fund GP LLC	Delaware
Morgan Stanley Hedge Fund Partners Cayman Ltd	Cayman Islands
Morgan Stanley Hedge Fund Partners GP LP	Delaware
Morgan Stanley HFP Investment Inc.	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Morgan Stanley Hedge Fund Partners LP	Delaware
Morgan Stanley IMDCP Funding, LLC	Delaware
Morgan Stanley Infrastructure Partners Inc.	Delaware
Morgan Stanley Real Estate Securities Global Best Ideas GP Inc.	Delaware
Morgan Stanley Thematic Strategy GP Inc.	Delaware
MS Alternatives Funding, Inc.	Delaware
MS Alternatives Funding Partner, Inc.	Delaware
MS ARS Holding A Inc.	Delaware
MS ARS Holding Binc.	Delaware
MSGFI Management Inc.	Delaware
Private Investment Partners Inc.	Delaware
Private Investment Partners GP Inc.	Delaware
MSKasko LLC	Delaware
North European Funding LLC	Delaware
MS Lion LLC	Delaware
Morgan Stanley Beta Investments Limited	United Kingdom
Morgan Stanley Cooper Limited	United Kingdom
Morgan Stanley Gamma Investments	United Kingdom
Morgan Stanley Gerrards Limited	United Kingdom
Morgan Stanley Plover Limited	United Kingdom
Fyled Energy Limited	United Kingdom
Fyled Limited Partnership	United Kingdom
Morgan Stanley Sandpiper Limited	United Kingdom
Sand Lake Limited Partnership	United Kingdom
Sandmartin Limited Partnership	United Kingdom
Morgan Stanley Starling Limited	United Kingdom
Godwit Limited Partnership	United Kingdom
Morgan Stanley Swallow Limited	United Kingdom
MS Leopard Inc.	Delaware
MS Lynx Ltd.	Cayman Islands
Puma JV LLC	Delaware
MS Tiger Ltd.	Cayman Islands
Oncilla LLC*	Delaware
MS Low Income Housing Corporation	Delaware
Conchito I LLC	Delaware
Mombacho I LLC	Delaware
MS Guaranteed Tax Credit Fund XVI, LLC	Delaware
Morgan Stanley Georgia Tax Credit Fund III LLC	Delaware
MS CTH MHP I LLC	Delaware
MS CTH SLP Operating LLC	Delaware
MS CTH Special General Partner II LLC	Delaware
MS LffITC FCG LLC	Delaware
MS LI ITC FCG Fund I LLC	Delaware
Paquia LLC	Delaware
Pietra I LLC	Delaware
Pietra II LLC	Delaware
Pinol II LLC	Delaware
Pinol III LLC	Delaware
Troval LLC	Delaware
Trova II LLC	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Trova III LLC	Delaware
Trova IV LLC	Delaware
Viento LLC	Delaware
Viento II LLC	Delaware
Viento III LLC	Delaware
Viento IV LLC	Delaware
Viento V LLC	Delaware
Viento VI LLC	Delaware
Viento VII LLC	Delaware
Viento VIII LLC	Delaware
Viento IX LLC	Delaware
Viento X LLC	Delaware
Viento XI LLC	Delaware
Viento XII LLC	Delaware
Viento XIII LLC	Delaware
Viento XIV LLC	Delaware
MS Low Income Housing II Corporation	Delaware
MS LIII TC FCG INT LLC	Delaware
Vikuna LLC	Delaware
MS Real Estate Funding, Inc.	Delaware
MS Real Estate Funding Partner, Inc.	Delaware
MS Real Estate Mezzanine Advisor, Inc.	Delaware
MS Revel EFS LLC	Delaware
D&A Limited	Cayman Islands
D&E Limited	Cayman Islands
D&S Limited	Cayman Islands
D&Z Limited	Cayman Islands
MS Solar I LLC	Delaware
MS Structured Asset Corp.	Delaware
MS Synfuels, Inc.	Delaware
MS Rosebank LLC	Delaware
MS Douglasdale Limited	Cayman Islands
MS Melville LLC	Delaware
MS Dainfern LLC*	Delaware
MS Greenside LLC	Delaware
MS Houghton LLC	Delaware
Sandhurst Partnership *	Delaware
MS Sandhurst FX LLC	Delaware
MS Technology Holdings, Inc.	Delaware
MSAM Holdings n, Inc.	Delaware
Van Kampen Investments Inc.	Delaware
Van Kampen Advisors Inc.	Delaware
Van Kampen Asset Management	Delaware
Van Kampen Exchange Corp.	California
Van Kampen Funds Inc.	Delaware
Van Kampen Investor Services Inc.	Delaware
MSBF Inc.	Delaware
MSCP III Holdings, Inc.	Delaware
Morgan Stanley Proprietary Trading Co. (Cayman) Limited	Cayman Islands
MSD Community Development Corporation	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
MSDW Capital Partners IV, Inc.	Delaware
MSDW Capital Trust I	Delaware
MSDW Carnoustie LLC	Delaware
Morgan Stanley Bembridge Inc.	Delaware
MSDW Gleneagles Limited	Cayman Islands
Marchmont Capital, Inc. *	Delaware
MSDW CPIV Holdings, Inc.	Delaware
MSDW Credit Products Inc.	Delaware
Morgan Stanley Credit Products Ltd.	Cayman Islands
MSDW EPS Holdings Inc.	Delaware
MSDW Emerging Equity, Inc.	Delaware
MSDW Fixed Income Ventures Inc.	Delaware
Morgan Stanley BrokerTec Holdings Inc.	Delaware
Morgan Stanley Principal Investments, Inc.	Delaware
Morgan Stanley Strategic Investments Inc.	Delaware
Eaux Vives Water Bottling Corp.	Delaware
Morgan Stanley Bahamas Investments LLC	Delaware
MSDW International Employee Services LLC	Delaware
MSDW Nederland B.V.	The Netherlands
MSDW Oak, LLC	Delaware
Maple JV, LLC	Delaware
Sycamore II Inc.	Delaware
Elder, LLC	Delaware
Maple Finance, Inc.	Delaware
MSDW Birch (Cayman) Limited	Cayman Islands
MSDW Offshore Equity Services Inc.	Delaware
Fundlogic Holdings Inc.	Delaware
Fundlogic SAS	France
Morgan Stanley Eemian Limited	Cayman Islands
Morgan Stanley Aral Limited	Cayman Islands
Morgan Stanley Deshka LLC	Cayman Islands
Morgan Stanley Karluc LLC	Cayman Islands
Morgan Stanley Equity Financing Services Ireland Limited	Ireland
Morgan Stanley Hedging Co. Ltd.	Cayman Islands
Morgan Stanley Luxembourg Equity Holdings S.à.r.l.	Luxembourg
MSDW Equity Finance Services I (Cayman) Ltd.	Cayman Islands
MSDW Equity Investments Limited	Cayman Islands
MSDW Offshore Equity Services (Korea) Inc.	Delaware
MSDW OIP Investors, Inc.	Delaware
MSDW PE/VC Holdings, Inc.	Delaware
MSDW-Pioneer GP, Inc.	Delaware
MSDW-Pioneer LP, Inc.	Delaware
MSDW Private Equity, Inc.	Delaware
MSDW Real Estate Special Situations II, Inc.	Delaware
MSDW Real Estate Special Situations II-A Dutch Manager, B.V.	The Netherlands
MSDW Real Estate Special Situations II-B Dutch Manager, B.V.	The Netherlands
MSDW Real Estate Special Situations II-C Dutch Manager, B.V.	The Netherlands
MSDW Strategic Ventures Inc.	Delaware
MSDW Synfuels II, Inc.	Delaware
MSDW Synfuels III, Inc.	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
MSDW Venture Partners IV, Inc.	Delaware
MSDW VP IV Holdings, Inc.	Delaware
MSEOF, Inc.	Delaware
MSEOF Management LLC	Delaware
MSEOF Manager SARL	Luxembourg
MSGEM Holdings, Inc.	Delaware
MSIT Holdings, Inc.	Delaware
SL Partners MD Side Fund, LLC	Delaware
MSPEA Holdings, Inc.	Delaware
MSREA Guaranty, Inc.	Delaware
MSREF II, Inc.	Delaware
MSREF II, L.L.C.	Delaware
MSREF III, Inc.	Delaware
MSREF IV, Inc.	Delaware
MSREF IV, L.L.C.	Delaware
MSREF V Funding, Inc.	Delaware
MSREF V Funding Partner, Inc.	Delaware
MSREF V, Inc.	Delaware
MSREF V, L.L.C.	Delaware
MSREF Real Estate Advisor, Inc.	Delaware
MSREF VI, Inc.	Delaware
MSREF VI, L.L.C	Delaware
MSRESS III, Inc	Delaware
MSRESS III Manager, L.L.C.	Delaware
MSUH Holdings I, Inc.	Delaware
MSUH Holdings II, Inc.	Delaware
MS SP Urban Horizons, Inc.	Delaware
MS Urban Horizons, Inc.	Delaware
MSVP 2002 Holdings, Inc.	Delaware
MSVP 2002, Inc.	Delaware
MSVP 2002 Fund, LLC	Delaware
MYSYS Holdings Inc.	Delaware
Musum I LLC	Delaware
Papi LLC	Delaware
Pettingell LLC	Delaware
PG Holdings, Inc.	Delaware
PG Holdings III, Inc.	Delaware
PG Investors II, Inc.	Delaware
PG Investors III, Inc.	Delaware
PG Investors IV, Inc.	Delaware
Pierpont Power, Inc.	New York
Pinol I LLC	Delaware
Providence DE Funding Co.	Delaware
Providence DE Investments LLC	Delaware
Providence International Limited	Cayman Islands
Providence Valley Limited	Cayman Islands
Providence DE Holdings Co.	Delaware
Providence Cayman Holdings Limited	Cayman Islands
Reynolds Securities Inc.	Delaware
Shuksan LLC	Delaware

Entity Name	Jurisdiction of Incorporation or Formation
Indentations indicate control.	
Asterisk (*) indicates a non-affiliate has an ownership interest.	
Elderslie Holdings Limited	Delaware
Elderslie Limited	Cayman Islands
Esporta Holdings Limited	Cayman Islands
Esporta Limited	Cayman Islands
Littlehill Limited	Cayman Islands
Morgan Stanley Eder S.à r.l.	Luxembourg
Serratus LLC	Delaware
Strategic Investments I, Inc.	Delaware
Strategic Investments II, Inc.	Delaware
VK Capital Inc.	Delaware
Venture Holdings Inc.	Delaware
MS PA Gaming Holdings, Inc.	Delaware
Ventura Holdings NJ, Inc.	Delaware
MS Gaming Opportunities LLC	Delaware
Venture AC LLC	New Jersey
Zephyr (Cayman) Limited	Cayman Islands

4. TREND INFORMATION

From the date of the last annual report, as audited, there has been no material adverse change in the prospects of Morgan Stanley and its consolidated subsidiaries since 30 November 2006.

5. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

5.1 Board of directors

The directors of Morgan Stanley as of the date of this Base Prospectus, their offices, if any, within Morgan Stanley, and their principal outside activity, if any, are listed below. The business address of each director is 1585 Broadway, New York, NY 10036, USA.

Name	Function within Morgan Stanley	Principal Outside Activity
John J. Mack	Chairman of the Board and Chief Executive Officer	
Roy J. Bostock	Director	Chairman of The Partnership for a Drug-Free America. Member of the boards of directors of Northwest Airlines Corporation and Yahoo! Inc.
Erskine B. Bowles	Director	Director of General Motors Corporation and Cousins Properties Incorporated. President of the University of North Carolina.
Howard J. Davies	Director	Director of the London School of Economics and Political Science.

Name	Function within Morgan Stanley	Principal Outside Activity
C. Robert Kidder	Director	Director of Schering-Plough Corporation. Chairman & CEO of 3 Stone Advisors LLC.
Donald T. Nicolaisen	Director	Board of Directors of MGIC Investment Corporation, Verizon Communications Inc, and Zurich Financial Services.
Charles H. Noski	Director	Director of Microsoft Corporation and Air Products and Chemicals, Inc.
Hutham S. Olayan	Director	President and Chief Executive Officer of Olayan America Corporation. Director of The Olayan Group.
Charles E. Phillips, Jr.	Director	Director of Oracle Corporation and Viacom, Inc.
O. Griffith Sexton	Director	Advisory Director of Morgan Stanley, Adjunct professor of finance at Columbia Business School; Visiting Lecturer of Princeton University; Director of Investor AB.
Dr. Laura D'Andrea Tyson	Director	Professor, Walter A. Haas School of Business, University of California at Berkeley. Director of Eastman Kodak Company and AT&T, Inc.
Dr. Klaus Zumwinkel	Director	Chairman of the Board of Management, Deutsche Post AG; Director of Deutsche Lufthansa AG (Supervisory Board), Deutsche Telekom AG (Chairman, Supervisory Board), Karstadt Quelle AG (Supervisory Board) and Deutsche Postbank AG (Chairman, Supervisory Board).

During fiscal year 2006, Morgan Stanley's subsidiaries extended credit in the ordinary course of business to certain of Morgan Stanley's directors, officers and employees and members of their immediate families. These extensions of credit were in connection with margin loans, mortgage loans, credit card transactions, revolving lines of credit and other extensions of credit by Morgan Stanley's subsidiaries. The extensions of credit were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with

other persons. The extensions did not involve more than the normal risk of collectibility or present other unfavorable features. Directors, officers and employees and members of their immediate families who wish to purchase securities and derivative and financial products and financial services may do so through Morgan Stanley's subsidiaries. These subsidiaries may offer them discounts on their standard commission rates or fees. These subsidiaries also, from time to time and in the ordinary course of their business, enter into transactions on a principal basis involving the purchase or sale of securities and derivative products in which Morgan Stanley's directors, officers and employees and members of their immediate families have an interest. These purchases and sales may be made at a discount from the dealer mark-up or mark-down, as the case may be, charged to non-affiliated third parties. Certain employees, including Morgan Stanley's executive officers, may invest on the same terms and conditions as other investors in investment funds that Morgan Stanley may form and manage primarily for client investment, except that Morgan Stanley may waive or lower certain fees and expenses for its employees. In addition, Morgan Stanley may, pursuant to stock repurchase authorizations in effect from time to time, repurchase or acquire shares of Morgan Stanley's common stock in the open market or in privately negotiated transactions, which may include transactions with directors, officers and employees. These transactions are in the ordinary course of business and at prevailing market prices.

A son-in-law of director Roy J. Bostock engaged in transactions with Morgan Stanley and became a managing director in the Morgan Stanley's asset management business in connection with the Morgan Stanley's acquisition of FrontPoint in December 2006. As a result of the Morgan Stanley's acquisition of FrontPoint, Morgan Stanley paid him total compensation for services rendered to FrontPoint in fiscal 2006 of approximately \$318,000 (consistent with the amount accrued by FrontPoint for his compensation during fiscal 2006).

Eileen Murray is an executive officer of Morgan Stanley. Morgan Stanley employs her brother as a professional level employee in the Business Continuity Planning Department in the Securities Integration Group and paid him compensation for services with respect to fiscal 2006 of approximately \$170,000.

5.2 Conflicts of interest

Save for the interests referred to in the above paragraph and described in the table under paragraph 5.1, there are no existing or potential conflicts of interest between any duties owed to Morgan Stanley by its management or by the members of its principal committees (each as described above) and the private interests and/or other external duties owed by these individuals.

6. BOARD PRACTICES

The Board meets regularly and directors receive information between meetings about the activities of committees and developments in Morgan Stanley's business. All directors have full and timely access to all relevant information and may take independent professional advice if necessary.

The Corporate Governance Policies (including Morgan Stanley's standards of director independence), Code of Ethics and Business Conduct, Board committee charters and Management Committee Equity Ownership Commitment are available at Morgan Stanley's corporate governance webpage at the "Company Information" link under the "About Morgan Stanley" link at <http://www.morganstanley.com/about/company/governance/index.html>. This webpage, and any information contained on this webpage, shall not form part of this Registration Document.

The Board of Directors has a lead director and three key standing committees.

The Lead Director is C. Robert Kidder

The Board's standing committees include the following:

Committee	Current Members	Primary Responsibilities
Audit	<p>Charles H. Noski (Chair)</p> <p>Howard J. Davies</p> <p>Donald T. Nicolaisen</p> <p>Charles E. Phillips, Jr.</p>	<p>Oversees the integrity of the Morgan Stanley's consolidated financial statements, Morgan Stanley's internal controls, Morgan Stanley's risk management and Morgan Stanley's compliance with legal and regulatory requirements.</p> <p>Selects, determines the compensation of, evaluates and, when appropriate, replaces the independent auditor, and pre-approves audit and permitted non-audit services.</p> <p>Oversees the qualifications and independence of the independent auditor and performance of Morgan Stanley's internal and independent auditors.</p> <p>After review, recommends to the Board the acceptance and inclusion of the annual audited consolidated financial statements in Morgan Stanley's Annual Report on Form 10-K.</p>
Compensation, Management, Development and Succession	<p>C. Robert Kidder (Chair)</p> <p>Erskine B. Bowles</p> <p>Donald T. Nicolaisen</p>	<p>Annually reviews and approves the corporate goals and objectives relevant to the compensation of the Chairman and CEO and evaluates his performance in light of these goals and objectives.</p> <p>Determines the compensation of Morgan Stanley's executive officers and such other officers as deemed appropriate.</p> <p>Administers Morgan Stanley's incentive and equity-based compensation plans.</p> <p>Oversees plans for management development and succession</p>
Nominating and Governance	Dr. Laura D'Andrea Tyson (Chair)	Identifies and recommends candidates for election to the Board.

Committee	Current Members	Primary Responsibilities
	Roy J. Bostock Hutham S. Olayan Klaus Zumwinkel	Establishes procedures for its oversight of the evaluation of the Board and management. Recommends director compensation and benefits. Reviews annually Morgan Stanley's corporate governance policies.

Morgan Stanley considers itself to be in compliance with all United States laws relating to corporate governance that are applicable to it.

7. MAJOR SHAREHOLDERS

7.1 Controlling shareholders

Under SEC regulations applicable to the Issuer, the relevant threshold for disclosure obligation concerning participation interests in listed companies is 5% of share capital. Therefore, this is the only information available to the public.

The Issuer does not have information about shareholders with participation interests between 2% and 5%. According to the most recent SEC filings, as at 23 February 2007, the following shareholders owned more than 5% of Morgan Stanley's common stock:

Name and Address	Shares of Common Stock Beneficially Owned	
	Number	Per cent. ⁽¹⁾
225 State Street Bank and Trust Company ⁽²⁾ Franklin Street, Boston MA 02110	127,887,564	12.01%
Barclays Global Investors, N.A., and other reporting entities ⁽³⁾ 45 Fremont Street, San Francisco, CA 94105	64,442,639	6.05%

(1) Percentages calculated based upon common stock outstanding as of February 9, 2007 and holdings of common stock set forth in the Schedule 13G Information Statements described in notes 2-3 below. These Information Statements state that State Street and Barclays beneficially owned 12.1% and 6.15%, respectively, of Morgan Stanley's common stock on December 31, 2006.

(2) Based on a Schedule 13G Information Statement filed February 12, 2007 by State Street, acting in various fiduciary capacities. The Schedule 13G discloses that State Street had sole voting power as to 47,230,411 shares, shared voting power as to 80,657,153 shares and shared dispositive power as to 127,887,564 shares; that shares held by State Street on behalf of the Trust and a Company-sponsored equity-based compensation program amounted to 7.6% of the common stock as of December 31, 2006; and that State Street disclaimed beneficial ownership of all shares reported therein.

(3) Based on a Schedule 13G Information Statement filed January 23, 2007 (dated January 31, 2007) by Barclays Global Investors, N.A., Barclays Global Fund Advisors, Barclays Global Investors, Ltd, Barclays Global Investors Japan Trust and Banking Company Limited and Barclay's Global Investors Japan Limited. In the Schedule 13G, the reporting entities do not affirm the existence of a group. The Schedule 13G discloses that the reporting entities, taken as a whole, had sole voting as to 56,284,434 shares and sole dispositive power as to 64,442,639 shares, respectively, and did not have shared power as to any shares.

Accordingly, there is no entity owning or controlling, either directly or indirectly, Morgan Stanley.

7.2 Vote agreements

Morgan Stanley is not aware of any vote agreement or other arrangement the operation of which may result in a change in its control.

8. FINANCIAL INFORMATION

8.1 Historical Financial Information

This section incorporates by reference the historical financial information contained in the Current Report on Form 8-K dated 10 April 2007 for the fiscal years ended 30 November 2006 and 30 November 2005, including consolidated statements of financial condition, the consolidated statements of income, consolidated statements of cash flow and notes to the financial statements.

Financial Information	
Consolidated statements of financial condition	Pages 61-62 of the Current Report on Form 8-K dated 10 April 2007 for the fiscal year ended 30 November 2006
Consolidated statements of income	Page 63 of the Current Report on Form 8-K dated 10 April 2007 for the fiscal year ended 30 November 2006
Consolidated statements of cash flow	Page 65 of the Current Report on Form 8-K dated 10 April 2007 for the fiscal year ended 30 November 2006
Notes to the financial statements, including significant accounting policies	Pages 67-124 of the Current Report on Form 8-K dated 10 April 2007 for the fiscal year ended 30 November 2006

The Annual Report on Form 10-K for the fiscal year ended 30 November 2006 has been filed with the SEC on 13 February 2007.

Additional financial information is contained in the Current Report on Form 8-K dated 10 April 2007 and the Annual Report on Form 10-K for the fiscal year ended 30 November 2006, available to the public as indicated in chapter 16 “Documents available to the public”.

8.2 Auditing of historical annual financial information

The Auditors of Morgan Stanley have issued a report dated February 12, 2007 (April 10, 2007 as to the effects of the discontinued operations discussed in Note 30), appearing in the Current Report on Form 8-K of Morgan Stanley dated April 10, 2007, relating to the consolidated financial statements of Morgan Stanley and reports dated February 12, 2007, relating to the financial statement schedule and management’s report on the effectiveness of internal control over financial reporting appearing in the Annual Report on Form 10-K for the fiscal year ended 30 November 2006.(which reports on the consolidated financial statements and financial statement schedule express an unqualified opinion and include explanatory paragraphs relating to the adoption, in fiscal 2005, of Statement of Financial Accounting Standards No. 123(R), “Share-Based Payment” and relating to, in fiscal 2006, Morgan Stanley’s change in accounting policy for recognition of equity awards granted to retirement-eligible employees and relating to, in fiscal 2006, the application of Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements”).

For information relating to the auditing of the financial information see section “Auditors” above.

This document does not contain other information that has been audited by the auditors.

8.3 Legal proceedings

Attached is Item 3, Part I of the Morgan Stanley Annual Report on Form 10-K for the annual period ended 30 November 2006.

1. In addition to the matters described below, in the normal course of business, Morgan Stanley has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions, and other litigation, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or in financial distress.

Morgan Stanley is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding Morgan Stanley's business, including, among other matters, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. The number of these reviews, investigations and proceedings has increased in recent years with regard to many firms in the financial services industry, including Morgan Stanley.

Morgan Stanley contests liability and/or the amount of damages as appropriate in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, Morgan Stanley cannot predict with certainty the loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, and except for the Coleman Litigation described in Note 9 in "Notes to Consolidated Financial Statements" in Part II, Item 8 of the Annual Report on Form 10-K, Morgan Stanley believes, based on current knowledge and after consultation with counsel, that the outcome of all other pending matters will not have a material adverse effect on the consolidated financial condition of Morgan Stanley, although the outcome of such matters could be material to Morgan Stanley's operating results for a particular future period, depending on, among other things, the level of Morgan Stanley's revenues or income for such period.

Coleman Litigation

On May 8, 2003, Coleman (Parent) Holdings Inc. ("**CPH**") filed a complaint against Morgan Stanley in the Circuit Court of the Fifteenth Judicial Circuit for Palm Beach County, Florida. The complaint relates to the 1998 merger between The Coleman Company, Inc. ("**Coleman**") and Sunbeam, Inc. ("**Sunbeam**"). The complaint, as amended, alleges that CPH was induced to agree to the transaction with Sunbeam based on certain financial misrepresentations, and it asserts claims against Morgan Stanley for aiding and abetting fraud, conspiracy and punitive damages. Shortly before trial, which commenced in April 2005, the trial court granted, in part, a motion for entry of a default judgment against Morgan Stanley and ordered that portions of CPH's complaint, including those setting forth CPH's primary allegations against Morgan Stanley, be read to the jury and deemed established for all purposes in the action. In May 2005, the jury returned a verdict in favor of CPH and awarded CPH \$604 million in compensatory damages and \$850 million in punitive damages. On June 23, 2005, the trial court issued a final judgment in favor of CPH in the amount of \$1,578 million, which includes prejudgment interest and excludes certain payments received by CPH in settlement of related claims against others.

2. On June 27, 2005, Morgan Stanley filed a notice of appeal with the District Court of Appeal for the Fourth District of Florida (the “**Court of Appeal**”) and posted a supersedes bond, which automatically stayed execution of the judgment pending appeal. Morgan Stanley filed its initial brief in support of its appeal on December 7, 2005 and, on June 28, 2006, the Court of Appeal heard oral argument. Morgan Stanley’s appeal seeks to reverse the judgment of the trial court on several grounds and asks that the case be remanded for entry of a judgment in favor of Morgan Stanley or, in the alternative, for a new trial.

3. On March 21, 2007, the District Court of Appeal for the Fourth District of Florida issued an opinion reversing the trial court’s award for compensatory and punitive damages and remanding the matter to the trial court for entry of judgment for Morgan Stanley. The opinion will become final upon disposition of any timely filed motions for rehearing.

IPO Fee Litigation.

Starting in late 1998, purported class actions, later captioned *In re Public Offering Fee Antitrust Litigation* (the “**purchaser actions**”) and *In re Issuer Plaintiff Initial Public Offering Fee Antitrust Litigation* (the “**issuer actions**”), were initiated in the U.S. District Court for the Southern District of New York (the “**SDNY**”) against Morgan Stanley and numerous other underwriters. The consolidated proceedings, one on behalf of purchasers and the other on behalf of issuers of certain shares in initial public offerings (“**IPOs**”), allege that defendants conspired to fix the underwriters’ spread at 7% in IPOs of U.S. companies in the \$20 million to \$80 million range, in violation of Section 1 of the Sherman Act. The complaints seek treble damages and injunctive relief. Plaintiffs’ claims for damages in the purchaser actions have been dismissed, but the claims for injunctive relief remain. Plaintiffs’ claims for damages and injunctive relief remain in the issuer actions. Plaintiffs moved for class certification in both actions, and defendants opposed that motion on May 25, 2005. On October 25, 2005, plaintiffs moved for summary judgment which defendants opposed. On April 18, 2006, the court denied plaintiffs’ motion for class certification in the issuer actions. On May 1, 2006, plaintiffs filed a petition pursuant to Federal Rule of Civil Procedure 23(f) for leave to appeal the denial of class certification, and on August 1, 2006, the U.S. Court of Appeals for the Second Circuit (the “**Second Circuit**”) granted plaintiffs’ petition. The case is otherwise stayed pending the appeal on class certification.

IPO Allocation Matters.

In March 2001, a purported class action, now captioned *In re Initial Public Offering Antitrust Litigation*, was initiated in the SDNY against Morgan Stanley and numerous other underwriters of various IPOs. The consolidated amended complaint alleges that defendants required customers who wanted allocations of “hot” IPO securities to pay undisclosed and excessive underwriters’ compensation in the form of increased brokerage commissions and to buy shares of securities offered in the IPOs after the IPOs were completed (“**tie-in purchases**”) at escalating price levels higher than the IPO price (a practice plaintiffs refer to as “**laddering**”). The complaint alleges violations of federal and/or state antitrust laws, including Section 1 of the Sherman Act. On September 28, 2005, the Second Circuit reversed the district court’s dismissal of this matter. On January 12, 2006, the Second Circuit denied defendants’ petition for rehearing *en banc*. On March 8, 2006, defendants filed a petition to the U.S. Supreme Court for writ of certiorari, which was granted on December 7, 2006.

Also beginning in March 2001, numerous purported class actions, now captioned *In re Initial Public Offering Securities Litigation*, were filed in the SDNY against certain issuers of IPO securities, certain individual officers of those issuers, Morgan Stanley and other underwriters of those IPOs, purportedly on behalf of purchasers of stock in the IPOs or the aftermarket. These complaints make factual allegations similar to the complaint in the antitrust action described above, but claim violations of the federal securities laws, including Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended

(the “**Securities Act**”) and Section 10(b) of the Exchange Act. Some of the complaints also allege that continuous “buy” recommendations by the defendants’ research analysts improperly increased or sustained the prices at which the securities traded after the IPOs. On February 19, 2003, the underwriter defendants’ joint motion to dismiss was denied, except as to certain specified offerings. On December 5, 2006, the Second Circuit reversed the SDNY’s grant of class certification, and ruled that these cases could not be certified for class treatment. On January 5, 2007, plaintiffs filed a petition for rehearing and rehearing *en banc*.

On June 10, 2004, plaintiffs and issuer defendants entered into a definitive settlement agreement under which insurers of the issuers would guarantee recovery of at least \$1 billion by class members. As part of the settlement, the settling issuer defendants agreed to assign to class members certain claims they had against the underwriters. Starting in late 2004, purported assignees of certain issuers filed suits in the SDNY against several underwriter defendants, including Morgan Stanley, on the ground that underwriters breached the underwriting agreement and related duties by allocating shares in each company’s IPO to customers who allegedly paid the underwriters “excess compensation”. On October 11, 2005, the SDNY dismissed the complaint with leave to replead. Plaintiffs filed a second amended complaint, which was dismissed with prejudice, on February 24, 2006. Plaintiff filed a notice of appeal on May 31, 2006.

On April 2, 2002, a purported class action complaint, captioned *Breakaway Solutions, Inc. v. Morgan Stanley & Co. Incorporated, et al.*, was filed in the Delaware Court of Chancery against Morgan Stanley and two other underwriters. The complaint was brought on behalf of a class of issuers that issued IPO securities from January 1, 1998 to October 31, 2000 pursuant to underwriting agreements with defendants and whose securities increased in value by 15 percent or more within 30 days following the IPO. The complaint alleges that defendants allocated underpriced stock to certain of defendants’ favored clients and, directly or indirectly, shared in portions of the profits of such favored clients pursuant to side agreements or understandings, with the alleged effect of depriving issuers of millions of dollars in IPO proceeds. The complaint alleges breach of contract, breach of covenant of good faith, breach of fiduciary duty, indemnification or contribution and unjust enrichment and restitution. The court dismissed plaintiffs’ claims except for its breach of fiduciary duty claim.

On September 30, 2005, Breakaway Solutions, Inc. (“**Breakaway**”) filed another complaint in an individual action against Morgan Stanley and two other underwriters in the Supreme Court of the State of New York. The complaint alleges that defendants underpriced Breakaway’s IPO stock, allocated this underpriced stock to favored clients pursuant to a profit sharing arrangement, and that Morgan Stanley improperly sold Breakaway shares before expiration of the lock-up period. The complaint alleges breach of fiduciary duty and breach of the covenant of good faith against all the defendants and fraud and unjust enrichment against Morgan Stanley. This action has been stayed by agreement of the parties.

Global Wealth Management Group Employment Matters.

Wage and Hour Matters. Complaints raising allegations of unpaid overtime and unlawful wage deductions against Morgan Stanley have been filed in New Jersey, New York, Connecticut, Texas, Florida, Illinois and California seeking damages on behalf of certain current and former employees. In New Jersey, a purported class action, captioned *Steinberg v. Morgan Stanley & Co., Inc. and Morgan Stanley DW Inc.*, was filed in the Superior Court of New Jersey, Law Division, Bergen County (“**New Jersey Superior Court**”) on September 1, 2005 and was removed to the U.S. District Court for the District of New Jersey (the “**New Jersey District Court**”) on October 7, 2005. A second purported class action, captioned *Robert Adler et al. v. Morgan Stanley & Co., Inc. and Morgan Stanley DW Inc.*, was filed in New Jersey Superior Court on May 22, 2006. On September 25, 2006, a third purported New Jersey class action, captioned *Jeff Quinn and John Volpe v. Morgan Stanley*, was filed in the New Jersey District Court.

On September 9, 2005, a purported class action, captioned *Gasman v. Morgan Stanley*, was filed in the SDNY. On September 23, 2005, another purported class action, captioned *Roles v. Morgan Stanley et al.*, was filed in the U.S. District Court for the Eastern District of New York.

On May 22, 2006, a purported class action, captioned *Janemarie Lenihan v. Morgan Stanley & Co., Inc. and Morgan Stanley DW Inc.*, was filed in the U.S. District Court for the District of Connecticut. On June 23, 2006, a purported class action, captioned *Kyle R. Armitage v. Morgan Stanley & Co., Inc.*, was filed in the U.S. District Court for the Eastern District of Texas. On September 15, 2006, Morgan Stanley filed its answer and affirmative defenses to the Armitage complaint. On June 26, 2006, a purported class action, captioned *Jennifer Taub v. Morgan Stanley DW Inc.*, was filed in the U.S. District Court for the Southern District of Florida. On August 24, 2006, a purported class action, captioned *Joseph Stowell, Jr., v. Morgan Stanley DW Inc.*, was filed in the U.S. District Court for the Central District of Illinois. On September 8, 2006, plaintiffs in the *Armitage* and *Stowell* matters moved before the Judicial Panel on Multi-District Litigation (the “**Judicial Panel**”) to coordinate the various pending matters in the U.S. District Court for the Northern District of Illinois (the “**Northern District of Illinois**”).

On October 18, 2006, a purported class action, captioned *Vernon Brown v. Morgan Stanley* was filed in the U.S. District Court for the Southern District of California (the “**Southern District of California**”).

On October 9, 2006, Morgan Stanley reached an agreement to resolve the wage and hour claims filed by the *Steinberg, Adler, Gasman, Roles, Lenihan and Brown* plaintiffs. The agreement, which is subject to, among other things, court approval, will resolve all claims brought by plaintiffs in New Jersey, New York, Connecticut and California as well as those of all other potential class members nationwide. On November 29, 2006, for purposes of executing the settlement, a consolidated amended complaint, captioned *Steinberg, et al. v. Morgan Stanley* (“**Steinberg II**”), was filed in the Southern District of California.

On November 21, 2006, the Taub matter was dismissed with prejudice.

On November 30, 2006, a hearing was held in St. Louis, Missouri before the Judicial Panel on the *Armitage* and *Stowell* plaintiffs’ motion for consolidation in the Northern District of Illinois. On December 27, 2006, the Panel issued an order centralizing the *Gasman, Roles, Steinberg, Lenihan, Armitage* and *Stowell* matters in the Southern District of California. The Judicial Panel also treated the *Quinn, Brown and Steinberg II* matters as potential “tag along” cases and issued a conditional transfer order transferring those cases to the Southern District of California as well.

Gender Matters. Morgan Stanley has also been named in two purported class actions alleging gender discrimination under state and federal law. On June 22, 2006, a purported class action, captioned *Joanne Augst-Johnson et al. v. Morgan Stanley DW Inc.*, was filed in the U.S. District Court for the District of Columbia. On June 22, 2006, a second purported class action, captioned *Daisy Jaffe v. Morgan Stanley DW Inc.*, was filed in the U.S. District Court for the Northern District of California. Plaintiffs seek damages in law and in equity.

On October 12, 2006, a first amended complaint adding an additional named plaintiff, Denise Williams, was filed in the *Jaffe* matter. On October 30, 2006, Morgan Stanley filed a motion to stay the class claims and a motion to dismiss certain of plaintiff Williams’ claims. On November 13, 2006, plaintiffs agreed to voluntarily dismiss without prejudice the claims which were the subject of Morgan Stanley’s motion to dismiss. On January 19, 2007, the court granted Morgan Stanley’s motion to stay the class-wide allegations until March 15, 2007.

Late Trading and Market Timing.

Starting in July 2003, Morgan Stanley received subpoenas and requests for information from various regulatory and governmental agencies, including the SEC, the NYSE, and various states, in connection with industry-wide investigations of broker-dealers and mutual fund complexes relating to possible late trading and market timing of mutual funds. Morgan Stanley continues to cooperate with and provide information to regulators in connection with their inquiries.

AOL Time Warner Litigation.

Since 2003, Morgan Stanley has been named as a defendant in a number of state court actions involving AOL Time Warner, including cases in California, Ohio and West Virginia. All of these cases also name as defendants AOL Time Warner, numerous individual defendants, AOL Time Warner's auditors, and other investment banking defendants. The complaints allege that AOL Time Warner issued false and misleading financial statements by, among other things, inflating advertising revenues. These complaints name Morgan Stanley in its capacity as financial advisor to Time Warner in the merger of America Online and Time Warner and/or as underwriter of bond offerings completed in 2001 and 2002. The complaints allege violations of Section 11 of the Securities Act and Section 14(a) of the Exchange Act (and Rule 14a-9 thereunder) in connection with the merger registration statement, as well as various state and common laws, and violations of Section 11 and 12(a)(2) of the Securities Act in connection with the bond registration statements.

In the coordinated California proceedings, claims based on California common law fraud and Sections 25400 and 25500 of the California Corporations Code remain against Morgan Stanley. In the Ohio action, state securities law claims remain against Morgan Stanley. Motions to dismiss are pending in the West Virginia action.

On January 30, 2006, numerous new individual actions were filed against Morgan Stanley and other defendants by plaintiffs opting out of the class settlement of a previously filed federal class action. The claims against Morgan Stanley in that class action had been dismissed by the SDNY. The new complaints contain similar factual allegations against Morgan Stanley, and assert similar claims, but also include a claim for violation of Section 10(b) of the Exchange Act. These actions were transferred to the SDNY and consolidated. Plaintiffs have filed amended complaints in these actions. On June 30, 2006, defendants filed motions to dismiss the claims common to all complaints.

Global Wealth Management Group NASD Email Matter.

On December 19, 2006, the NASD commenced a disciplinary proceeding against MSDWI, alleging that it provided false information regarding the existence of emails and failed to provide such emails to arbitration claimants and regulators in response to discovery obligations and regulatory inquiries, failed to preserve books and records and failed to establish and maintain systems and written procedures reasonably designed to preserve required records and to ensure that it conducted adequate searches in response to regulatory inquiries and discovery requests for email, in violation of section 17(a) of the Exchange Act, Rule 17a-4 thereunder, NASD Conduct Rules 2110, 3010 (a) and (b) and 3110, NASD Procedural Rule 8210 and Interpretative Material 10100 under NASD Code of Arbitration Procedure.

Shareholder Derivative Matters.

Beginning on July 19, 2005, shareholder plaintiffs filed purported derivative actions on behalf of Morgan Stanley against certain present and former directors and its former chief legal officer based on, among other things, agreements to pay the former CEO and co-President of Morgan Stanley and the handling of a lawsuit resulting in an adverse judgment against Morgan Stanley. Four lawsuits filed in the SDNY have been consolidated, under the heading *In re Morgan Stanley Derivative Litigation*, and on January 23, 2006, plaintiffs filed a second amended consolidated complaint that includes

claims for, among other things, violations of Sections 10(b) and 14(a) of the Exchange Act and breach of fiduciary duties and seeks, among other things, rescission of the severance and compensation agreements and damages. On March 9, 2006, defendants moved to dismiss.

On July 19, 2005, a derivative lawsuit was filed in a New York state court challenging the agreement to pay the former co-President of Morgan Stanley and seeking an accounting for losses as a result thereof. This matter has been stayed by agreement of the parties.

Indonesian Litigation.

In November 2003, two proceedings were initiated in the Indonesian District Courts by two members of the Asia Pulp & Paper Group (PT Indah Kiat Pulp & Paper Tbk and PT Lontar Papyrus Pulp & Paper Industry, respectively) against Morgan Stanley and 13 other defendants with respect to two bond issues in 1994 and 1995 that were guaranteed by plaintiffs and in which Morgan Stanley acted as underwriter. The claims alleged that the bond issues were invalid and contrary to Indonesian law, and alleged damages in the amount of all principal and interest paid under the bonds as well as other amounts. In November 2006 the Indonesian Supreme Court upheld the decisions at first instance and on appeal in favor of the plaintiff and declared the bond issues to be illegal and void, holding that defendants (including Morgan Stanley) had committed unspecified tortious acts, but awarding no damages.

In April 2004, another proceeding was filed in the Indonesian District Courts by PT Lontar Papyrus against Morgan Stanley and 28 other defendants, alleging that the defendants violated injunctions issued by the Indonesian District Court in the first claim brought by PT Lontar Papyrus and conspired to cause the failure of plaintiff's restructuring negotiations. Plaintiff seeks damages in respect of losses allegedly suffered. On September 28, 2005, the Indonesian District Court rejected the plaintiff's claim against Morgan Stanley. On September 13, 2006, Morgan Stanley filed its counter-arguments to the plaintiff's memorandum of appeal that was filed with the Indonesian High Court on April 19, 2006.

In October 2004, an additional proceeding was filed in the Indonesian District Courts by APP International Finance Company BV, a member of the Asia Pulp & Paper Group and the issuer of the 1995 bond issue, against Morgan Stanley and 18 other defendants, making allegations similar to those in the November 2003 claim brought by PT Lontar Papyrus. Plaintiff seeks damages in respect of losses allegedly suffered. On December 28, 2006, the Indonesian District Court issued its judgment, declaring the bond issue to be illegal and void, holding that defendants (including Morgan Stanley) had committed unspecified tortious acts, but awarding no damages. Morgan Stanley has appealed this decision to the Indonesian High Court.

In January 2005, an additional proceeding was filed in the Indonesian District Courts by Indah Kiat International Finance Company BV, a member of the Asia Pulp & Paper Group and the issuer of the 1994 bond issue, against Morgan Stanley and other defendants, making allegations similar to those in the November 2003 claim brought by PT Indah Kiat. Plaintiff seeks damages in respect of losses allegedly suffered. In October 2006, the Indonesian High Court upheld on appeal the decision of the Indonesian District Court in favor of the plaintiff, declaring the bond issue to be null and void, holding that defendants (including Morgan Stanley) had committed unspecified tortious acts, but awarding no damages. Morgan Stanley has appealed this decision to the Indonesian Supreme Court in Jakarta.

The following matter was terminated during the quarter ended November 30, 2006:

General American Litigation.

On April 24, 2006, a Second Amended Petition, captioned *Finke, et al. v. Morgan Stanley & Co. Incorporated, et al.*, was filed in the Missouri Circuit Court, Twenty-Second Judicial Circuit (St. Louis City), by the Director of the Department of Insurance for the State of Missouri and the Special Deputy Liquidator for General American Mutual Holding Company against MS&Co., Morgan Stanley and a former officer of General American. The amended petition, which updated a petition first filed on or about July 28, 2004, asserts several causes of action against the Morgan Stanley defendants, including claims for fraud, breach of fiduciary duty and negligent misrepresentation. The case arises out of the firm's investment banking work in connection with a potential demutualization and initial public offering of General American in 1998-1999. Plaintiffs sought compensatory damages of over \$1 billion and punitive damages of over \$3 billion. On November 8, 2006, the court granted final approval of a settlement agreement between the parties to resolve the matter.

8.4 Significant changes in the financial position of Morgan Stanley

There has been no significant change in the financial or trading position of Morgan Stanley and its consolidated subsidiaries from the date of the Current Report on Form 8-K for the fiscal year ended 30 November 2006.

9. ADDITIONAL INFORMATION

9.1 Share capital

The authorised share capital of Morgan Stanley at 30 November 2006 comprised 3,500,000,000 ordinary shares of nominal value U.S.\$0.01 and 30,000,000 preferred stock of nominal value U.S.\$0.01.

The issued, non-assessable and fully paid up share capital of Morgan Stanley at 30 November 2006 comprised 1,211,701,552 ordinary shares of nominal value U.S.\$0.01.

9.2 Certificate of Incorporation

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

9.3 Selected Financial Information

Economic Capital

Morgan Stanley uses an economic capital model to determine the amount of equity capital needed to support the risk of its business activities and to ensure that Morgan Stanley remains adequately capitalized. Morgan Stanley calculates economic capital on a going-concern basis, which is defined as the amount of capital needed to run the business through the business cycle and satisfy the requirements of regulators, rating agencies and the market. Business unit economic capital allocations are evaluated by benchmarking to similarly rated peer firms by business segment. Morgan Stanley believes this methodology provides an indication of the appropriate level of capital for each business segment as if each were an independent operating entity.

Economic capital requirements are allocated to each business segment and are sub-allocated to product lines as appropriate. This process is intended to align equity capital with the risks of each business, provide business managers with tools for measuring and managing risk, and allow senior management to evaluate risk-adjusted returns (such as return on economic capital and shareholder value added) to facilitate resource allocation decisions.

Morgan Stanley's methodology is based on a going-concern approach that assigns common equity to each business unit based on regulatory capital usage plus additional capital for stress losses, including principal investment risk. Regulatory capital, including additional capital assigned for goodwill and intangible assets, is a minimum requirement to ensure Morgan Stanley's access to funding and credibility in the market. Morgan Stanley believes it must be able to sustain stress losses and maintain capital substantially above regulatory minimums while supporting ongoing business activities. The difference between Morgan Stanley's consolidated book equity and aggregate common equity requirements denotes Morgan Stanley's unallocated capital position, which is not currently reflected in business segment performance metrics.

The following table presents Morgan Stanley's allocated average common equity ("**economic capital**") during fiscal 2006 and fiscal 2005:

	Fiscal Year	
	2006	2005
Average common equity (dollars in billions):		
Institutional Securities	\$18.2	\$14.6
Global Wealth Management Group	3.0	3.5
Asset Management	2.2	1.7
Discover	4.9	4.4
Total from operating segments	28.3	24.2
Discontinued operations	0.2	1.4
Unallocated capital	3.2	2.9
Consolidated	\$31.7	\$28.5

The increase in economic capital allocated to Institutional Securities reflects the increased risk profile that has resulted from Morgan Stanley's decisions to invest in key businesses. Morgan Stanley expects this growth to continue, provided market opportunities continue to warrant such investments.

* * *

Morgan Stanley recorded net income of \$7,472 million in fiscal 2006, a 51% increase from \$4,939 million in the prior year. Net revenues (total revenues less interest expense and the provision for loan losses) rose 26% to a record \$33,752 million in fiscal 2006, and non-interest expenses increased 18% to \$22,779 million. Diluted earnings per share were \$7.07 compared with \$4.57 a year ago. Compensation and benefits expense increased 27%, primarily reflecting higher net revenues. Non-compensation expenses increased 5% as costs associated with higher levels of business activity were partially offset by lower charges for legal and regulatory matters. Diluted earnings per share from continuing operations were \$7.08 compared with \$4.80 last year. The return on average common equity in fiscal 2006 was 23.5% compared with 17.3% in the prior year. The return on average common equity from continuing operations for fiscal 2006 was 23.5% compared with 18.9% last year.

Results for fiscal 2006 included non-cash incremental compensation expenses of approximately \$270 million for stock-based awards granted to retirement-eligible employees. Results for fiscal 2005 included a charge of \$509 million (\$316 million after-tax) for discontinued operations related to the sale of the aircraft leasing business. In addition, pre-tax results for fiscal 2005 included a \$360 million charge related to the *Coleman Litigation*, legal accruals of approximately \$120 million related to the Parmalat matter, a \$109 million charge for the correction in the method of accounting for certain real estate leases, charges for senior management severance and new hires of approximately \$311 million, and a gain of \$251 million related to an insurance settlement.

Morgan Stanley's effective income tax rate was 30.4% in fiscal 2006 compared with 26.5% in fiscal 2005. Fiscal 2006's income tax provision included an income tax benefit of \$280 million resulting from the resolution of a federal tax audit, while fiscal 2005's income tax provision included an income tax benefit of \$309 million related to the provisions of the American Jobs Creation Act. Excluding the benefits from the federal tax audit and the American Jobs Creation Act, Morgan Stanley's effective income tax rates in fiscal 2006 and fiscal 2005 would have been 33.0% and 30.8%, respectively. The increase primarily reflected lower estimated domestic tax credits and higher earnings, which reduced the effect of permanent differences, partially offset by the effects of lower tax rates applicable to non-U.S. earnings.

10. RELEVANT AGREEMENTS

There is no relevant agreement, entered into by Morgan Stanley outside the scope of its business, likely to determine for the members of the group obligations or rights that may have a significant impact on Morgan Stanley's ability to fulfil the obligation under the financial instruments to be issued towards the relevant holders.

11. INFORMATION GIVEN BY THIRD PARTIES, EXPERTS' VALUATIONS AND DECLARATION OF INTERESTS

This Registration Document does not contain any information given by third parties, experts' valuation or declaration of interests other than the reports of the auditors. For further details see section "Auditors" above.

SECTION 3 - DESCRIPTION OF THE ISSUER

History and Development

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. The Issuer is registered at the commercial register of the Chamber of Commerce and Industries (*Kamer van Koophandel*) for Amsterdam under number 34161590. It has its corporate seat at Amsterdam, The Netherlands and its offices are located at Locatellikade 1, 1076 AZ Amsterdam, The Netherlands. Telephone number +31 20 57 55 600.

Legislation

The Issuer is incorporated under, and subject to, the laws of The Netherlands.

Investments

All material assets of the Issuer are obligations of (or securities issued by) one or more Morgan Stanley group companies. The Issuer has not made any principal investments since the date of the last published financial statements.

Principal Activities

The Issuer's objects and purposes are, inter alia, to issue notes, warrants and other securities.

Principal Markets

The Issuer conducts its business from The Netherlands. All material assets of the Issuer are obligations of (or securities issued by) one or more Morgan Stanley group companies. The Issuer does not undertake such business on a competitive basis, however as a member of the Morgan Stanley group it is indirectly affected by some of the competitive pressures that apply to Morgan Stanley. See "Morgan Stanley" above for further details.

Organisational Structure

The Issuer has no subsidiaries. It is ultimately controlled by Morgan Stanley.

Trend Information

The Issuer intends to continue issuing securities and entering hedges in respect of such issues of securities.

Management

The current directors of the Issuer, their offices, if any, within the Issuer, and their principal outside activity, if any, are listed below. The business address of each director is Locatellikade 1, 1076 AZ Amsterdam, The Netherlands.

<i>Name</i>	<i>Title</i>	<i>Principal Outside Activity</i>
C.E.C. Hood	Managing Director	Executive Director, Morgan Stanley
J. Solan	Managing Director	Vice President, Finance, Morgan Stanley
G.C. De Boer	Managing Director	Executive Director and Sales Director, Morgan Stanley Investment Management
TMF Management B.V.	Managing Director	

Directors of TMF Management B.V.

F.A.J. van Oers	Managing Director	Employee of TMF Nederland B.V.
R.A. Rijntjes	Managing Director	Employee of TMF Nederland B.V.
M.C. van der Sluijs-Plantz	Managing Director	Employee of TMF Nederland B.V.
J.R. de Vos van Steenwijk	Managing Director	Employee of TMF Nederland B.V.
R.A.M. van de Voort	Managing Director	Employee of TMF Nederland B.V.
T.J. Van Rijn	Managing Director	Employee of TMF Nederland B.V.
R.W. de Koning	Managing Director	Employee of TMF Nederland B.V.
J. Versluis	Managing Director	Employee of TMF Nederland B.V.

Save for the interests referred to above under the heading “Management”, the Issuer is not aware of any existing or potential conflicts of interest between any duties owed to the Issuer by its management (as described above) and the private interests and/or other external duties owed by these individuals.

Board Practice

The Issuer considers itself to be in compliance with all Dutch laws relating to corporate governance that are applicable to it.

As of the date of this Registration Document, the Issuer does not have an audit committee. The accounts of the Issuer are approved by the Board of the Issuer.

Major Shareholders

The Issuer is ultimately controlled by Morgan Stanley. The Issuer is not aware of any control measures with respect to such shareholder control. All decisions to issue securities are taken by the Board and the Issuer earns a spread on all its issues of securities.

Share Capital

The authorised share capital of the Issuer comprises 900 ordinary shares of nominal value EUR100.

The issued, allotted and fully paid up share capital of the Issuer comprises 180 ordinary shares of nominal value EUR100.

Articles of Association

The Issuer'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.

Selected Financial Information

The net revenue for the financial years ended November 2006 and 2005 was EUR908,000 and EUR-1,614,000 respectively, representing issuance fees received on the issuance of financial instruments less guarantee fees payable. The profit or loss before tax for the financial years ended 2006 and 2005 was a profit of EUR1,075,000 and a loss of EUR1,475,000 respectively.

The current assets of the Issuer rose from EUR641,974,000 in 2005 to EUR3,893,257,000 in 2006 with a total amount owing to creditors rising from EUR639,578,000 in 2005 to EUR3,890,086,000 in 2006. The principle reason for the increase in debt was an increase in client demand for financial instruments.

SECTION 4 - GENERAL INFORMATION

For so long as this Registration Document remains in effect or any securities issued by the Issuer remain outstanding, the following documents will be available from the date hereof in physical or electronic form, during usual business hours on any week day, for inspection at the offices of Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB being the Fiscal Agent, Deutsche Bank Trust Company Americas, 27th Floor, 60 Wall Street, New York, New York 10005 being the Registrar and Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland being the Irish Paying Agent and also at the principal executive offices of Morgan Stanley and the registered offices of the Issuer:

- (i) the Deed of Incorporation of the Issuer;
- (ii) the Certificate of Incorporation and Amended and Restated By-laws of Morgan Stanley;
- (iii) all reports, letters and other documents, historical financial information, valuations and statements by any expert any part of which is included or referred to herein;
- (iv) the audited accounts of the Issuer for the financial years ended 30 November 2006 and 30 November 2005; and
- (v) a copy of this Registration Document and any document incorporated by reference herein.

Any statement contained in this Registration Document or in a document incorporated or deemed to be incorporated by reference in this Registration Document will be deemed to be modified or superseded for purposes of this Registration Document, to the extent that a statement contained in this Registration Document or in any subsequently filed document that also is or is deemed to be incorporated by reference in this Registration Document and in respect of which a supplement to this Registration Document has been prepared modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Registration Document.

Morgan Stanley

Except for the legal proceedings referred to under Item 3, Part I of the Morgan Stanley Annual Report on Form 10-K for the annual period ended 30 November 2006 and Section 8.3 (*Legal Proceedings*) there are no, nor have there been any, legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which Morgan Stanley is aware during the 12 month period before the date of this Registration Document) involving Morgan Stanley or any of its consolidated subsidiaries which may have or have had in the recent past, a significant effect on Morgan Stanley's consolidated financial position or profitability.

Other than as disclosed in the Incorporated Information and herein, there has been no significant change in the financial or trading position and there has been no adverse change in the prospects of Morgan Stanley and its consolidated subsidiaries since 30 November 2006.

Deloitte & Touche LLP, an independent registered public accounting firm of Two World Financial Center, New York, NY 10281, USA have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) (i) the consolidated statements of financial condition of Morgan Stanley as of 30 November 2006 and 2005 and the related consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for each of three years in the period ended 30 November 2006; (ii) the related financial statement

schedule included in Schedule I and (iii) management's report of the effectiveness of internal control over financial reporting, each included in Morgan Stanley's Annual Report on Form 10-K for the year ended November 2006.

The Issuer

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

Other than as disclosed in the Issuer's audited annual report and accounts for year ended 30 November 2006, there has been no significant change in the financial or trading position, nor any material adverse change in the prospects, of the Issuer since 30 November 2006.

Deloitte Accountants B.V., independent auditors and certified public accountants of Orlyplein 10, 1043 DP Amsterdam, The Netherlands, have audited the financial statements of the Issuer for the years ended 30 November 2004, 30 November 2005 and 30 November 2006 and an unqualified opinion has been reported thereon.

PART C: SECURITIES NOTE

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 Certificates and Warrants

This Securities Note (“**Securities Note**”), as amended or supplemented, constitutes Part C of a Base Prospectus for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”) and should be read and construed in accordance with the summary dated 12 April 2007 (the “**Summary**”) and the registration document dated 12 April 2007 (the “**Registration Document**”). Any Securities (as defined below) issued under the Program on or after the date of this Securities Note are issued subject to the provisions described herein. This does not affect any Securities already in issue.

This Part C has been prepared for the purpose of providing the disclosure information with regard to Morgan Stanley (“**Morgan Stanley**”), and Morgan Stanley B.V. (“**MSBV**”, the “**Issuer**”) required by Directive 2003/71/EC (the “**Prospectus Directive**”) to be included in the Securities Note element of the base prospectus (the “**Base Prospectus**”) of which this Part C forms part (which term means this Part C as amended or supplemented and includes all documents incorporated by reference herein).

The Final Terms applicable to a Series will specify whether or not Securities of such Series have been admitted to trading on the Irish Stock Exchange’s regulated market and/or admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system.

The payment of all amounts due in respect of Securities issued by the Issuer will, unless specified otherwise in the Final Terms to this Securities Note be unconditionally and irrevocably guaranteed by Morgan Stanley (the “**Guarantor**”) pursuant to a guarantee dated as of 12 April 2007.

The Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International Limited, Morgan Stanley & Co. Incorporated and MSDW 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” beginning on page 168.

The Securities will be governed by, and construed in accordance with, English law.

Investing in the Securities involves risks. See “Risk Factors” beginning on page 75.

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. 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 REGULATION S).

None of the Issuer, Morgan Stanley & Co. International Limited, Morgan Stanley & Co. Incorporated or MSDW 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 Securities Note or any accompanying Final Terms.

MORGAN STANLEY

12 April 2007

Each of the Issuer and the Guarantor accepts responsibility for information contained in this Securities Note. To the best of the knowledge and belief of each of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Securities Note (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.

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 Securities 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 Securities Note 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 the Securities Note is true subsequent to the date hereof or the date upon which the Securities Note has been most recently amended 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 the Securities Note has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into the Registration Document by reference, or that any other information supplied in connection with the Program is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Distribution Agents expressly do not undertake to review the financial condition or affairs of the 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 Securities Note unless they have been expressly incorporated herein by way of a supplement to this Securities Note).

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 Securities Note 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 Securities Note 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 Securities Note (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 Securities Note 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 Securities Note (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 Securities Note 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 Securities Note or any Final Terms comes are required by the Issuer, the Guarantor and the Distribution Agents to inform themselves about and to observe any of those restrictions.

Neither this Securities Note 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 authorized 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 Securities Note or any Final Terms and other offering material relating to the Securities, see “Subscription and Sale and Transfer Restrictions” beginning on page 168.

This Securities Note should be read and construed with any amendment or supplement hereto (this document, as amended or supplemented, the “Securities Note”), with the Summary, the Registration Document and with, in relation to any issue of Securities, the Final Terms (each the “Final Terms”) relating thereto and with all documents incorporated by reference herein.

Neither this Securities Note 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 Securities Note or any Final Terms should subscribe for or purchase any Securities. Each recipient of the Securities Note 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.

All references in this Securities Note to “Sterling” and “£” are to the lawful currency of the United Kingdom, all references to “U.S. dollars,” “U.S.\$” and “\$” are to the lawful currency of the United States of America, all references to “Japanese Yen” and “¥” are to the lawful currency of Japan, all references to “Australian dollars” and “AUD” are to the lawful currency of the Commonwealth of Australia, all references to “New Zealand dollars” and “NZD” are to the lawful currency of New Zealand, and all references to “euro”, “€” and “EUR” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended (the “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. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

In connection with the issue of any Tranche (as defined in “Key Features of the Securities”), 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 in accordance with all applicable laws and rules.

RISK FACTORS RELATING TO THE SECURITIES

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. This section describes generally the most significant risks of investing in Securities linked to the single securities, single indices, baskets of securities or indices. 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.

Prospective investors should read the entire Base Prospectus (and where appropriate the Final Terms). Words and expressions defined elsewhere in this Base Prospectus have the same meanings in this section. Prospective investors should consider, among other things, the following:

Securities are linked to underlyings

The Issuer may issue Securities with cash settlement amounts and/or distribution amounts 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 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;
- (iv) payment of cash settlement amounts 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 and/or 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.

Securities are not ordinary securities

The terms of Securities differ from those of ordinary securities because such securities do not pay interest and at expiration 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 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 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 or termination 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 or termination.

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, 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. 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 competent 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 Limited 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 Limited 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.

Investors have no shareholder rights; Investment in the Securities 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 or termination of the Securities.

Hedging Activity

Although MSIL 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 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.

Currency exchange information will be provided in the Final Terms. The applicable Final Terms or supplementary securities note, where relevant, will include information with respect to any relevant exchange controls and any relevant historic exchange rate information for any Security. The investor should not assume that any historic information concerning currency exchange rates will be representative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future.

Currency exchange conversions may affect payments on some Securities

The applicable Final Terms may provide for (i) payments on a non-U.S. dollar denominated Security to be made in U.S. dollars or (ii) payments of cash settlement amounts, distributions or supplemental amounts on, U.S. dollar denominated Securities to be made in a currency other than U.S. dollars. In these cases, Morgan Stanley & Co. International Limited, 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 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.

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 Limited (“MSIL”) will determine the payout to the investor at expiration. MSIL 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. MSIL 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 MSIL’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 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 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.

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”), 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**”) (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**”).

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 depositories 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. 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. 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.

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 Securities Note. 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 Securities Note.

INCORPORATION BY REFERENCE

The Issuer will, at its registered office 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 Securities Note (or any document incorporated by reference in this Securities Note). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or Transfer Agent.

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 Limited 25 Cabot Square, Canary Wharf, London E14 4QA, Morgan Stanley & Co. Incorporated 1585 Broadway New York 10036 and MSDW 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
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 issued with maturities of more than 183 days initially will be represented by a temporary global security, (if the United States Treasury Regulation §1.163-5(c)(2)(i)(C) does not apply) that the Issuer will deposit with a common depository 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. If United States Treasury Regulation §1.163-5(c)(2)(i)(D) is specified in the relevant Final Terms as applicable, certification as to non-US beneficial ownership will be a condition precedent to any exchange of an interest in a temporary global security or receipt of any payment of a distribution amount in respect of a temporary global security.

Bearer Securities issued with maturities of 183 days or less initially will be represented by a permanent global security that the Issuer will deposit with a common depository for Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system. 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 12 April 2007.
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.
Style of Securities	Securities 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, Securities 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 ”). Securityholders will not be entitled to receive physical delivery of securities.
Minimum Exercise Number or Maximum Exercise Number	Securities 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”.
Distribution	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. If the Securities are issued in nominal amounts, such Securities will be issued in nominal amounts of 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 issued by shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by (i) in the case of the Issuer, The Netherlands or (ii) in the case of the Guarantor, the United States of America or, in each case, any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction 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 Securities Note 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”) (in the case of Restricted Securities) and Euroclear, 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 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 12 April 2007 (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 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**”) has established a Program (the “**Program**”) for the issuance of certificates and warrants which are expressed to be governed by, and construed in accordance with, English law (“**Certificates**” and “**Warrants**” 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 12 April 2007 (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 12 April 2007 (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 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, 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 Limited, 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 or (ii) 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 12 April 2007 and the Deed Poll dated 12 April 2007, each of which 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 Financial Centre(s)**” means the city or cities specified as such in the applicable Final Terms;

“**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 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**”), 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*);

“**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 (x) in The City of New York or in London, or (y) for Securities denominated in a Specified Currency other than U.S. dollars, euro or Australian dollars, in the principal financial center of the country of the Specified Currency, or (z) for Securities denominated in Australian dollars, in Sydney 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 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 one 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 Limited 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) the Distribution Commencement Date or any Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date;

“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 (but for the occurrence of such termination) 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 establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997), as further amended from time to time;

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

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

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

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

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

“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;

“**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;

“**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 product of the Net Yield Weighting and the aggregate of all declared dividend payments (or any part thereof) in respect of one Share for which the Ex-Dividend Date falls during the Reference Period (an “**Eligible Dividend**”). 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;

“**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 6.11 (*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 is calculated save that for this purpose the Cash Settlement Amount shall be calculated as if:

- (i) the Valuation Date were the fifth Business Day (such date, the “**Optional Termination Valuation Date**”) preceding the Optional Termination Date (Call) 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 6.11 (*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;

“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) (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 (if any) Additional 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 (if any) Additional Financial Centre; and
- (B) in the case of a Security represented by a Global Security, a day on which each Clearance System is open;

“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;

“Pricing Date” has the meaning given to it in the applicable Final Terms;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation or determination) by the Determination Agent; and
- (ii) in relation to Australian dollars, it means Sydney and, in relation to New Zealand dollars, it means Wellington;

“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;

“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 and including the Pricing Date to but excluding 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, 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;

“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;

“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), the Early Termination 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 (TARGET) System is open;

“**Taxes**” means, in respect of a 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 the exercise 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 first 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 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:
- (a) 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
 - (b) 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 *apri 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. The payment of Distribution Amounts in respect of each Security shall be subject to any other terms specified in the applicable Final Terms.
- 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, 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 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 Securities 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 Securities are specified in the applicable Final Terms as being “European Style Securities”, then this Condition 6.1.2 is applicable and the Securities 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 Securities as provided in the Conditions.
- 6.1.3 *Bermudan Style*: If the Securities 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 Security 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). 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 Securities, where an Exercise Notice has not been duly completed and delivered by the Latest Exercise Time on the Expiration Date in respect of any Securities of such Series, each such Security shall be deemed to have been exercised at that time on such date and/or upon such other terms as may be specified in the 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 Securities 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 Security 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 Security 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 Securities 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 Securities 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 *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, upon the giving of a notice of termination to Securityholders as described below, if the Issuer determines that, as a result of:

6.6.1 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

6.6.2 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 Pricing 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.

6.7 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.

6.8 *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:

6.8.1 would not be applicable to a payment made by the Issuer, the Guarantor or any Paying Agent

(a) directly to the beneficial owner or

(b) 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

6.8.2 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 6.9 (*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 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.

6.9 *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 6.7 (*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 6.8.1 and 6.8.2 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.

- 6.10 If the Issuer elects to pay any additional amounts as described in this Condition 6.10, the Issuer will have the right to terminate the Securities as a whole at any time by meeting the same conditions described in Condition 6.7 (*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 6.9 and the condition specified in the first sentence of this Condition 6.9 should no longer be satisfied, then the Issuer may terminate the Securities as a whole under the applicable provisions of Condition 6.7 (*Special Tax Termination*).
- 6.11 *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) on the Issuer's giving not less than 10 calendar days' notice 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) payable in respect of each Security.
- 6.12 *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.
- 6.13 *Purchase:* The Issuer or any of its Affiliates may at any time purchase Securities in the open market or otherwise and at any price.
- 6.14 *Cancellation:* All Securities which are exercised 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 or terminated, or purchased and cancelled, may not be reissued or resold.

7. EXERCISE PROCEDURES

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 6.6 (*Tax Termination*), 6.8 (*Special Tax Termination*), 6.11 (*Termination at the option of the Issuer*) or 6.12 (*Compliance with securities laws*) 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 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, facsimile and telex 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 applicable Taxes due by reason of exercise of the relevant Securities 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) 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*: 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, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any 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 any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). 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 or Termination:* If the applicable Final Terms specifies that the Distribution Provisions are applicable, on the exercise of any Security, or termination 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 any 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 a Paying Agent makes a partial payment in respect of any Security or Coupon presented to it for payment, such Paying Agent will endorse 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 Fiscal 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 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 against 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 (other than the Settlement Amount) 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 fifteenth Relevant Banking Day (as defined in

Condition 3.6.2 (*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 (other than the Settlement Amount) 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 a Relevant Banking Day (as defined in Condition 3.6.2 (*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 any applicable fiscal or other laws and regulations.

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 (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**” means the dividend per Share, or portion thereof, to be characterised as an Extraordinary Dividend as determined by the Determination Agent.

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, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the 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, (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 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 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, 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 (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 Pricing 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 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 (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. 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 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, 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 (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 Share Securities or Share Basket Securities (if specified as applicable in the applicable Final Terms) a Change of 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 Pricing 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 Pricing 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) realize, 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 which the Issuer deems necessary to hedge the risk of entering into and performing its obligations with respect to the Securities at a rate as determined by the Issuer.

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 (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: Except as otherwise set out in the applicable Final Terms, all payments by the Issuer and Guarantor in respect of the Securities shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by (i) in the case of the Issuer, The Netherlands; or (ii) in the case of the Guarantor, the United States of America or, in each case, any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction 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 the relevant Securities are presented for payment 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 Fiscal 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 if a Determination Agent is specified in the applicable Final Terms, a Determination Agent;
 - 16.2.5 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
 - 16.2.6 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 Reconversioning*) 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 or Cash Settlement Payment 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 Community 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 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, 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 (the “**Deed of Covenant**”) entered into by the Issuer relating to the Securities dated 12 April 2007 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 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 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 may arise out of or in connection with the Securities (respectively, “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 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 Limited, 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 Certificates and Warrants,

PART A – CONTRACTUAL TERMS

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. 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 REGULATIONS 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 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 Securities Note dated [●] (and the Registration Document dated [●]) [and the supplemental Securities Note dated [●]]¹ which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). 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

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

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 the supplemental Base Prospectus dated [●]]. 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**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplemental Base Prospectus dated [●]] and are attached hereto. 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 Prospectuses dated [original date] and [current date] [and the supplemental Base Prospectuses dated [●] and [●]]. [The Base Prospectuses [and the supplemental Base Prospectuses] are available for viewing 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 sub-paragraphs. 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] |
| 4. | (i) | Issue Date: | [] |
| | (ii) | Pricing Date: | [] |
| 5. | | Expiration Date: | [] |

6. Specified Currency: []
7. Aggregate Nominal Amount or number of Securities [admitted to trading]²: [Aggregate Nominal Amount] of Securities [admitted to trading] is []
 [Aggregate number of Securities [admitted to trading] is [] Securities]
- [(i) Series: []
- [(ii) Tranche: []]
8. Nominal Amount per Security: [] [Not Applicable]
9. Issue Price: [[] per cent of the Nominal Amount]
 []

PROVISIONS RELATING TO THE UNDERLYING AND ADJUSTMENTS

10. 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*)
11. Exchange: []
12. Related Exchange: [All Exchanges] []
13. Exchange Business Day: []

PROVISIONS RELATING TO DISTRIBUTION AMOUNT (IF ANY) PAYABLE

14. Distribution Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph. If the Distribution Provision makes reference to Net Yield and/or Outperformance, the provisions relating to Equity Linked Certificates should be inserted and completed.)
- (i) Distribution Commencement Date: [Issue Date/Pricing Date/Specify other]
- (ii) Distribution Date(s): Valuation [] [and for the purpose of any subsequent distribution if any, the relevant Ex-Dividend Date in respect of the Shares]

² Delete for Securities with a nominal amount per Security of less than EUR50,000

- (iii) Distribution Payment [] [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)]: []
- (v) Minimum Distribution [] [Not Applicable]
Amount:
- (vi) Maximum Distribution [] [Not Applicable]
Amount:
- (vii) Other terms relating to the [] [None]
payment of Distribution
Amounts:

[PROVISIONS RELATING TO EQUITY LINKED CERTIFICATES]

15. Additional Outperformance [] per cent.
Weighting:
16. Net Yield Weighting: [] per cent.
17. Outperformance Weighting: [] per cent.
18. Reference Period: [] [From and including the [Pricing Date] to but excluding the [Expiration Date]]
19. [Final Valuation Date: []]

PROVISIONS RELATING TO EXERCISE AND TERMINATION

20. Exercise Style: [European/American/Bermudan style] Securities
21. Deemed Exercise: [Applicable/Not Applicable]
22. Call/Put: [[Call/Put] Warrants] [Not Applicable]
23. Exercise Date or Potential Exercise []
Date(s):
24. Exercise Period or Commencement []
Date:
25. Exercise Business Day: [Includes/Excludes] a Scheduled Trading Day [and an Exchange Business Day]
26. Latest Exercise Time: []
27. Expiration Date []

28. Minimum Exercise Amount: []
29. Maximum Exercise Amount: []
30. Permitted Multiple: [] [Not Applicable]
31. 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, the provisions relating to Equity Linked Certificates should be inserted and completed.]*
- (i) Reference Value: []
- (ii) Strike Value (for Warrants only): [] [Not Applicable]
- (iii) Settlement Value:³ [] [Not Applicable]
- (iv) Cash Settlement Payment Date: []
- (v) Minimum Cash Settlement Amount: []
- (vi) Maximum Cash Settlement Amount: []
- (vii) Valuation Date: []
- (viii) Averaging Date Disruption: [Omission/Postponement/Modified Postponement]
- (ix) Valuation Time: []
- (x) Averaging Dates: []
- (xi) Other terms relating to the payment of Cash Settlement Amount: [] [None]
32. Issuer's Call Option: [Applicable/ Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Termination Date (Call): []
- (ii) Optional Termination [Specify if different from the definition of Optional

³ Where "Averaging Dates" are used.

- Amount (Call): *Termination Amount (Call) in the Conditions.*
- (iii) Other terms relating to the Issuer's Call Option: [] [None]
33. Additional Disruption Event: [Change in Law, Hedging Disruption, Increased Cost of Hedging, Loss of Stock Borrow] (*Specify all that apply and if the termination amount is different from the provision in the relevant Condition*)
34. Early Termination Amount (if different from Condition 2 (*Interpretation*)): []
- Other terms relating to early termination: [] [None]

GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

35. Form of Securities: [Bearer Securities:
- [Temporary Global Security exchangeable for a Permanent Global Security which is exchangeable for Definitive Securities on [] 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]
36. [(i) Status of the Guarantee: [Senior/[Dated/Perpetual]
- (ii) [[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*)
37. Additional Financial Centre(s): [Not Applicable/give details. Note that this item relates to the date and place of payment, and not

distribution period end dates]

38. 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*]
39. Renominalisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 23 (*Renominalisation and Reconventioning*)] [annexed to these Final Terms] apply]
40. Consolidation provisions: [Not Applicable/The provisions [in Condition 19 (*Further Issues*)] [annexed to these Final Terms] apply]
41. Clearance System: [Euroclear and Clearstream, Luxembourg] [DTC]
42. Determination Agent: [Morgan Stanley & Co. International Limited]
43. Additional US Federal Tax Considerations: [Not applicable/give details]
44. 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

45. Method of distribution: [Syndicated/Non-syndicated]
46. (i) If syndicated, names [and addresses]⁴ of [Distribution Agents] [and underwriting commitments]⁵ [Not Applicable/*give names[, addresses and underwriting commitments]*⁶ *[(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.)]*⁷
- (ii) [Date of [Subscription] []]⁸ Agreement:
- (iii) Stabilising Manager(s) (if [Not Applicable/*give name*])

⁴ Delete for Securities with a nominal amount per Security of EUR50,000 or more

⁵ Delete for Securities with a nominal amount per Security of EUR50,000 or more

⁶ Delete for Securities with a nominal amount per Security of EUR50,000 or more

⁷ Delete for Securities with a nominal amount per Security of EUR50,000 or more

⁸ Delete for Securities with a nominal amount per Security of EUR50,000 or more

any):

47. If non-syndicated, name [and [Not Applicable/give name [and address]¹⁰]
address]⁹ of [Distribution Agents]:
48. Whether TEFRA D or TEFRA C []
rules applicable or TEFRA rules
applicable in the case of Bearer
Securities:
49. [Total commission and concession: [] per cent. of the Aggregate Nominal Amount]¹¹
50. Additional selling restrictions: [Not Applicable/give details]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Securities described herein pursuant to the Program for the Issuance of Warrants and Certificates by Morgan Stanley B.V.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. 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 ●, no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

4. LISTING

- (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.)*

⁹ Delete for Securities with a nominal amount per Security of EUR50,000 or more

¹⁰ Delete for Securities with a nominal amount per Security of EUR50,000 or more

¹¹ Delete for Securities with a nominal amount per Security of EUR50,000 or more

- (iii) [Estimate of total expenses []]¹²
related to admission to
trading:

5. RATINGS

Credit ratings assigned to the Issuer [None]
or its debt securities:

[S & P: []]
[Moody's: []]
[[Other]: []]

*[Need to include a brief explanation of the meaning of
the ratings if this has previously been published by
the rating provider.]*¹³

*[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.]*

6. [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.]

7. [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.”]

8. 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*

¹² Delete for Securities with a nominal amount per Security of less than EUR50,000

¹³ Delete for Securities with a nominal amount per Security of EUR50,000 or more

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.)

9. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, [EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]¹⁴ AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹⁵. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

10. 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 []

¹⁴ Delete for Securities with a nominal amount per Security of EUR50,000 or more

¹⁵ Delete for Securities with a nominal amount per Security of EUR50,000 or more

Paying Agent(s) (if any):

ANNEX

[Set out details of Cash Settlement Amount (item [31]), Renominalisation and reconventioning provisions (item [39]), Consolidation provisions (item [40]) 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**”) having a maturity of more than 183 days from the Issue Date (and any Tranche thereof) will initially be in the form of a temporary global security (a “**Temporary Global Security**”), without coupons. Each Temporary Global Security 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**”) only upon certification as to non-U.S. beneficial ownership. The Exchange Date for any Security held by a Distribution Agent (as defined in “Subscription and Sale and Transfer Restrictions” - see page 168 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. However, that exchange will be made only upon receipt of Ownership Certificates (as defined below). No payments will be made under the Temporary Global Security unless exchange for interests in the Permanent Global Security is improperly withheld or refused. In addition, payments of Distribution Amounts in respect of the Securities cannot be collected without such certification of non-U.S. beneficial ownership. Each issuance of Securities having a maturity of 183 days from the Issue Date or less 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:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Security at the Specified Office of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

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 or the aggregate number of Securities specified in the certificates of non-U.S. beneficial ownership; *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 accelerated following any of the circumstances described in “Terms and Conditions of the Securities” or the date for final exercise 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 Fiscal Agent within 30 days of the bearer requesting such exchange. The Bearer Security Depositary for Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system will instruct the Fiscal 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 Securities Note) 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.

Tax Legend Concerning United States Persons

In the case of Bearer Securities (or any Tranche thereof) having a maturity of more than 183 days from the Issue Date, the Global Securities, the Definitive Securities and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

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

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

Any Bearer Securities (or any Tranche thereof) having a maturity of 183 days from the Issue Date or less must have a minimum face and principal amount of U.S.\$500,000 and bear the following legend:

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

Tax Limitations on Issuance of Bearer Securities

In compliance with United States federal income tax laws and regulations, Bearer Securities, including Bearer Securities in global form, may not be offered, sold or delivered, directly or indirectly, in the United States or its possessions or to United States persons, as defined below, except as otherwise permitted by United States Treasury Regulations Section 1.163-5(c)(2)(i)(D). Any underwriters, agents or dealers participating in the offerings of Bearer Securities, directly or indirectly, must agree that (i) they will not, in connection with the original issuance of any Bearer Securities or during the restricted period with respect to such Bearer Securities (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) (the “**Restricted Period**”), offer, sell or deliver, directly or indirectly, any Bearer Securities in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury Regulations described above; and (ii) they will not, at any time offer, sell or deliver, directly or indirectly, any Bearer Securities in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury Regulations above.

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

Bearer Securities, other than Bearer Securities that satisfy the requirements of United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(iii) and any coupons or talons appertaining thereto, will not be delivered in definitive form, and no Distribution Amount will be paid thereon, unless the Issuer has received a signed certificate in writing, or an electronic certificate described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(ii), (an “**Ownership Certificate**”) stating that on the date of the Ownership Certificate that bearer security:

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

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

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

As used herein, “**United States person**” means, for United States federal income tax purposes, (i) a citizen or resident of the United States; (ii) a corporation, partnership or other entity created or

organized in or under the laws of the United States or any political subdivision thereof; or (iii) an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

Additional United States Transfer Restriction

Notwithstanding anything to the contrary herein, no Bearer Security, whether in definitive or global form, shall be offered, sold or delivered at any time to, or for the account or benefit of, a U.S. person (as defined in the U.S. internal revenue code of 1986, as amended, and regulations thereunder).

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.

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 the DTC custodian. 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 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 to be executed by the Issuer substantially in the form set out in the Issue and Paying Agency Agreement (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 6.11 (*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.

DTC 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 will have a common code and an ISIN. The Issuer has also applied to DTC for acceptance in its book entry settlement system of the Restricted Securities. The Restricted Securities 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 depositary 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 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 Restricted Global Security registered in the name of DTC’s nominee will be made to or to the order of its nominee as the registered Securityholder of such Restricted Global Security. Payments any amounts payable under each Unrestricted Global Security registered in the name of the common depositary acting on behalf of Euroclear and Clearstream, Luxembourg will be made to or to the order of the common depositary as the registered holder of such

Unrestricted Global Security. 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 Global Security is lodged with DTC or its custodian, 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 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 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 Fiscal 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 has been exercised 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 (in the case of Unrestricted Securities) and DTC (in the case of Restricted Securities) 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:

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 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 Fiscal 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, facsimile and telex 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 any applicable Taxes due by reason of exercise of the relevant Securities and an authority to the Issuer and the relevant Clearance System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Securityholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) and to debit a specified account of the Securityholder at the relevant Clearance System with an amount or amounts in respect thereof;
- (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 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 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 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 Depositary 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 Depositary 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.

Debit of Securityholder's Account:

The relevant Clearance System will on or before the Cash Settlement Payment 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, (ii) any applicable Taxes (if any) in respect of the Securities being exercised, and (iii) 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, and the Exercise Notice delivered in respect of such Securities shall thereafter be void for all purposes.

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.

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 any 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.

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.

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

- (i) 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 shall determine and notify to the Securityholders; and
- (ii) the amount of 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.

ERISA

The Securities may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or any individual retirement account or plan subject to Section 4975 of the Code.

UNITED STATES TAXATION

To ensure compliance with requirements imposed by the US 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 US 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 Warrant or Certificate, but is not purported to be a complete analysis of all potential tax effects. This summary is based upon the Internal Revenue Code of 1986 (the “Code”); existing and proposed regulations promulgated thereunder, and published rulings 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 Warrant or Certificate. In particular, this summary deals only with U.S. holders of a Warrant or Certificate who purchase in the initial offering at the applicable issue price and in whose hands the stock, debt, commodity or other property underlying the Warrant or Certificate would be capital assets for 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 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;
- entities that are treated for U.S. federal income tax purposes as partnerships or other pass-through entities;
- an investor who purchases a Warrant or Certificate 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 Warrant or Certificate and holds any other position (whether long or short, direct or indirect) in any asset underlying such option;
- an investor who enters into a Warrant or Certificate that is part of a hedging transaction or that has been hedged against currency risk;
- an investor who enters into a Warrant or Certificate that is part of a straddle or conversion transaction for tax purposes; and
- an investor whose functional currency for tax purposes is not the U.S. dollar.

As a consequence of the foregoing, it should be particularly noted that this summary does not address the special tax considerations that apply to an investment in a combination of Warrants or Certificates with respect to the same underlying assets. Further, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of a Warrant or Certificate.

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 Warrant or Certificate 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 Warrant or Certificate might be required to (i) recognize all or a portion of any gain on such Warrant or Certificate 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 Warrant or Certificate and (iii) capitalize any interest or carrying charges incurred by such U.S. holder with respect to such Warrant or Certificate.

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

The rules governing the taxation of option transactions and derivative financial instruments are complex and depend on a taxpayer's particular circumstances. U.S. holders are strongly urged to consult their own tax advisors concerning the U.S. federal, state, local, foreign and other national tax consequences of the ownership and disposition of Warrants or Certificates in their particular circumstances. U.S. holders should also consult their tax advisors as to the possibility of changes of law affecting taxation of derivative financial instruments with contingent payments, including prepaid forward contracts. Prospective investors should consult their tax advisors regarding the United States federal, state, local and foreign tax consequences of acquiring, owning and disposing of the Notes in light of such investor's own circumstances, including such investor's status as a U.S. holder or non-U.S. holder (as defined below), as well as any other estate, gift, or other tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.

For purposes of this discussion, a "U.S. holder" means a beneficial owner of a Warrant or Certificate 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 United States 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 United States 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 United States 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 Warrant or Certificate.

A “non-U.S. holder” is a beneficial owner of a Warrant or Certificate that is a nonresident alien individual or a foreign corporation. If a partnership holds a Warrant or Certificate, 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 Warrant or Certificate should consult their tax advisors regarding the United States federal income tax consequences of acquiring, owning, exchanging and disposing of the Securities.

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 option.

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 and Certificates denominated in the Specified Currency other than the U.S. dollar will be discussed in the applicable Final Terms.

Certificates

Classification of the Certificates

Depending on the terms of a Certificate, such Certificate 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 (iv) a contingent payment debt

instrument. Additional U.S. federal income tax consequences applicable to a particular issuance of Certificates will be set forth in the applicable Final Terms.

No ruling is being requested from the IRS with respect to the Certificates, 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 are uncertain.

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

If any Certificates 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.

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 are treated as prepaid forward contracts, upon the receipt of cash upon settlement of a Certificate or upon the sale or other disposition of such Certificate, 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. In general, a holder's tax basis in a Certificate will equal the amount that such holder paid to acquire the Certificate. 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 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, since 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-thru" entities. These rules, however, grant discretionary authority to the U.S. Treasury Department 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 separately also 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 U.S. Treasury Department, 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, a U.S. holder could be treated as owning the property underlying those Certificates 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 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 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 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 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. Alternatively, it is possible that the Certificates could be characterized for U.S. federal income tax purposes as debt instruments that are subject to the Treasury regulations governing contingent payment debt instruments, 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 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 on a current basis. The IRS and U.S. Treasury Department recently issued proposed regulations that require the current accrual of income with respect to contingent nonperiodic 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.

Warrants and Certificates 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 Warrant or Certificate 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 Warrant or Certificate, as well as upon an offset of one contract against another in certain circumstances. In general, if a Warrant or Certificate 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 Warrant or Certificate 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 Warrants and Certificates denominated in the Specified Currency other than the U.S. dollar will be set forth in the applicable Final Terms.

Foreign Currency Rules

Payments of premium, exercise price, sale proceeds, and cash settlement amounts in respect of Warrants or Certificates 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 own tax advisors 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 Warrants or Certificates.

A non-U.S. holder will generally not be subject to United States federal income tax, including withholding tax, on payments on a Security, or on proceeds from the sale or other disposition of a Security, provided that for purposes of United States federal income tax law:

- (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) ten percent 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 Security in the context of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business;
- (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 the 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 Warrants or Certificates. 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 Warrants or Certificates who are not 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 advisors 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 United States 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 own tax advisors regarding the U.S. federal estate tax consequences of investing in the Securities.

UNITED KINGDOM TAXATION

The following summary relates to United Kingdom stamp duty. Purchasers of Securities may be subject to other tax consequences in relation to Securities.

In the context of retail covered warrants listed on the London Stock Exchange, HM Revenue and Customs 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 HM Revenue and Customs would be prepared to take such a view in relation to the Securities. If HM Revenue and Customs were not prepared to take such a view in relation to the Securities, the following charges to stamp duty may arise.

Stamp duty

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 any purpose 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 was 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, if any United Kingdom stamp duty is required to be paid, it would be payable by reference to the amount of consideration given for the Securities represented by that Global Security.

Bearer duty

In relation to Securities in bearer form which are denominated in sterling, a charge to stamp duty at 1.5 per cent. of the value of such Securities will arise if issued in the United Kingdom. No stamp duty liability will arise on the issue of such Securities if issued outside the United Kingdom. However, in relation to such Securities originally issued outside the United Kingdom, on the first transfer by delivery in the United Kingdom of any such Securities a stamp duty liability at 1.5 per cent. of the value of such Securities will arise.

NETHERLANDS TAXATION

General

The following summary describes 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 thereof. Reference in this summary to Securities shall include Coupons and Talons. 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 the tax legislation, published case law, treaties, regulations and published policy, in force as of the date of this Prospectus, though it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address The Netherlands tax consequences for:

- (i) holders of Securities holding a substantial interest (*aanmerkelijk belang*) in the Issuer. Generally speaking, a holder of Securities holds a substantial interest in the Issuer, if such holder of Securities, alone or, where such holder is an individual, together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (i) an interest of 5 percent or more of the total issued capital of the Issuer or of 5 percent 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) pension funds or other entities that are exempt from Netherlands corporate income tax;
- (iii) investment institutions (*fiscale beleggingsinstellingen*).

Withholding tax

All payments made by the Issuer under the Securities may be made free of withholding or deduction for, or on account of, 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 do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of The Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

Corporate and individual income tax

(a) Residents of The Netherlands

If a holder is resident or deemed to be 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 its 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.

If an individual holder is resident or deemed to be resident of The Netherlands for Netherlands tax purposes (including the 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 of The Netherlands income tax act 2001, if:

- (i) the holder has an enterprise or an interest in an enterprise, to which enterprise 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. At present, this deemed return on income from savings and investments has been fixed at a rate of 4% of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of 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 and 31 December, divided by two. The fair market value of the Securities will be included as an asset in the individual's yield basis. The deemed return on income from savings and investments of 4% will be taxed at a rate of 30 per cent.

(b) Non-residents of The Netherlands

If a holder is not a resident nor deemed to be a resident of The Netherlands for Netherlands tax purposes (nor has 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 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 a permanent representative the Securities are attributable; or
- (ii) the holder is entitled to a share in the profits of an enterprise that is effectively managed in The Netherlands, other than by way of securities, and to which enterprise the Securities are attributable; or
- (iii) the holder is an individual and such income or gains qualify as income from miscellaneous activities in The Netherlands, which include the performance of activities in The Netherlands with respect to the Securities that exceed regular, active portfolio management.

Gift and Inheritance taxes

(a) Residents of The Netherlands

Generally, gift and inheritance taxes will be due in The Netherlands in respect of the acquisition of the Securities by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of The Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of The Netherlands 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 during the ten years preceding the gift or his or her death. A holder of any other 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 at any time during the twelve months

preceding the time of the gift. The same twelve-month rule may apply to entities that have transferred their seat of residence out of The Netherlands.

(b) Non-residents of The Netherlands

No gift or inheritance taxes will arise in The Netherlands in respect of the acquisition of the Securities by way of gift by, or as a result of the death of, a holder that is neither a resident nor deemed to be a resident of The Netherlands for the purposes of The Netherlands gift and inheritance tax, unless:

- (i) such holder at the time of the gift has, or at the time of his or her death had, an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which permanent establishment or a permanent representative, the Securities are or were attributable; or
- (ii) the Securities are or were attributable to the assets of an enterprise that is effectively managed in The Netherlands and the donor is or the deceased was entitled, other than by way of securities, to a share in the profits of that enterprise, at the time of the gift or at the time of his or her death; or
- (iii) in the case of a gift of the Securities by a holder that at the date of the gift was neither a resident nor deemed to be a resident of The Netherlands, such holder dies within 180 days after the date of the gift, while at the time of his or her death being a resident or deemed to be a resident of The Netherlands.

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 the 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.

EUROPEAN UNION SAVINGS DIRECTIVE

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

Also with effect from 1 July, 2005 a number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) (a withholding system in the case of Switzerland) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS

The Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International Limited, Morgan Stanley & Co. Incorporated and MSDW 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 12 April 2007 (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**”).

Bearer Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person. Terms used in this paragraph

have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder. See also Form of Bearer Securities - Tax Limitations on Issuance of Bearer Securities.

Each Distribution Agent has agreed, and each further Distribution Agent appointed under the Program will be required to agree that, except as permitted by the Distribution Agreement, it will not offer, sell or, in the case of Bearer Securities, 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.

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 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:

“THESE 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 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**”).

INTERESTS IN THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES 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 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 AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$100,000 NOMINAL AMOUNT OF SECURITIES 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 NOTE CERTIFICATE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, 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 OR THE SECURITIES 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 under the Securities Act to a person that takes delivery in the form of an interest in the Restricted Global Security that (a) 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 and (b) (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:

“THESE 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 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**”).

INTERESTS IN THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES 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 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 AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$100,000 NOMINAL AMOUNT OF SECURITIES 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 NOTE CERTIFICATE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, 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 OR THE SECURITIES 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.

European Economic Area

Each Distribution Agent has represented, warranted and agreed that it has not offered and will not offer any Securities to persons in any Member State of the European Economic Area, except that it may offer Securities in any Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Securities which has been approved by the competent authority in a Member State in accordance with the Prospectus Directive and, where appropriate, notified to the competent authority in the Member State in which such offer is being made in accordance with Article 18 of the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

Republic of Ireland

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

- (a) Each Distribution Agent has not and will not offer or sell any Securities other than in compliance with the EU Directive 2003/6/EC on insider dealing and market manipulation, S.I. No. 324 2005 the Irish Market Abuse Directive 2003/61EC) Regulations 2005 and any applicable implementing legislation and rules.
- (b) To the extent applicable, it will not underwrite the issue of or place the Securities otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act, 1995 (as amended), including, without limitation, Sections 9, 23 (including any advertising restrictions made thereunder) and Section 37 (including any codes of conduct issued thereunder) of the provisions of the Irish Investor Compensation Act, 1998, including, without limitation, Section 21.
- (c) No Securities will be offered or sold with a maturity of less than 12 months except in full compliance with the Irish Financial Services Regulatory Authority Notice BSD C 01/02 of 12 November 2002.

United Kingdom

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

The Securities may not be offered or sold in the Kingdom of Spain by means of a public offer as defined and construed by Article 30 bis of Law 24/1988 of 28th July, on the Spanish Securities Market (as amended by Law 37/1998, of 16th November and Royal Decree Law 5/2005, of 11th March, among others), Royal Decree 1310/2005, of 4 November and any other regulations developing it which may be in force from time to time, but may be offered or sold in Spain in compliance with the requirements of such Law 24/1988 (as amended) and any regulations developing it which may be in force from time to time.

The Netherlands

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 Securities (including rights representing an interest in a global Security) may not be offered, and that it has not and will not offer, directly or indirectly, anywhere in the world, and that it has not and will not announce such an offer, except if they each have a minimum denomination (or minimum aggregate purchase price) of €50,000 or the equivalent thereof in another currency.

In addition, bearer zero coupon Securities in definitive form and other bearer securities 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 initial issue of such securities to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such securities if they are physically issued outside The Netherlands and are not immediately thereafter distributed in The Netherlands.

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, 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 and also at the principal executive offices of Morgan Stanley and the registered office of the Issuer:

- (i) copies of the Distribution Agreement, the amended and restated Issue and Paying Agency Agreement dated 12 April 2007, the Deed of Covenant, the Deed Poll, the Guarantee dated 12 April 2007 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 30 November 2005 and 30 November 2006;
- (vi) Morgan Stanley's Annual Report on Form 10-K for the year ended November 2006 and 2005 and Morgan Stanley's Current Report on Form 8-K dated 10 April 2007;
- (vii) a copy of this document;
- (viii) a copy of the Summary;
- (ix) any supplement to this Securities Note; and
- (x) any Final Terms (relating to listed and outstanding issues of Securities) issued after the date of this Securities Note.

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 21 March 2006, as amended and updated pursuant to resolutions adopted at a meeting of the Board of Directors of the Issuer held on 5 April 2007.

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