

Key Information Document

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

You are about to purchase a product that is not simple and may be difficult to understand.

Product

Product name	90% Protected Participation Note Linked to a Basket of Ordinary Shares
Product identifier	ISIN: SE0010831479
PRIIP manufacturer	Morgan Stanley & Co. International plc (www.sp.morganstanley.com/eu). The product issuer is Morgan Stanley BV with a guarantee by Morgan Stanley.
Telephone number	+44-20-7425-8000
Competent authority of the PRIIP manufacturer	Authorised by the U.K. Prudential Regulation Authority and regulated by the U.K. Financial Conduct Authority and U.K. Prudential Regulation Authority
Date and time of production	23 January 2018 14:00 London local time

1. What is this product?

Type English law governed notes

Objectives (Terms that appear in **bold** in this section are described in more detail in the table(s) below.) The product is designed to provide a return in the form of a cash payment on the **maturity date**. The amount of this payment will depend on the performance of the **underlyings**. The **underlyings'** contribution to the basket performance will vary with the **underlyings'** performance. The product has a fixed term and will terminate on the **maturity date**. If, at maturity, the basket performance is negative, the product will return the minimum payment amount of SEK 9,000.00. On termination of the product on the **maturity date**, you will receive a cash payment equal to (i) SEK 9,000.00 plus (ii) an amount directly linked to the final basket performance. The amount directly linked to the final basket performance will equal (i) (x) the **product notional amount** multiplied by (ii) the final basket performance minus (y) 100.00%. The amount linked to the final basket performance will then be multiplied by an FX adjustment factor which is the value determined by dividing the FX rate as of the business day immediately succeeding 23 March 2023 by the FX rate as of the business day immediately preceding the initial valuation date. The final basket performance is calculated by dividing (1) the sum of the final ranked performances of the **underlyings** by (2) the total number of **underlyings**. In respect of each of the **6 worst performing underlyings**, the final ranked performance will be equal to the final performance of such **underlyings**. In respect of the remaining **4 underlyings**, the final ranked performance will be 30.00%. The final performance of an **underlying** equals the result of its **final reference price** divided by its **initial reference price**.

Underlying	ISIN	Underlying currency	Weighting	Reference source
ABB Ltd (ABBN)	CH0012221716	CHF	10.00%	SIX Swiss Exchange – Structured Products
Siemens AG (SIE)	DE0007236101	EUR	10.00%	Xetra
Schneider Electric SE (SU)	FR0000121972	EUR	10.00%	Euronext - Euronext Paris
Mitsubishi Electric Corp (6503)	JP3902400005	JPY	10.00%	Tokyo Stock Exchange
Omron Corp (6645)	JP3197800000	JPY	10.00%	Tokyo Stock Exchange
Yaskawa Electric Corp (6506)	JP3932000007	JPY	10.00%	Tokyo Stock Exchange
Intuitive Surgical Inc (ISRG)	US46120E6023	USD	10.00%	NASDAQ/NMS (Global Market)
Rockwell Automation Inc (ROK)	US7739031091	USD	10.00%	New York Stock Exchange, Inc.
FANUC Corp (6954)	JP3802400006	JPY	10.00%	Tokyo Stock Exchange
DENSO Corp (6902)	JP3551500006	JPY	10.00%	Tokyo Stock Exchange

Under the product terms, certain dates specified below will be adjusted if the respective date is either not a business day or not a trading day (as applicable). Any adjustments may affect the return, if any, you receive.

The product terms also provide that if certain exceptional events occur (1) adjustments may be made to the product and/or (2) the product issuer may terminate the product early. These events are specified in the product terms and principally relate to the **underlyings**, the product and the product issuer. The return (if any) you receive on such early termination is likely to be different from the scenarios described above and may be less than the amount you invested.

You do not have any entitlement to a dividend from any of the **underlyings** and you have no right to any further entitlement resulting from any such **underlying** (e.g., voting rights).

Asset class	Equity	Reference price	The closing price of an underlying as per the relevant reference source (as defined in the table above)
Product notional amount	SEK 10,000	Final reference price	The average of the reference prices on the final valuation dates
Issue price	100.00% of the product notional amount	Initial valuation date	23 March 2018
Product currency	Swedish Krona (SEK)	Final valuation dates	23 March 2022, 25 April 2022, 23 May 2022, 23 June 2022, 25 July 2022, 23 August 2022, 23 September 2022, 24 October 2022, 23 November 2022, 23 December 2022, 23 January 2023, 23 February 2023 and 23 March 2023
Subscription period	29 January 2018 (exclusive) to 9 March 2018 (exclusive)	Maturity date / term	5 April 2023

Issue date	5 April 2018	6 worst performing underlyings	For a given date, the 6 underlyings with the worst final performances
Initial reference price	The reference price on the initial valuation date	FX rate	The daily fixing for the USDSEK rate (the amount of SEK per USD)

Intended retail investor The product is intended to be offered to retail investors who fulfil all of the criteria below:

1. they have the ability to make an informed investment decision through sufficient knowledge and understanding of the product and its specific risks and rewards, with experience of investing in and/or holding a number of similar products providing a similar market exposure, either independently or through professional advice;
2. they seek capital growth and/or partial principal protection, subject to the issuer's and the guarantor's ability to pay, expect the movement in the underlying to perform in a way that generates a favourable return and have an investment horizon of the recommended holding period specified below;
3. they accept the risk that the issuer or guarantor could fail to pay or perform its obligations under the product but otherwise they are only able to bear a partial loss of their investment; and
4. they are willing to accept a level of risk to achieve potential returns that is consistent with the summary risk indicator shown below.

The product is not intended to be offered to retail clients who do not fulfil these criteria.

2. What are the risks and what could I get in return?

Risk indicator



The risk indicator assumes you keep the product for 5 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less. You may not be able to sell your product easily or may have to sell at a price that significantly impacts on how much you get back.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 3 out of 7, which is a medium-low risk class. This rates the potential losses from future performance at a low level, and poor market conditions are unlikely to impact our capacity to pay you.

Be aware of currency risk: If the currency of your account is different to the currency of this product, you will be exposed to the risk of suffering a loss as a result of the conversion of the currency of the product into the account currency. This risk is not considered in the indicator shown above.

You are entitled to receive back at least 90.00% of your capital. Any amount over this, and any additional return, depends on future market performance and is uncertain. However, this protection against future market performance will not apply if you cash in before maturity or in case of immediate termination by the issuer.

For detailed information about all risks relating to the product please refer to the risk sections of the prospectus and any supplements thereto as specified in the section "7. Other relevant information" below.

Performance scenarios

Investment: SEK 10,000				
Scenarios		1 year	3 years	5 years (Recommended holding period)
Stress scenario	What you might get back after costs	SEK 8,719	SEK 8,831	SEK 9,000.00
	Average return each year	-12.81%	-4.06%	-2.09%
Unfavourable scenario	What you might get back after costs	SEK 8,776	SEK 8,833	SEK 9,000.00
	Average return each year	-12.24%	-4.05%	-2.09%
Moderate scenario	What you might get back after costs	SEK 8,498	SEK 8,948	SEK 9,000.00
	Average return each year	-10.52%	-3.64%	-2.09%
Favourable scenario	What you might get back after costs	SEK 9,265	SEK 9,692	SEK 10,126
	Average return each year	-7.35%	-1.04%	0.25%

This table shows the money you could get back over the next 5 years as well as the annualized return calculated on a compounded basis under different scenarios, assuming that you invest SEK 10,000. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the product. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you. In addition, you should note that the results shown for the intermediate holding periods do not reflect estimates of the product's future value. You should therefore not base your investment decision on the results shown for these interim holding periods.

The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor.

The figures do not take into account your personal tax situation, which may also affect how much you get back.

3. What happens if Morgan Stanley BV is unable to pay out?

You are exposed to the risk that the issuer or guarantor might be unable to meet its obligations in connection with the product for instance in the event of bankruptcy or an official directive for resolution action. This may materially adversely affect the value of the product and could lead to you losing some or all of your investment in the product. The product is not a deposit and as such is not covered by any deposit protection scheme.

4. What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties. The figures assume you invest SEK 10,000. The figures are estimates and may change in the future.

Costs over time	Investment: SEK 10,000			
	Scenarios	If you cash in after 1 year	If you cash in after 3 years	If you cash in at the end of the recommended holding period
Total costs		SEK 864	SEK 864	SEK 815
Impact on return (RIY) per year		8.64%	3.01%	1.71%

The costs shown in the table above represent how much the expected costs of the product would affect your return, assuming the product performs in line with the moderate performance scenario.

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Composition of costs The table below shows:

- The impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period.
- The meaning of the different cost categories.

The table shows the impact on return per year.			
One-off costs	<i>Entry costs</i>	1.71%	The impact of the costs already included in the price.
	<i>Exit costs</i>	0.00%	The impact of the costs of exiting your investment when it matures.
Ongoing costs	<i>Other ongoing costs</i>	0.00%	The impact of the costs that we take each year for managing your investments.

The costs shown in the table above represent the split of the reduction in yield shown in the costs over time table at the end of the recommended holding period.

5. How long should I hold it and can I take money out early?

Recommended holding period: 5 years

The product aims to provide you with the return described under "1. What is this product?" above. However, this only applies if the product is held to maturity. It is therefore recommended that the product is held until 27 March 2023 (maturity).

The product does not guarantee the possibility to disinvest other than by selling the product either (1) through the exchange (if the product is listed) or (2) off-exchange, where an offer for such product exists. No fees or penalties will be charged by the issuer for any such transaction, however an execution fee might be chargeable by your broker if applicable. By selling the product before its maturity, you may receive back less than you would have received if you had kept the product until maturity.

Exchange listing	Nasdaq Stockholm	Last exchange trading day	
Smallest tradable unit	SEK 10,000.00	Price quotation	Percentage

In volatile or unusual market conditions, or in the event of technical faults/disruptions, the purchase and/or sale of the product can be temporarily hindered and/or suspended and may not be possible at all.

6. How can I complain?

Any complaint regarding the conduct of the person advising on, or selling, the product can be submitted directly to that person.

Any complaint regarding the product or the conduct of the manufacturer of this product can be submitted in writing at the following address: 25 Cabot Square, London, E14 4QA, United Kingdom, by email to: rsp_complaints@morganstanley.com. Please see also www.sp.morganstanley.com/eu. Complaints should include the name of the product, ISIN and reason for the complaint.

7. Other relevant information

Any additional documentation in relation to the product, in particular, the issuance programme documentation, any supplements thereto and the product terms are published on www.sp.morganstanley.com/eu, all in accordance with relevant legal requirements. These documents are also available free of charge from Luna Arena, Herikerbergweg 238, 1001 CM Amsterdam Zuidoost, The Netherlands.

The information contained in this Key Information Document does not constitute a recommendation to buy or sell the product and is no substitute for individual consultation with your bank or advisor.

The offering of this product has not been registered under the U.S. Securities Act of 1933. This product may not be offered or sold, directly or indirectly, in the United States of America or to U.S. persons. The term "U.S. person" is defined in Regulation S under the U.S. Securities Act of 1933, as amended.