

SECOND BASE PROSPECTUS SUPPLEMENT

MORGAN STANLEY B.V.

as Issuer

(incorporated with limited liability in The Netherlands)

Morgan Stanley

as Guarantor

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

SECURED NOTE, WARRANT AND CERTIFICATE PROGRAMME

Morgan Stanley B.V. (“**MSBV**” or the “**Issuer**”) and Morgan Stanley in its capacity as guarantor (the “**Guarantor**”) have prepared this second base prospectus supplement (the “**Second Base Prospectus Supplement**”) to supplement and be read in conjunction with the base prospectus dated 12 December 2016 (the “**Base Prospectus**”) and the first base prospectus supplement dated 22 December 2016 (the “**First Base Prospectus Supplement**”) of MSBV relating to the programme for the issuance of secured notes, warrants and certificates.

This Second Base Prospectus Supplement has been approved by the Central Bank of Ireland as competent authority for the purpose of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and relevant implementing measures in Ireland, as a base prospectus supplement issued in compliance with Article 16.1 of the Prospectus Directive and relevant implementing measures in Ireland. The Central Bank only approves this Second Base Prospectus Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

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

The purpose of this Second Base Prospectus Supplement is to:

- (a) disclose the publication by Morgan Stanley of its Annual Report on Form 10-K for the year ended 31 December 2016 (the “**Morgan Stanley 2016 10-K**”) and incorporate by reference certain sections of the Morgan Stanley 2016 10-K as set out in "Part A" of this Second Base Prospectus Supplement;
- (b) disclose the publication of the second supplement to the Registration Document of Morgan Stanley and MSBV dated 14 March 2017 and approved by the CSSF (the “**Second Registration Document Supplement**”) and incorporate by reference, as set out in "Part A" of this Second Base Prospectus Supplement; and
- (c) make certain consequential amendments to the Base Prospectus pursuant to the publication of the Morgan Stanley 2016 10-K as set out in "Part B" of this Second Base Prospectus Supplement.

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

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

This Second Base Prospectus Supplement, the Second Registration Document Supplement and the Morgan Stanley 2016 10-K are available for viewing, and copies may be obtained from, in the case of the Morgan Stanley 2016 10-K, the offices of Morgan Stanley and, in the case of the Second Base Prospectus Supplement and the Second Registration Document Supplement, the offices of the Issuer and the Paying Agents and are available on Morgan Stanley's website at www.morganstanleyiq.eu and on the website of the Luxembourg Stock Exchange at www.bourse.lu.

The Morgan Stanley 2016 10-K is also available on Morgan Stanley's website at www.morganstanley.com/about-us-ir and on the website of the Luxembourg Stock Exchange at www.bourse.lu.

24 March 2017

MORGAN STANLEY B.V.

MORGAN STANLEY

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**PART A INCORPORATION BY REFERENCE: MORGAN STANLEY 2016 10-K AND SECOND
REGISTRATION DOCUMENT SUPPLEMENT**

This Second Base Prospectus Supplement incorporates by reference those sections of the documents identified in the cross-reference table below and supplements and must be read in conjunction with the section entitled "Incorporation by Reference" contained on pages 30-38 of the Base Prospectus.

The Morgan Stanley 2016 10-K is available on Morgan Stanley's website at www.morganstanley.com/about-us-ir and on the website of the Luxembourg Stock Exchange at www.bourse.lu.

This Second Base Prospectus Supplement and the Second Registration Document Supplement are available on Morgan Stanley's website at www.morganstanleyiq.eu and on the website of the Luxembourg Stock Exchange at www.bourse.lu.

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

Document filed	Information incorporated by reference	Page
Morgan Stanley		
Annual Report on Form 10-K for the year ended 31 December 2016	(1) Business	1-11
	(2) Risk Factors	12-22
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This Second Base Prospectus Supplement expressly does not incorporate by reference the documents and/or information identified in the cross-reference table below.

Document filed	Information not incorporated by reference	Page
Annual Report on Form 10-K for the year ended 31 December 2016	Exhibit Index Exhibits	E-1- E-5
Second Registration Document Supplement dated 14 March 2017	Part A	1-2

PART B AMENDMENTS TO THE BASE PROSPECTUS

The Base Prospectus is hereby amended as follows:

1. The text in respect of key risks affecting Morgan Stanley within the section entitled “*Overview of the Programme*” on pages 9 to 10 of the Base Prospectus shall be deleted in its entirety and replaced with the following text:

The following key risks affect Morgan Stanley and, since Morgan Stanley is the ultimate holding company of MSBV, also impact MSBV:

Market Risk: Morgan Stanley's results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors, including changes in asset values. Holding large and concentrated positions may expose Morgan Stanley to losses. These factors may result in losses for a position or portfolio owned by Morgan Stanley.

Credit Risk: Morgan Stanley is exposed to the risk that third parties that are indebted to it will not perform their obligations, as well as that a default by a large financial institution could adversely affect financial markets. Such factors give rise to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to Morgan Stanley.

Operational Risk: Morgan Stanley is subject to the risk of loss, or of damage to its reputation, resulting from inadequate or failed processes, or systems, human factors or from external events (e.g. fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). Morgan Stanley may incur operational risk across the full scope of its business activities, including revenue-generating activities (e.g. sales and trading) and support and control groups (e.g. information technology and trade processing).

Liquidity and Funding Risk: Liquidity is essential to Morgan Stanley's businesses and Morgan Stanley relies on external sources to finance a significant portion of its operations. Morgan Stanley's borrowing costs and access to the debt capital markets depend on its credit ratings. Morgan Stanley is a holding company, has no operations and depends on dividends, distributions and other payments from its subsidiaries. Further, Morgan Stanley's liquidity and financial condition have in the past been, and in the future could be, adversely affected by U.S. and international markets and economic conditions. As a result of the foregoing, there is a 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. Additionally, there is a risk that Morgan Stanley's financial condition or overall soundness is adversely affected by an inability or perceived inability to meet its financial obligations in a timely manner. Morgan Stanley also experiences associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding.

Legal, Regulatory and Compliance Risk: Morgan Stanley is subject to the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss of reputation it may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its business activities. Morgan Stanley is also subject to contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. Additionally, Morgan Stanley is subject to anti-money laundering, anti-corruption and terrorist financing rules and regulations.

Risk Management: Morgan Stanley's risk management strategies, models and processes may not be fully effective in mitigating its risk exposures in all market environments or against all types of risk.

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. Further, automated trading markets may adversely affect Morgan Stanley's business and may increase competition (for example by putting increased pressure on bid-offer spreads, commissions, mark-ups or comparable fees). Finally, 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.

International Risk: Morgan Stanley is subject to numerous political, economic, legal, tax, operational, franchise and other risks as a result of its international operations (including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls, increased taxes and levies and other

restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability) which could adversely impact its businesses in many ways.

Acquisition, Divestiture and Joint Venture Risk: Morgan Stanley may be unable to fully capture the expected value from acquisitions, divestitures, joint ventures, minority stakes or strategic alliances.

Risk relating to the exercise of resolution measures powers: The application of regulatory requirements and strategies in the United States or other jurisdictions to facilitate the orderly resolution of large financial institutions may pose a greater risk of loss for Morgan Stanley's security holders, and subject Morgan Stanley to other restrictions.

2. The sub-section entitled "*Legal and arbitration proceedings*" within the section entitled "General Information" on pages 191 to 193 of the Base Prospectus shall be deleted in its entirety and replaced with the following text:

"4. Legal and arbitration proceedings

(a) *Save as disclosed in:*

- (i) *the section entitled "Legal Proceedings" in Part I – Item 3 at pages 23-28 and in the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Guarantees and Contingencies" in "Notes to Consolidated Financial Statements" in Part II – Item 8 at pages 156-160 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2016 (the "Form 10-K"); and*
- (ii) *in the section "Legal Proceedings and Contingencies" at Part 7 of the section entitled "Description of Morgan Stanley" at pages 39 to 53 of the Registration Document and the section entitled "Legal Proceedings" at Part 7 of the section entitled "Description of Morgan Stanley B.V." at page 69 of the Registration Document (as supplemented by the First Registration Document Supplement dated 19 October 2016 and the Second Registration Document Supplement dated 14 March 2017),*

there are no, nor have there been any, governmental, legal or arbitration proceedings involving Morgan Stanley or MSBV during the 12-month period before the date of this Base Prospectus, which may have, or have had in the recent past, significant effects on Morgan Stanley's or MSBV's financial position or profitability."

3. The text in respect of Morgan Stanley in paragraph (a) of sub-section 2 entitled "*No material adverse change in prospects*" in page 191 of the Base Prospectus shall be deleted in its entirety and replaced with the following text:

"2. No material adverse change in prospects

There has been no material adverse change in the prospects of:

- (a) *Morgan Stanley since 31 December 2016, the date of the latest published annual audited financial statements of Morgan Stanley; and"*

4. The text in respect of Morgan Stanley in paragraph (a) of sub-section 3 entitled "*No significant change in the financial or trading position*" in page 191 of the Base Prospectus shall be deleted in its entirety and replaced with the following text:

"3. No significant change in the financial or trading position

There has been no significant change in the financial or trading position of:

- (a) *Morgan Stanley since 31 December 2016, the date of the latest published annual audited financial statements of Morgan Stanley; and"*

5. The following item “(xi)” shall be added to the sub-section entitled “*Documents Available*” within the section entitled “*General Information*” on pages 191 to 193 of the Base Prospectus:

“(xi) Annual Report of Morgan Stanley on Form 10-K for the year ended 31 December 2016.”