

**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**

*This document (the “**Base Prospectus**”) constitutes a base prospectus in respect of the Programme (as defined below). Any Securities (as defined below) issued on or after the date of this Base Prospectus are issued subject to the provisions herein. This Base Prospectus constitutes a base prospectus for the purpose of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the “**Prospectus Directive**”).*

Under the terms of this note, warrant and certificate programme (the “**Programme**”) described in this Base Prospectus, Morgan Stanley B.V. (“**MSBV**” or the “**Issuer**”) may offer from time to time notes (the “**Notes**”), warrants (the “**Warrants**”) and certificates (the “**Certificates**”, and together with the Warrants, the “**W&C Securities**”, and W&C Securities together with the Notes, the “**Securities**”). To the extent not set forth in this Base Prospectus, the specific terms of any Securities will be included in the applicable Final Terms.

The Base Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under the Prospectus Directive. The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval has been sought for the purpose of giving information with regard to the issue of certain Securities under the Programme on and during the period of 12 months after the date hereof. Such approval relates only to Securities which are to be admitted to trading on the regulated market of the Irish Stock Exchange (the “**Irish Stock Exchange**”) or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any member state (each a “**Member State**”) of the European Economic Area. Application will be made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on its regulated market. However, unlisted Securities may be issued pursuant to the Programme. The relevant Final Terms in respect of any Series will specify whether or not the relevant Securities will be listed on the Irish Stock Exchange (or whether the relevant Securities will be listed on any other stock exchange).

The requirement to publish a prospectus under the Prospectus Directive only applies to Securities which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)) (“**Non-Exempt Offer**”). References in this Base Prospectus to “**Exempt Offer**” are to Securities for which no prospectus is required to be published under the Prospectus Directive.

The listing agent with respect to the application for the listing of the Securities on the Official List and to trading on the Irish Stock Exchange is Morgan Stanley & Co. International plc (in conjunction with Maples and Calder).

In order to secure its obligations under the Securities, the Issuer will grant to BNY Mellon Corporate Trustee Services Limited as security trustee (the “**Security Trustee**”) on behalf of holders of Securities (“**Securityholders**”) security over certain collateral (the “**Collateral Assets**”) or its rights in respect of Collateral Assets, provided by the Counterparty under or in relation to the Fully Funded Swap Agreement (as defined on page 42) in respect of such

Securities. Any shortfall following the realisation of or enforcement with respect to the assets over which the security is created in respect of a Series shall be unconditionally and irrevocably guaranteed by Morgan Stanley (in such capacity, the “**Guarantor**”) pursuant to a guarantee dated 23 January 2014 as may be amended, supplemented, novated or restated from time to time.

The Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International plc (the “**Distribution Agent**”), who has agreed to use reasonable efforts to solicit offers to purchase the Securities. The Issuer may also sell Securities to the Distribution Agent as principal for its own account at a price to be agreed upon at the time of sale. The Distribution Agent may resell any Securities it purchases as principal at prevailing market prices, or at other prices, as it determines. The Issuer or the Distribution Agent may reject any offer to purchase Securities, in whole or in part. See “*Subscription and Sale*” beginning on page 169.

The maximum aggregate nominal amount of all Securities from time to time outstanding under the Programme will not exceed U.S.\$5,000,000,000 (or its equivalent in other currencies).

Credit ratings included in or referred to in any document incorporated by reference in this Base Prospectus have been issued by Dominion Bond Rating Service, Inc. (“**DBRS**”), Fitch Ratings, Inc. (“**Fitch**”), Standard & Poor’s Financial Services LLC (“**S&P**”), Moody’s Investors Service, Inc. (“**Moody’s**”) and Rating and Investment Information, Inc. (“**R&I**”).

DBRS is not established in the European Economic Area but the ratings it has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited, which is established in the European Economic Area and registered under Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “**CRA Regulation**”), as amended from time to time by the relevant competent authority.

Fitch is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Moody’s is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Moody’s Investors Service Limited, which is established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

S&P is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is, with effect from 9 April 2012, endorsed by Standard & Poor’s Credit Market Services Europe Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

R&I is not incorporated in the European Economic Area and is not registered under the CRA Regulation in the EU.

In general, European regulated issuers are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is still pending. Such general restriction will also apply in the case of credit ratings issued by non-European Union credit rating agencies, unless the relevant credit ratings are endorsed by an European Union-registered credit rating agency or the relevant non-European Union agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Securities will be governed by and construed in accordance with the laws of England and Wales. The Guarantee will be governed by, and construed in accordance with, the laws of the State of New York.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

**Investing in the Securities involves risks. See “Risk Factors Relating to the Securities” beginning on page 13.**

**THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES (WHICH TERM INCLUDES THE TERRITORIES, THE POSSESSIONS AND ALL OTHER AREAS SUBJECT TO THE JURISDICTION OF THE UNITED STATES) OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE “*SUBSCRIPTION AND SALE*” AND “*NO OWNERSHIP BY U.S. PERSONS.*”**

**THE SECURITIES ARE NOT DEPOSITS OR SAVINGS ACCOUNTS AND ARE NOT INSURED BY THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY, NOR ARE THEY OBLIGATIONS OF, OR GUARANTEED BY, A BANK.**

**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**

**as Arranger**

MSBV accepts responsibility for the information contained in this Base Prospectus. Morgan Stanley accepts responsibility for information contained in this Base Prospectus relating to itself and to its guarantee of the obligations of MSBV. To the best of the knowledge and belief of each of MSBV and Morgan Stanley (each of which has 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), for which it accepts responsibility as aforesaid is in accordance with the facts and does not omit anything likely to affect the import of such information.

The applicable Final Terms will contain information relating to the underlying asset or other basis of reference (each a “Relevant Underlying”) to which the relevant Securities relate and the Collateral Assets in respect of such Securities. However, unless otherwise expressly stated in the applicable Final Terms, any information contained therein relating to a Relevant Underlying or the Collateral Assets will only consist of extracts from, or summaries of, information contained in financial and other information released publicly in respect of such Relevant Underlying or Collateral Assets. The Issuer will, unless otherwise expressly stated in the applicable Final Terms, confirm that such extracts or summaries have been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published in respect of such Relevant Underlying or Collateral Assets, no facts have been omitted that would render the reproduced information inaccurate or misleading.

No person has been authorised by the Issuer, the Guarantor or the Security Trustee to give any information or to make any representation not contained or incorporated by reference in the Base Prospectus or any other document entered into in relation to the Programme, and, if given or made, that information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Security Trustee or the Distribution Agent. Neither the delivery of this Base Prospectus 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 this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus 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 this Base Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which have been incorporated into this Base Prospectus by reference, or that any other information supplied in connection with the Programme 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. The Distribution Agent expressly does not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme. Investors should review, *inter alia*, the most recent financial statements of the Issuer and the Guarantor when evaluating any Securities or an investment therein.

The Distribution Agent has 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 Agent as to the accuracy or completeness of this Base Prospectus or any document incorporated by reference herein or any further information supplied in connection with any Securities. The Distribution Agent accepts no liability in relation to this Base Prospectus 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 distribution of this Base Prospectus 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 Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Distribution Agent to inform themselves about and to observe those restrictions.

Subject to the relevant Final Terms, the Issuer does not intend to provide post-issuance information in respect of the Securities.

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. For a description of certain restrictions on offers, sales and

deliveries of Securities and on the distribution of the Base Prospectus or any Final Terms and other offering material relating to the Securities, see “Subscription and Sale”.

Any person making or intending to make an offer of Securities which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Securities may only do so in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Distribution Agent have authorised, nor do they authorise, the making of any offer of Securities in circumstances in which an obligation arises for the Issuer or any Distribution Agent to publish or supplement a prospectus for such offer.

This Base Prospectus should be read and construed with any amendment or supplement hereto and with, in relation to any issue of Securities, the Final Terms relating thereto and with all documents incorporated by reference herein (see “*Incorporation by Reference*” below). Neither this Base Prospectus 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, the Security Trustee or the Distribution Agent that any recipient of the Base Prospectus or any Final Terms should subscribe for or purchase any Securities. Each recipient of the Base Prospectus or any Final Terms will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor and the Security Trustee and of the particular terms of any offered Securities.

None of the Distribution Agent or any of its 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 Base Prospectus to “£” 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” are to the lawful currency of Japan, all references to “Australian dollars” are to the lawful currency of the Commonwealth of Australia, all references to “New Zealand dollars” 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 on the Functioning of the European Union, as amended (the “Treaty”).

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER, THE GUARANTOR, THE RELEVANT UNDERLYING, THE MORTGAGED PROPERTY, THE COLLATERAL ASSETS 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 OF SECURITIES, THE DISTRIBUTION AGENT(S) OR ANY OTHER AGENT NAMED AS 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 STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF SECURITIES 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 OF SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

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## OVERVIEW OF PROGRAMME

This overview of programme (the “Overview of Programme”) must be read as an introduction to this Base Prospectus. Any decision to invest in any Securities should be based on a consideration of this Base Prospectus as a whole, including any documents or information incorporated by reference herein. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Issuer or the Guarantor in any such Member State in respect of this Overview of Programme, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to information contained in this 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 the “Terms and Conditions of the Notes” or in the “Terms and Conditions of the W&C Securities” as applicable and in the remainder of this Base Prospectus shall have the same meanings in this overview. Notes and W&C Securities are together referred to as the “Securities”.*

### **Morgan Stanley B.V.**

Morgan Stanley B.V. (“**MSBV**”) was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of The Netherlands on 6 September 2001 for an unlimited duration. MSBV 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 Luna Arena, Herikerbergweg 238, 1101 CM, Amsterdam, The Netherlands. MSBV is subject to the laws of The Netherlands.

There are no measures in place other than statutory measures to ensure that control of MSBV will not be abused.

### **Morgan Stanley**

Morgan Stanley was incorporated under the General Corporation Law of the State of Delaware. As a financial holding company, it is regulated by the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”) under the Bank Holding Company Act of 1956, as amended (the “**BHC Act**”). As a major financial services firm that operates through its subsidiaries and affiliates, Morgan Stanley is subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by regulators and exchanges in each of the major markets where it conducts its business. 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.

The factors set out below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties which face Morgan Stanley’s business.

Morgan Stanley’s business in the past have been, and in the future may continue to be, materially affected by many factors including: the effect of economic and political conditions and geopolitical events; sovereign risk; the effect of market conditions, particularly in the global equity, fixed income, currency, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate markets and energy markets; the impact of current, pending and future legislation (including the Dodd-Frank Wall Street Reform and Consumer Protection Act), regulation (including capital, leverage, funding and liquidity requirements), policies (including fiscal and monetary) and legal and regulatory actions in the United States of America and worldwide; the level and volatility of equity, fixed income, and commodity prices (including oil prices), interest rates, currency values and other market indices; the availability and cost of both credit and capital as well as the credit ratings assigned to Morgan Stanley’s unsecured short-term and long-term debt; investor, consumer and business sentiment and confidence in the financial markets; the performance and results of Morgan Stanley’s acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements; Morgan Stanley’s reputation and the general perception of the financial services

industry; inflation, natural disasters, pandemics and acts of war or terrorism; the actions and initiatives of current and potential competitors as well as governments, regulators and self-regulatory organizations; the effectiveness of its risk management policies; technological changes instituted by Morgan Stanley, its competitors or counterparties and technological risks, including cybersecurity, business continuity and related operational risks; Morgan Stanley's ability to provide innovative products and services and execute its strategic objectives; or a combination of these or other factors. In addition, legislative, legal and regulatory developments related to its businesses are likely to increase costs, thereby affecting results of operations.

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. 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, people, and systems 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 significantly on its credit ratings. Morgan Stanley is a holding company and depends on 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, or be unable to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern.

**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 to reputation it may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisational 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 and terrorist financing rules and regulations. In today's environment of rapid and possibly transformational regulatory change, Morgan Stanley also views regulatory change as a component of legal, regulatory and compliance risk.

**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). 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, 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 and strategic alliances.

**Risk Relating to the Exercise of Potential Resolution Measures Powers:** The application of regulatory requirements and strategies in the United States to facilitate the orderly resolution of large financial institutions may pose a greater risk of loss for the holders of securities guaranteed by Morgan Stanley.

### **Risk factors specific to MSBV**

All material assets of MSBV are obligations of (or securities issued by) one or more Morgan Stanley Group companies. If any of these Morgan Stanley Group companies incurs losses with respect to any of its activities (irrespective of whether those activities relate to MSBV or not) the ability of such company to fulfil its obligations to MSBV could be impaired, thereby exposing holders of securities issued by MSBV to a risk of loss.

### **Essential characteristics and risks associated with the Securities**

MSBV may from time to time offer Securities. Application will be made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on its regulated market.

MSBV is offering the Securities on a continuing basis through the Distribution Agent, who has agreed to use reasonable efforts to solicit offers to purchase the Securities. MSBV may also sell Securities to the Distribution Agent as principal for its own account at a price to be agreed upon at the time of sale. The Distribution Agent may resell any Securities it purchases as principal at prevailing market prices, or at other prices, as it determines. The Issuer or the Distribution Agent may reject any offer to purchase Securities, in whole or in part

MSBV may issue Notes and W&C Securities in bearer or registered form. Notes and W&C Securities in bearer form will only be issued if it has been determined that they should be classified as being in registered form for U.S. Federal income tax purposes and may be in either definitive form or global form. Securities in definitive bearer form will be serially numbered. Notes and W&C Securities in registered form may be in either individual certificate form or in global certificate form.

Securities may be denominated or payable in any currency, be issued at any price and have any maturity or tenor, in each case subject to all applicable consents being obtained and compliance with all applicable legal and regulatory requirements.

Securities may be redeemed at par or at such other redemption amount or termination amount, as applicable, as further detailed in Conditions 11, 15, 16, 17 and 29 of the Terms and Conditions of the Notes and Conditions 5-13 and 15-19 of the Terms and Conditions of the W&C Securities, or cash settled or settled or redeemed by delivery of securities of an issuer that is not affiliated with Morgan Stanley, as may be specified in the applicable Final Terms.

Neither the Issuer nor the Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, issue, transfer, exercise, settlement, presentation and surrender for payment, or enforcement of any Security and all payments made by the Issuer or the Guarantor (as the case may be) shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

The maximum aggregate nominal amount of all Securities from time to time outstanding under the Programme will not exceed U.S. \$5,000,000,000 (or its equivalent in other currencies).

Notes may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed rate, which may be zero, or floating rate, or at a rate which varies during the lifetime of the relevant Series. Notes will be issued in

denominations of at least EUR 1,000 per Note, provided that the minimum amount of Notes that can be subscribed for by an investor or transferred by a Noteholder shall be EUR100,000 and provided that such Noteholder does not hold Notes with an aggregate amount of less than EUR100,000 following such transfer.

The Issuer will grant to the Security Trustee the following security to secure its obligations under the Securities and the Charged Agreement(s): (i) a first ranking assignment by way of security of all of its rights, title and/or interests (the “**Issuer’s Rights**”) under the Agency Agreement; (ii) a first ranking assignment by way of security of all of the Issuer’s Rights in, to and under the Initial Collateral Assets; (iii) first ranking assignment by way of security of all of the Issuer’s Rights in, to and under the Eligible Collateral delivered or transferred to the Custodian; and (iv) a first ranking assignment by way of security of all of the Issuer’s Rights under the Charged Agreement(s) (other than in respect of the Issuer’s obligations under the Charged Agreement(s)) and the Issuer’s Rights under any Additional Agreement.

The Initial Collateral Assets and the Eligible Collateral may comprise any of cash, debt securities listed on a regulated market, equity securities listed on a regulated market and/or shares, units or other interests in a UCITS fund, or other assets.

The Charged Agreement(s) in respect of each Series of Securities will be a swap agreement entered into between the Issuer and the Counterparty and, if applicable, the CSD and/or if Collateral Management Terms are applicable the relevant Collateral Management Agreement, each as described below. The purpose of the swap agreement is to allow the Issuer to perform its scheduled obligations under the Securities and in order to collateralise the Counterparty’s obligations under the swap agreement, the swap agreement will either be (i) supplemented by an ISDA Credit Support Annex (the “**CSA Fully Funded Swap Agreement**”) or (ii) entered into together with an ISDA Credit Support Deed (the “**CSD**”). Under the terms of the CSA Fully Funded Swap Agreement, the Counterparty shall, *inter alia*, deliver Collateral Assets to the Issuer, and, as applicable, the Issuer shall re-deliver Collateral Assets to the Counterparty on the basis of the fair market valuation of the existing Collateral Assets and the Securities. Under the terms of the CSD, the Counterparty shall grant by way of security interest to the Issuer, the Collateral Assets, and, as applicable, release such security interest (in whole or in part, as applicable) on the basis of the fair market valuation of the existing Collateral Assets and the Securities. In respect of certain Series of Securities the Issuer and the Counterparty may each appoint one or more agents to perform certain custodial and administrative functions relating to their obligations under the CSA Fully Funded Swap Agreement or the CSD, as applicable. Each agent will be appointed pursuant to a collateral management agreement between the Issuer, the Counterparty, the Security Trustee and such agent (each a “**Collateral Management Agreement**”). The Issuer, the Counterparty, the Security Trustee and The Bank of New York Mellon have entered into a collateral management agreement dated 7 August 2009 (the “**BONYM Collateral Management Agreement**”).

The applicable Final Terms will specify whether the Charged Agreement(s) will be a CSA Fully Funded Swap Agreement or a Fully Funded Swap Agreement and CSD and the relevant Collateral Management Agreement if the Final Terms specify that the Collateral Management Terms apply.

Any shortfall following the realisation of or enforcement with respect to the Mortgaged Property (as defined on page 66) shall be unconditionally and irrevocably guaranteed by Morgan Stanley.

Securities will be governed by the laws of England and Wales. The Guarantee will be governed by the laws of the State of New York.

The Issuer may issue Securities with the return determined by reference to single securities (equity, debt or otherwise), a single index, baskets of securities or indices. Any such Securities may entail significant risks not associated with a similar investment in fixed or floating rate debt securities, including a return that may be significantly less than the return available on an investment in fixed or floating rate debt securities. In some cases such Securities may also carry the risk of a total or partial loss of principal.

The net proceeds from the sale of Securities offered under the Programme will be used by the Issuer for general corporate purposes and/or in connection with hedging its obligations under the Securities.

Certain documents relating to the Securities will be available, during usual business hours on any weekday, for inspection by physical means at The Bank of New York Mellon, One Canada Square, London E14 5AL and at the principal executive offices of Morgan Stanley and the registered offices of MSBV.

## RISK FACTORS RELATING TO THE SECURITIES

*Prospective investors should read the entire Base Prospectus (and, where appropriate, any applicable Final Terms). Words and expressions defined elsewhere in this Base Prospectus have the same meanings in this section.*

*Prospective investors should consider the section entitled "Risk Factors" in the Registration Document dated 10 June 2016, as supplemented by the First Supplement to the Registration Document dated 19 October 2016 (the "**Registration Document**") referred to in the section entitled "Incorporation by Reference" in this Base Prospectus and the factors described below and consult with their own professional advisors if they consider it necessary. The Issuer believes that such factors represent the principal risks inherent in investing in Notes issued pursuant to this Base Prospectus but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons, which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.*

*Prospective investors should ensure that they understand the nature of the Securities, the extent of their exposure to risk and that they consider carefully the risks set forth below and the other information contained or incorporated by reference in this Base Prospectus prior to making any investment decision with respect to the suitability of Securities as an investment in light of their own circumstances and financial condition. Certain of the risks highlighted could have a material adverse effect on Morgan Stanley's business, operations, financial condition or prospects, which, in turn, could have a material adverse effect on the return that investors will receive in respect of the Securities. In addition, certain of the risks highlighted could adversely affect the trading price of the Securities or the rights of investors under the Securities and, as a result, investors could lose some or all of their investment. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*Prospective investors should note that the risks described below are not the only risks the Issuer and/or the Guarantor face. The Issuer and the Guarantor have described all those risks that they consider to be material. However, there may be additional risks that the Issuer and the Guarantor currently consider not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.*

*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." These Securities are not appropriate investments for investors who are not sophisticated in foreign currency transactions.*

*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. 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.*

**In relation to risks relating to the Issuer and the Guarantor, Investors should see the section entitled "Risk Factors" in the Registration Document referred to in the section entitled "Incorporation by Reference" in this Base Prospectus.**

### RISKS ASSOCIATED WITH THE SECURITIES GENERALLY

The Securities are secured obligations of the Issuer. The Issuer has granted security over the Mortgaged Property (as defined on page 66) in favour of the Security Trustee on behalf of the Securityholders. If the Security becomes enforceable the Issuer will remain liable for any shortfall on realisation of the Mortgaged Property and in the event that the Issuer fails to make payment when due the Guarantor shall be liable for such shortfall under the Guarantee. Consequently potential investors should be aware that they (through the Securities) are exposed to the creditworthiness of the Issuer, the Guarantor, the value of the Mortgaged Property, the issuer or obligor in respect of the Collateral Assets and the Relevant Underlying.

## **Factors which are material for the purpose of assessing the risks associated with the Mortgaged Property**

### ***Collateral***

In order to secure its obligations under a Series of Securities, the Issuer will grant to the Security Trustee on behalf of the Securityholders security over the Collateral Assets or its rights in respect of the Collateral Assets provided by the Counterparty under or in relation to the Fully Funded Swap Agreement in respect of such Securities. The purpose of the Fully Funded Swap Agreement is to allow the Issuer to perform its scheduled obligations under the Securities and in order to collateralise the Counterparty's obligations under such agreement, will either (i) be supplemented by an ISDA Credit Support Annex (the "**CSA Fully Funded Swap Agreement**") or (ii) be entered into together with an ISDA Credit Support Deed (a "**CSD**")

The applicable Final Terms will set out whether the Fully Funded Swap Agreement will be a CSA Fully Funded Swap Agreement or executed together with a CSD.

### ***Shortfall on Realisation of Mortgaged Property***

The security provided for a Series of Securities is limited to the Mortgaged Property in respect of such Series. The proceeds of realisation of the Mortgaged Property may be less than the sums due to the Securityholders in respect of such Series. In the event that a Shortfall exists, the Issuer shall remain liable for the Shortfall and in the event that the Issuer fails to make payment of the Shortfall, the Guarantor will be liable for such Shortfall pursuant to the terms of the Guarantee. Any Shortfall will constitute an unsecured claim by the Securityholders against the Issuer or, if the Issuer fails to make payment of such amount, the Guarantor. Investors should be aware that they are therefore exposed to the creditworthiness of the Issuer, and in the event that a Shortfall exists, the Guarantor. In the event of the insolvency of the Issuer and the Guarantor, investors may lose all or a substantial portion of their investment.

### ***Adjustments to Collateral Assets***

Pursuant to the terms of the CSA Fully Funded Swap Agreement or CSD, as applicable, the Counterparty will calculate the fair market value of the Securities and the fair market value of Collateral Assets (taking into account all factors which the Counterparty deems relevant), and provided that no account shall be taken of the financial condition of (i) the Issuer of the Securities which shall be presumed to be able to perform fully its respective obligations under the Securities or (ii) the Guarantor which shall be presumed to be able to perform fully its respective obligations under the Guarantee, on such periodic basis as set out in the applicable Final Terms and the Fully Funded Swap Agreement. In the event that on the date of valuation there is a mismatch between the fair market value of the Collateral Assets and the fair market value of the Securities, the Counterparty shall: (i) in the case of a CSA Fully Funded Swap Agreement, deliver Collateral Assets and, as applicable, the Issuer shall redeliver Collateral Assets to the Counterparty or (ii) in the case of a CSD, grant by way of security interest to the Issuer Collateral Assets and, as applicable, release such security interest (in whole or in part, as applicable). If, prior to a valuation date, the fair market value of the Securities increases, or the fair market value of the Collateral Assets decreases, investors will be exposed to the mismatch between the fair market value of the Securities and the fair market value of the Collateral Assets until the next valuation date.

In the event that under the CSA Fully Funded Swap Agreement or CSD, as applicable, the Counterparty is required to deliver or grant a security interest over, as applicable, additional Collateral Assets, the Counterparty shall do so as soon as practicable following the relevant valuation date. There may be a delay between the valuation date and the date on which the Counterparty is able to deliver or grant a security interest over, as applicable, such additional Collateral Assets and investors will be exposed to the mismatch between the fair market value of the Securities and the fair market value of the Collateral Assets during such period.

### ***Potential Conflicts of Interest between the Investors and the Counterparty***

Various potential and actual conflicts of interest may arise between the interests of the Securityholders and the Counterparty, which is an affiliate of the Issuer. Neither the Counterparty nor its affiliates is required to resolve such conflicts of interest in favour of the Securityholders and may pursue actions and take such steps that it deems necessary or appropriate to protect its interests without regard to the consequences for the Securityholders. In particular, the

interests of the Counterparty may be adverse to those of the Securityholders. The terms of the Fully Funded Swap Agreement and, if applicable, the CSD require the Counterparty to make certain determinations and exercise certain discretions (including as to the value of the Securities and the Collateral Assets) and may make such determinations and exercise such discretions without any regard for the interests of the Securityholders.

### ***Collateral Management***

In respect of certain Series of Securities the Issuer and the Counterparty may each appoint one or more agents to perform custodial and administrative functions relating to their obligations under the CSA Fully Funded Swap Agreement or the CSD, as applicable. If the Collateral Management Terms are specified as applicable in the applicable Final Terms, the Custodian in respect of such issue of Securities will be appointed pursuant to the terms of the relevant Collateral Management Agreement. Such delegation shall not relieve the Issuer or the Counterparty of their obligations under the relevant CSA Fully Funded Swap Agreement or CSD, as applicable, and the Issuer or the Counterparty shall be liable for the acts and omissions of their agents in accordance with the terms of the relevant Collateral Management Agreement. In addition, a failure by any agent to perform its duties and obligations with respect to the Collateral Assets, or the occurrence of any adverse event in relation to any of those entities, may adversely affect the availability of the Collateral Assets, and consequently adversely affect the realisation of the Mortgaged Property.

### ***Mandatory redemption or cancellation following termination of the Fully Funded Swap Agreement or CSD***

If the Fully Funded Swap Agreement or, if applicable, CSD is terminated in accordance with its terms prior to its stated date of termination, then the Issuer will redeem or cancel, as applicable, the Securities in whole but not in part by payment of (i) in the case of Notes, the Early Redemption Amount together with any accrued interest, or (ii) in the case of W&C Securities, the Termination Amount. Following such redemption or cancellation an investor generally would not be able to reinvest the redemption or cancellation proceeds in a comparable security with an effective return as high as the return on the relevant Securities.

If the Fully Funded Swap Agreement or CSD, as applicable, is terminated as a result of an Event of Default (as defined in the Fully Funded Swap Agreement), or Relevant Event (as defined in the CSD), as the case may be, the Security will become enforceable.

### ***Fluctuations in the value of the Mortgaged Property***

The Collateral Assets may be subject to fluctuations in value. Investors should note that the Collateral Assets may suffer a negative performance between the time at which the Security becomes enforceable and the realisation of the Mortgaged Property. In extraordinary circumstances, the Mortgaged Property available at the time at which the Security becomes enforceable could completely lose its value by the time of realisation.

### ***Substitution of the Collateral Assets at the option of the Counterparty***

Pursuant to the terms of the CSA Fully Funded Swap Agreement or the CSD, as applicable, the Counterparty may substitute existing Collateral Assets for Eligible Collateral. The Counterparty is not required to obtain the consent of the Issuer or the Security Trustee prior to such substitution. The Counterparty may substitute the Collateral Assets any number of times over the term of the Securities.

### ***Lack of diversification of the Mortgaged Property***

Pursuant to the terms of the CSA Fully Funded Swap Agreement or the CSD, as applicable, Collateral Assets will be (a) delivered to the Issuer or a security interest granted in favour of the Issuer, (b) returned to the Counterparty or the security interest over the Collateral Assets released (in whole or in part), as the case may be, or (c) substituted, and in each case the selection of such Collateral Assets will be at the direction of the Counterparty. Investors should note that the Collateral Assets are likely to have low diversification; in other words, the Collateral Assets may be limited to one or few assets. Such low diversification increases the risk that the proceeds of realisation of the Mortgaged Property may be less than the sums due to the Securityholders under the Securities.

### ***Application of Proceeds***

Investors should note that in relation to a Series of Securities and in respect of the net proceeds of realisation of, or enforcement with respect to, the Mortgaged Property, if “Counterparty Priority Basis” is specified in the applicable Final Terms, the claims of the Counterparty to such proceeds will be senior to and therefore rank ahead of the claims of the Securityholders.

### ***Risk of a delay in the realisation of the Mortgaged Property in the event of the insolvency of the Issuer***

In the event of the insolvency of the Issuer the realisation of the Mortgaged Property may be delayed either by the insolvency administrator appointed in relation to the Issuer or by measures ordered by the competent court. Such delay could adversely affect the position of the Securityholders in the event of depreciation of the value of the Mortgaged Property during such delay.

### ***Risks arising on an insolvency of the Counterparty in relation to a CSD***

In the event that the Issuer enters into a CSD with the Counterparty in respect of a Series of Securities, the Counterparty will grant security over the Collateral Assets in favour of the Issuer. In the event that a liquidator or administrator were to be appointed in respect of the business and property of the Counterparty in the United Kingdom, the Issuer believes that the CSD will be validly constituted and that the effect of the CSD will be to remove the Collateral Assets from the property of the Counterparty available to a liquidator or administrator of the Counterparty for distribution to the general creditors of the Counterparty. There can be no assurance, however, that a court would reach the same conclusion.

It is possible that a liquidator or administrator appointed in relation to the business and property of the Counterparty may commence proceedings to challenge the validity and effectiveness of the CSD for the purpose of including the Collateral Assets in the property and estate of the Counterparty. If insolvency proceedings were commenced in respect of the Counterparty, and in particular against the Issuer in relation to the CSD, delays in realising the Mortgaged Property, possible reductions in the realisation amount of the Mortgaged Property and limitations on the exercise of remedies in relation to the enforcement of the Security could occur.

### ***Illiquid Collateral Assets***

The Collateral Assets may comprise assets which are not admitted to any public trading market and may therefore be illiquid and not readily realisable.

### ***Early Redemption or Cancellation at the option of the Issuer upon an Increased Cost of Collateral Assets Event***

If Increased Cost of Collateral Assets Event is specified as applicable in the applicable Final Terms, in the event that the Counterparty or its affiliates would incur materially increased costs (as compared with the circumstances existing on the relevant Issue Date) in performing its obligations under the Fully Funded Swap Agreement, including its obligation to deliver or grant by way of security interest over, as the case may be, the additional Collateral Assets, the Issuer may in its sole and absolute discretion redeem or cancel, as applicable, all of the relevant Securities. Following such redemption or cancellation an investor generally would not be able to reinvest the redemption or cancellation proceeds in a comparable security with an effective return as high as the return on the relevant Securities. In addition, such optional redemption or cancellation feature is likely to limit the market value of such Securities.

### ***Further issues***

Further fungible Securities may be issued by the Issuer in certain circumstances. The additional Collateral Assets which may be provided pursuant to the terms of the CSA Fully Funded Swap Agreement or CSD, as applicable for such further Securities relative to the aggregate nominal amount of the further Securities may be such as to affect the value of the original security provided for the Securities.

### ***Commingling of Collateral Assets***

Prospective investors' attention is drawn to the limited circumstances permitted by the CSA Fully Funded Swap Agreement or the CSD, as applicable, whereby the Collateral Assets held by the relevant Custodian are not segregated from the designated investments of the relevant Custodian, for instance in the case of cash or in certain circumstances in the case of registrable securities and, in such circumstances, in the event of the relevant Custodian's insolvency, the Issuer's assets, or rights against the Counterparty to such assets may not be as well protected from claims made on behalf of the general creditors of the relevant Custodian.

### ***Security Trustee Indemnity***

The Security Trustee shall not be bound to enforce the security in relation to the Securities unless (i) directed to do so by the Instructing Creditor (as defined on page 65) and (ii) it is indemnified and/or secured and/or prefunded to its satisfaction.

### **Factors which are material for the purposes of assessing the risks associated with the Relevant Underlying**

The Issuer may issue Securities with the return and/or interest, if applicable, and/or distribution amounts, if applicable, determined by reference to a single security (including an equity), an index or formula, to baskets of securities or indices (each, a "**Relevant Underlying**"). Information on the Relevant Underlying can be obtained from Bloomberg, Reuters and other market information providers. In addition, the Issuer may issue Securities with the return or interest, if applicable, or distribution amounts, if applicable, payable in one or more currencies which may be different from the currency in which the Securities are denominated. Potential investors should be aware that:

- (a) they may lose all or a substantial portion of their investment;
- (b) the market price of such Securities may be very volatile;
- (c) payments may occur at a different time or in a different currency than expected;
- (d) they may receive no interest, if applicable or distribution amounts, if applicable, ;
- (e) a Relevant Underlying may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) 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 such Securities is likely to be magnified;
- (g) 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. In general, the earlier the change in the Relevant Underlying, the greater the effect on yield; and
- (h) the Securities are subject to adjustment to take into account events in relation to the Share(s), the Index(ices) or the Securities. This may lead to adjustments being made to the Securities or in some cases the Securities being terminated early at the Early Redemption Amount or the Early Termination Amount, as applicable. The Securities may also be terminated early for tax reasons, for an illegality or regulatory event at the Early Redemption Amount, the Early Redemption Amount (Illegality and Regulatory Event) – Fair Value Less Costs, the Early Redemption Amount (Illegality and Regulatory Event) – Fair Value, the Early Redemption Amount (Illegality and Regulatory Event) – Par, the Early Termination Amount, the Early Termination Amount (Illegality and Regulatory Event) – Fair Value Less Costs or the Early Termination Amount (Illegality and Regulatory Event) – Fair Value, as applicable or, in the case of the W&C Securities, for an inconvertibility event at an inconvertibility termination amount.

***The value of Securities linked to a single security or index, or to baskets of securities or indices may be influenced by unpredictable factors***

The value of the Securities may be influenced by several factors beyond the Issuer's and the Guarantor's control, including:

- (a) the market price or value of the applicable underlying security, index, or basket of securities or indices;
- (b) the volatility (frequency and magnitude of changes in price) of the underlying security, index, basket of securities or indices;
- (c) the dividend rate on any underlying securities;
- (d) 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, basket of securities or indices;
- (e) interest and yield rates in the market; and
- (f) the time remaining to the maturity of the Securities.

Some or all of these factors will influence the price investors would receive if an investor sells its Securities prior to maturity. 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, basket of securities or index is at, below, or not sufficiently above the initial market price or value or if market interest rates rise.

***Securities linked to a single emerging market security, or an index or basket of securities or indices composed, in part or in whole, of emerging market securities***

Fluctuations in the trading prices of the underlying emerging market equity will affect the value of Securities linked to emerging market securities. Changes may result over time from the interaction of many factors directly or indirectly affecting economic and political conditions in the related countries or member nations, including economic and political developments in other countries. Of particular importance to potential risks are: (a) rates of inflation; (b) interest rate levels; (c) balance of payments; and (d) the extent of governmental surpluses or deficits in the relevant country. All of these factors are, in turn, sensitive to the monetary, fiscal and trade policies pursued by the related countries, the governments of the related countries and member nations (if any), and other countries important to international trade and finance. Government intervention could materially and adversely affect the value of the Securities. Governments use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes to affect the trading of the underlying equity. Thus a special risk in purchasing the Securities linked to emerging market securities is that their trading value and amount payable at maturity could be affected by the actions of governments, fluctuations in response to other market forces and the movement of currencies across borders. Emerging markets stocks may be more volatile than the stocks in more developed markets.

***Emerging markets currencies***

Where Securities are denominated in an emerging market currency or linked to one or more emerging market currencies, such emerging market currencies can be significantly more volatile than currencies of more developed markets. Emerging market currencies are highly exposed to the risk of a currency crisis happening in the future and this could trigger the need for the Determination Agent (as specified in the applicable Final Terms) to make adjustments to the terms and conditions of the Securities.

***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 MSBV, 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, or any specified entity, including entering into loans with, or making equity investments in, the underlying company, or specified entity,

or its affiliates or subsidiaries or providing investment advisory services to the underlying company, or specified entity, 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, or specified entity, 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 maturity. No underlying company, index publisher, or specified entity, 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, or specified entity, for such Securities.

### **Securities are not ordinary debt securities**

The terms of the Securities differ from those of ordinary debt securities because the Securities may not pay interest and on redemption, exercise or cancellation may return less than the amount invested or nothing, or may return securities of an issuer that is not affiliated with MSBV or the Guarantor, the value of which is less than the amount invested, depending on the performance of the Relevant Underlying. Prospective investors who are considering purchasing Securities should reach an investment decision only after carefully considering the suitability of the Securities in light of their particular circumstances. The price of Securities may fall in value as rapidly as it may rise, and investors in Securities may sustain a total loss of their investment.

### **Notes issued by MSBV will not have the benefit of any cross-default or cross-acceleration with other indebtedness of MSBV or Morgan Stanley; A Morgan Stanley covenant default or bankruptcy, insolvency or reorganization event does not constitute an Event of Default with respect to MSBV Notes**

Unless otherwise stated in the applicable Pricing Supplement, the notes issued by MSBV will not have the benefit of any cross-default or cross-acceleration with other indebtedness of MSBV or Morgan Stanley (as applicable). In addition, a covenant default by Morgan Stanley, as guarantor, or an event of bankruptcy, insolvency or reorganization of Morgan Stanley, as guarantor, does not constitute an event of default with respect to any notes issued by MSBV.

### **The Issuer or the Guarantor may be substituted without the consent of the Securityholders**

The Issuer may, without the consent of Securityholders and provided certain conditions are satisfied, agree to (i) substitute Morgan Stanley or a subsidiary of Morgan Stanley in place of the Issuer or (ii) substitute a non-Morgan Stanley Group entity in place of the Issuer or the Guarantor (provided that such non-Morgan Stanley Group entity has a long term credit rating which is at least as high as the Issuer or Guarantor, as applicable).

### **Exchange rates and exchange controls and inconvertibility may affect the Securities' value or return**

#### ***General Exchange Rate, Exchange Control Risks and Inconvertibility***

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 or other inconvertibility events. These risks generally depend on economic and political events over which the Issuer or the Guarantor have no control.

#### ***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.

### ***The Issuer Has No 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 (a) Securities denominated or payable in currencies other than U.S. dollars (b) and 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.

### ***Currency Exchange Information Will Be Provided in the Final Terms***

The applicable Final Terms, or supplement(s) to this Base Prospectus, if applicable, 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.

### ***Alternative Payment Method used if Payment Currency becomes unavailable***

If a payment currency is unavailable in respect of Securities, the Issuer, or Guarantor, if applicable, would make required payments in U.S. dollars on the basis of the market exchange rate. However, if the applicable currency for any Security is not available because the euro has been substituted for that currency, the Issuer, or Guarantor, if applicable, would make the payments in euros. Some Securities may specify a different form of payment if a non-U.S. payment currency is unavailable to the Issuer, or Guarantor, if applicable.

### **General tax considerations relating to the Securities**

#### ***Payments in respect of the Securities net of Taxes***

Neither the Issuer nor the Guarantor is liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, issue, transfer, settlement, presentation and surrender for payment, or enforcement of any Security and all payments made by the Issuer or the Guarantor (as the case may be) in respect of the Securities shall be made net of any relevant Taxes.

#### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "EU Savings Directive"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into 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 or certain limited types of entity established in one of those territories.

On 9 December 2014, the Council of the European Union adopted a Directive (EC Council Directive 2014/107/EU amending EU Council Directive 2011/16/EU) on the mandatory automatic exchange of information to implement the OECD measures known as the “**Common Reporting Standard**”. Member States are required to implement this Directive in respect of taxable periods from 1 January 2016 and to begin exchanging information pursuant to such Directive no later than 30 September 2017 (subject to deferral under transitional rules in the case of Austria). The Common Reporting Standard is generally broader than the EU Savings Directive, although it does not impose withholding taxes.

On 10 November 2015, the Council of the European Union adopted a Directive (EU Council Directive 2015/2060/EU) repealing the EU Savings Directive with effect from 1 January 2016 (or 1 January 2017 in the case of Austria), subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates. The repeal of the EU Savings Directive is intended to prevent overlap between the EU Savings Directive and the Common Reporting Standard.

#### ***Proposed Financial Transactions Tax (FTT)***

On 14 February 2013, the European Commission published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and would, if introduced in its current form be a tax primarily on "financial institutions" in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

At this stage, it is too early to say whether the FTT proposals will be adopted and in what form. However, if the FTT is adopted based on the current proposals, then it may operate in a manner giving rise to tax liabilities for the Issuer with respect to certain transactions (for example, with reference to its hedging arrangements, or if physical settlement is applicable to certain types of Securities). If, on or after the Trade Date, due to the implementation of the proposed FTT or otherwise by the adoption of or any change in any applicable law or regulation (including, without limitation, any law or regulation implementing a system of financial transaction tax in any jurisdiction, including the European Union, relating to any tax payable in respect of the transfer of, or entry into or modification or unwind of, any financial instruments), the Issuer determines that it (directly or through an Affiliate) would incur or has incurred a materially increased amount of tax, transfer tax, duty, stamp duty, stamp duty reserve tax, expense or fee (other than brokerage commissions) in relation to its obligations under the Securities or its related hedge positions (**Additional Tax**), the Issuer may (if the Conditions of the Securities so allow) adjust the Conditions of the Securities to reduce the amount otherwise payable under the Securities to holders of such Securities in order to pass on to the holders of such Securities the full amount of such Additional Tax incurred by the Issuer directly or through an Affiliate. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Securities (including secondary market transactions) if conditions for a charge to arise are satisfied. Primary market transactions referred to

in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt. There is however some uncertainty in relation to the intended scope of this exemption for certain money market instruments and structured issues.

The FTT proposal remains subject to negotiation between the participating Member States and since the original proposal, a number of counter proposals have been made, many of which would reduce the scope of the FTT. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Securities are advised to seek their own professional advice in relation to the FTT.

#### ***U.S. Foreign Account Tax Compliance Withholding***

##### ***Payments on certain Securities may be subject to U.S. withholding tax***

U.S. federal tax rules commonly referred to as "FATCA" may impose a withholding tax of up to 30% on certain payments made after 31 December 2018 to certain foreign entities (including financial intermediaries) unless various U.S. information reporting and due diligence requirements have been satisfied.

Furthermore, payments or deemed payments on Securities that are made to non-U.S. persons may be subject to U.S. withholding to the extent such payments are treated, for U.S. federal income purposes, as being U.S. source dividends equivalent amounts.

If U.S. withholding tax is imposed under either of these regimes, the Issuer will not be required to pay any additional amounts or indemnify an investor with respect to the withheld tax. Prospective investors should consult their own advisors about these rules and review the discussion under "Taxation – United States Taxation" below.

### **Issuer call option risk**

If Call Option is specified in the applicable Final Terms as being applicable, the Issuer will have the right to terminate the Securities on any Optional Redemption Date (Call) of the Notes or Optional Settlement Date of the W&C Securities, as applicable. Following the exercise by the Issuer of such Call Option, the investors will be entitled to receive a pre-determined amount which may be less than the amount that the investors would have been entitled to receive under the terms of the Securities if such Call Option had not been exercised.

The determination to terminate the Securities will be made by the Issuer taking into account a number of factors, including the current level of the reference asset and the likelihood that such levels will be maintained, or will increase or decrease, in the future. In making such determination, the Issuer will consider whether the expected performance of the reference asset could imply that a higher amount could be payable in the future under the Securities than the Optional Redemption Amount (Call) of the Notes or the Optional Settlement Amount of the W&C Securities, as applicable. As a result, it is likely that the Issuer will exercise the Call Option at a time in which the termination of the Securities is least favourable for the investors. The Issuer shall make such determination without taking into account the interest of the investors. The Call Option therefore can limit the possibility for investors to realise in full the expected returns.

If the Issuer exercises the Call Option, investors in the Securities will no longer be able to participate in the performance of the reference asset.

An optional termination feature of the Securities is likely to limit their market value. During any period when the Issuer may elect to terminate the Securities, the market value of those Securities generally will not rise substantially above the price at which they can be terminated.

If the Issuer exercises the Call Option, investors generally might not be able to reinvest the termination proceeds rate in the same market environment as it was available at the time in which they invested in the Securities and they might be unable to re-invest at a comparable rate of returns. Investors should consider reinvestment risk in light of other investments available at the time of their investment decision.

### **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 the Irish Stock Exchange to have certain issuances of Securities admitted to the Official List and to trading on its regulated market or admitted to listing, trading and/or quotation by any other listing 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 plc 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 nor legally obligated to do so. If at any time Morgan Stanley & Co. International plc 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.

### **Securities issued at a substantial discount or premium**

The market values of Securities issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### **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.

### **Settlement risk for the W&C Securities that are to be physically settled**

If (with respect to any W&C Securities that are physically settled) prior to the delivery of any specified asset(s), the Determination Agent for the W&C Securities determines that a settlement disruption event (as defined in Condition 12.1.3 (*Settlement Disruption*) of the "Terms and Conditions of the W&C Securities" below, a "**Settlement Disruption Event**") is subsisting, then the obligation to deliver such asset(s) shall be postponed to the first following business day on which no Settlement Disruption Event is subsisting. Prospective investors should note that any such determination may affect the value of the W&C Securities and/or may delay settlement in respect of the W&C Securities.

Prospective investors should note that for so long as any delivery of any part of the specified asset(s) is not practicable by reason of a delivering disruption event (as defined in Condition 12.2.2 (*Delivery Disruption*) of the "Terms and Conditions of the W&C Securities" below, a "**Delivery Disruption Event**", then the Issuer may, in its sole and absolute discretion, satisfy its obligations to deliver such part of the specified asset(s) by payment of a disrupted cash settlement price. Prospective investors should note that the disrupted cash settlement price will reflect the fair market value of the W&C Securities less the cost to the Issuer of unwinding any relevant Underlying Security related hedging arrangements and that any such determination may affect the value of the W&C Securities.

### **Exchange rates may affect the value of a judgment**

The Securities will be governed by the laws of England. 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**

If specified as Determination Agent in the applicable Final Terms, Morgan Stanley & Co. International plc or its affiliate will determine the payout to the investor at maturity as Determination Agent for Securities linked to a single security or index or a basket of securities or indices, as the case may be. Morgan Stanley & Co. International plc and its affiliates may also carry out hedging activities related to any Securities linked to a single security or index or a basket of securities or indices, as the case may be, including trading in the underlying securities, indices as well as in other instruments related to the underlying securities or indices. Morgan Stanley & Co. International plc and some of Morgan Stanley's other subsidiaries may also trade the applicable underlying securities or indices and 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 the Determination Agent's determination of adjustments made to any Securities linked to single securities or indices or a basket of securities or indices, as the case may be, and any such trading activity could potentially affect the price of the underlying securities or indices, as the case may be, and, accordingly, could affect the investor's payout on any Securities.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the undated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on pages 44 to 45 of this Base Prospectus.

### **Investors have no shareholder rights**

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.

## **Change of law**

The conditions of the Securities are based on English law in effect as at the date of this Base Prospectus. 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 Base Prospectus.

## **Factors which are material for the purpose of assessing risks associated with Notes**

### *Notes linked to property indices*

The Issuer may issue Notes with principal and/or interest determined by reference to a residential or commercial property index or indices (a “**Property Index**”, or “**Property Indices**”, as applicable). Property Indices may only be a reference guide to a certain property market and may not be representative of the relevant property market as a whole. The relevant Property Index may only measure the capital growth component of property only and may not include any income return component. A Property Index may be based on valuation data only; as such, a Property Index may not necessarily reflect actual market prices and may rely on the ability of the index provider to gather property valuations and conduct continuous, close monitoring of such property valuations.

Property markets are illiquid and complex. The impact of price fluctuations in the property market may not immediately be reflected in the relevant Property Index (if at all). Properties may only be valued on an annual basis for the purposes of calculating the relevant Property Index and, as such, the level at which the Property Index stands may not be representative of actual market prices or transactions in the relevant property market. The provider of a Property Index may reserve the right to change the constituents of the relevant Property Index and the methodology used in its calculation. The publication of the Property Index may be delayed and/or subject to correction. Any of the foregoing may affect the return of the Notes.

### *The Notes may be redeemed prior to maturity*

In the event that the Issuer or the Guarantor (if applicable) would be required by law to make any withholding or deduction for or on account of, any present or future 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 redeem all outstanding Notes in accordance with the Conditions at the redemption price specified in the applicable Final Terms.

If in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer’s option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

In addition, an optional redemption feature in any particular Tranche of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

### *Notes where denominations involve integral multiples: definitive Notes*

In relation to the issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then-prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then-prevailing rates on its Notes.

### ***Notes in Global Form***

Because the Global Notes (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**"), investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

Notes issued under the Programme may be represented by, (i) in the case of Bearer Notes, one or more temporary global notes (each, a "**Temporary Global Note**"), permanent global notes (each, a "**Permanent Global Note**") or (ii) in the case of Registered Notes, interests in a global registered note (a "**Global Registered Note**" and together with a Temporary Global Note and a Permanent Global Note the "**Global Notes**"). Such Global Notes may be deposited with a common depository or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in a Global Note must rely on the procedures of Euroclear or Clearstream, Luxembourg, as the case may be, to receive payments under the relevant Notes. 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 Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg to appoint appropriate proxies.

### **Reform of LIBOR and EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index "benchmarks"**

The London Interbank Offered Rate ("LIBOR"), the Euro Interbank Offered Rate ("EURIBOR") and other indices which are deemed "benchmarks" are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Securities linked to a "benchmark".

Key international reforms of "benchmarks" include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the "IOSCO Benchmark Principles") and the EU's Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "Benchmarks Regulation").

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation will apply from 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to the Market Abuse Regulation (Regulation (EU) No 596/2014) have applied from 3 July 2016.

The Benchmarks Regulation would apply to "contributors", "administrators" and "users of" "benchmarks" in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use of "benchmarks" of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Securities), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on any listed Securities linked to a "benchmark" index, including in any of the following circumstances:

- an index which is a "benchmark" could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular "benchmark" and the applicable terms of the Securities, the Securities could be delisted (if listed), adjusted, redeemed or otherwise impacted; and
- the methodology or other terms of the "benchmark" related to a series of Securities could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the "benchmark" or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Securities, including Determination Agent determination of the rate or level in its discretion.

In addition to the international reform of "benchmarks" (both proposed and actual) described above, there are numerous other proposals, initiatives and investigations which may impact "benchmarks". For example, in the United Kingdom (the "UK"), the national government has extended the legislation originally put in place to cover LIBOR to regulate a number of additional major UK-based financial benchmarks in the fixed income, commodity and currency markets, which could be further expanded in the future.

The UK's Financial Conduct Authority has also released "Financial Benchmarks: Thematic review of oversight and controls, which reviewed the activities of firms in relation to a much broader spectrum of "benchmarks" that ultimately could impact inputs, governance and availability of certain "benchmarks".

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". The

disappearance of a "benchmark" or changes in the manner of administration of a "benchmark" could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Determination Agent, delisting (if listed) or other consequence in relation to Securities linked to such "benchmark". Any such consequence could have a material adverse effect on the value of and return on any such Securities.

#### **Factors which are material for the purpose of assessing risks associated with the W&C Securities**

Because the Global W&C Securities (as defined below) may be held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

W&C Securities issued under the Programme may be represented by, (i) in the case of bearer warrants or bearer certificates, one or more global bearer warrants or global bearer certificates (each, a "**Global Bearer W&C Security**") or (ii) in the case of registered warrants or registered certificates either (a) interests in a global registered warrant or global registered certificate (each a "**Global Registered W&C Security**" and together with a Global Bearer W&C Security, a "**Global W&C Security**"), such Global W&C Securities being deposited with a common depository for Euroclear and Clearstream, Luxembourg or (b) Individual W&C Certificates. Except in the circumstances described in the relevant Global W&C Security, investors will not be entitled to receive definitive W&C Securities. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global W&C Security. While the W&C Securities are represented by one or more Global W&C Securities held by Euroclear or Clearstream, Luxembourg, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

While the W&C Securities are represented by one or more Global W&C Securities, the Issuer will discharge its payment obligations under the W&C Securities by making payments through Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global W&C Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant W&C 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 W&C Securities.

Holders of beneficial interests in the Global W&C Securities will not have a direct right to vote in respect of the relevant W&C Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg to appoint appropriate proxies.

## WHERE INVESTORS CAN FIND MORE INFORMATION ABOUT MORGAN STANLEY

Morgan Stanley files annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (the "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 annual, quarterly and current 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 Base Prospectus but may be incorporated into a supplement to this Base Prospectus.

Morgan Stanley's internet site is [www.morganstanley.com](http://www.morganstanley.com). You can access Morgan Stanley's Investor Relations webpage at [www.morganstanley.com/about/ir](http://www.morganstanley.com/about/ir). Morgan Stanley makes available free of charge, on or through its Investor Relations webpage, its proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and any amendments to those reports filed or furnished pursuant to the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Morgan Stanley also makes available, through its Investor Relations webpage, via a link to the SEC's internet site, statements of beneficial ownership of Morgan Stanley's equity securities filed by its directors, officers, 10% or greater shareholders and others under Section 16 of the Exchange Act. Such reports, proxy statements, statements of beneficial ownership and other information shall not form a part of this Base Prospectus but may be incorporated into a supplement to this Base Prospectus.

## INCORPORATION BY REFERENCE

For the purposes of Article 28.4 of Commission Regulation (EC) No. 809/2004, any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

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

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	(4) Description of Morgan Stanley B.V.	68-70
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3. Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2016	(1) Consolidated Statements of Income (unaudited)	1

(2)	Consolidated Statements of Comprehensive Income (unaudited)	2
(3)	Consolidated Balance Sheets (unaudited)	3
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Copies of the documents containing the sections incorporated by reference in this Base Prospectus are available in electronic form at the following links and in physical form at the principal executive offices of Morgan Stanley and the registered office of MSBV:

	<b>Documents</b>	<b>Location</b>
1.	Registration Document dated 10 June 2016	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4636">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4636</a>
2.	First Supplement to the Registration Document dated 19 October 2016	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4878">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4878</a>
3.	Morgan Stanley Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2016	<a href="http://www.morganstanley.com/about-us-ir/shareholder/10q0916/10q0916.pdf">http://www.morganstanley.com/about-us-ir/shareholder/10q0916/10q0916.pdf</a>
4.	Morgan Stanley Quarterly Report on Form 10-Q for the quarterly period ended 30 June 2016	<a href="http://www.morganstanley.com/about-us-ir/shareholder/10q0616/10q0616.pdf">http://www.morganstanley.com/about-us-ir/shareholder/10q0616/10q0616.pdf</a>
5.	Morgan Stanley Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2016	<a href="http://www.morganstanley.com/about-us-ir/shareholder/10q0316/10q0316.pdf">http://www.morganstanley.com/about-us-ir/shareholder/10q0316/10q0316.pdf</a>
6.	Morgan Stanley Annual Report on Form 10-K for the year ended 31 December 2015	<a href="http://www.morganstanley.com/about-us-ir/pdf/MS_10K_December_31_2015_Final_w.bookmarks.pdf">http://www.morganstanley.com/about-us-ir/pdf/MS_10K_December_31_2015_Final_w.bookmarks.pdf</a>
7.	Morgan Stanley Proxy Statement dated 1 April 2016	<a href="http://www.morganstanley.com/about-us-2016ams/pdf/Proxy_Statement.pdf">http://www.morganstanley.com/about-us-2016ams/pdf/Proxy_Statement.pdf</a>
8.	Morgan Stanley B.V. Interim Financial Report for the six months ended 30 June 2016	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4824">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4824</a>
9.	Morgan Stanley B.V. Report and Financial Statements for the year ended 31 December 2015	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4564">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4564</a>
10.	Morgan Stanley B.V. Report and Financial Statements for the year ended 31 December 2014	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=3788">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=3788</a>
11.	Base Prospectus for the Program dated 21 January 2015	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4381">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4381</a>
12.	Base Prospectus for the Program dated 23 January 2014	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=3528">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=3528</a>

13.	Base Prospectus for the Program dated 26 June 2012	<a href="http://www.morganstanleyiq.de/EN/binaer_view.asp?BinaerNr=3103">http://www.morganstanleyiq.de/EN/binaer_view.asp?BinaerNr=3103</a>
14.	Base Prospectus for the Program dated 30 September 2011	<a href="http://www.morganstanleyiq.de/EN/binaer_view.asp?BinaerNr=3104">http://www.morganstanleyiq.de/EN/binaer_view.asp?BinaerNr=3104</a>
15.	Base Prospectus for the Program dated 20 August 2010	<a href="http://www.morganstanleyiq.de/EN/binaer_view.asp?BinaerNr=3102">http://www.morganstanleyiq.de/EN/binaer_view.asp?BinaerNr=3102</a>
16.	Base Prospectus for the Program dated 7 August 2009	<a href="http://www.morganstanleyiq.de/EN/binaer_view.asp?BinaerNr=3101">http://www.morganstanleyiq.de/EN/binaer_view.asp?BinaerNr=3101</a>

Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2016 (at page 77), which is incorporated by reference, include details of the long-term and short-term credit ratings assigned to Morgan Stanley by DBRS, Fitch, Moody's, R&I and S&P through its business unit S&P Global Ratings.

DBRS is not established in the European Economic Area but the ratings it has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited which is established in the European Economic Area and registered under CRA Regulation.

Fitch is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Moody's is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Limited, which is established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

R&I is not incorporated in the European Economic Area and is not registered under the CRA Regulation in the EU.

S&P is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is, with effect from 9 April 2012, endorsed by Standard and Poor's Credit Market Services Europe Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

#### **Additional information**

The information contained on any website referred to in this Base Prospectus shall not form part of this Base Prospectus, but may be incorporated into a supplement to this Base Prospectus.

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

The information about MSBV and the Guarantor incorporated by reference in this Base Prospectus is considered to be part of this Base Prospectus. Following the publication of this Base Prospectus a supplement may be prepared by the Issuer or the Guarantor and approved by the Central Bank in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

In relation to item 3 (Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2016) incorporated by reference above, ratings of Morgan Stanley's senior unsecured debt have been given by DBRS, Fitch, Moody's,

R&I and S&P through its business unit S&P Global Ratings and appear on page 77 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2016.

DBRS is not established in the European Economic Area but the ratings it has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Fitch is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Moody's is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Limited, which is established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities.

R&I is not incorporated in the European Union and is not registered under the CRA Regulation in the European Union.

S&P is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is, with effect from 9 April 2012, endorsed by Standard & Poor's Credit Market Services Europe Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

In relation to item 3 (Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2016) incorporated by reference above, ratings of Morgan Stanley Bank, N.A.'s senior unsecured debt have been given by Fitch, Moody's and S&P through its business unit S&P Global Ratings and appear on page 77 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period 30 September 2016.

Fitch is not established in the European Economic Area but the rating it has assigned to Morgan Stanley Bank N.A. is endorsed by Fitch Ratings Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Moody's is not established in the European Economic Area but the rating it has assigned to Morgan Stanley Bank N.A. is endorsed by Moody's Investors Service Limited, which is established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

S&P is not established in the European Economic Area but the rating it has assigned to Morgan Stanley Bank N.A. is, with effect from 9 April 2012, endorsed by Standard & Poor's Credit Market Services Europe Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

As of 18 May 2016, Morgan Stanley's short-term and long-term debt has been respectively rated (i) R-1 (middle) and A (high), with a stable outlook, by DBRS, (ii) F1 and A, with a stable outlook, by Fitch, (iii) P-2 and A3, with a stable outlook, by Moody's, (iv) a-1 and A-, with a stable outlook, by R&I and (v) A-2 and BBB+, with a stable outlook, by S&P.

The Issuer and the Guarantor will make available for inspection in physical or electronic form at their registered offices or principal office respectively, and at the specified offices of the Fiscal Agent and the Principal W&C Agent during normal business hours and free of charge and upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus and any future filings or financial statements published by the Issuer or Guarantor, as the case may be). Written or oral requests for inspection of such documents should be directed to the specified office of the Fiscal Agent or the Principal W&C Agent, as the case may be.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Securities, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Securities.

## KEY FEATURES OF THE SECURITIES

The following summary describes the key features of the Securities that the Issuer is offering under the Programme 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.

Words and expressions defined elsewhere in this Base Prospectus have the same meanings in this section.

<b>Issuer</b>	MSBV.
<b>Guarantor</b>	Morgan Stanley.
<b>Distribution Agent</b>	Morgan Stanley & Co. International plc.

### STATUS, SECURITY AND GUARANTEE IN RESPECT OF THE SECURITIES

**Status** The Securities of each Series will constitute secured, direct and general obligations of the Issuer secured in the manner described in the relevant Conditions. The Securities of each Series rank *pari passu* among themselves.

**Security** The Issuer will grant to the Security Trustee the following security to secure its obligations under the Securities and the Charged Agreement(s):

- (a) a first ranking assignment by way of security of all of the Issuer's rights, title and/or interests (the "**Issuer's Rights**") under the Agency Agreement;
- (b) a first ranking assignment by way of security of all of the Issuer's Rights in, to and under the Initial Collateral Assets;
- (c) a first ranking assignment by way of security of all of the Issuer's Rights in, to and under the Eligible Collateral delivered or transferred to the Custodian; and
- (d) a first ranking assignment by way of security of all of the Issuer's Rights under the Charged Agreement(s) (other than in respect of the Issuer's obligations under the Charged Agreement(s)) and the Issuer's Rights under any Additional Agreement.

The applicable Final Terms will specify whether any other security interest will be created under the Security Trust Deed and/or under an Additional Charging Document.

**Guarantee** Any shortfall following the realisation of or enforcement with respect to the Mortgaged Property shall be unconditionally and irrevocably guaranteed by Morgan Stanley upon and subject to the terms set out in the Guarantee dated 23 January 2014 as may be amended, supplemented, novated or restated from time to time.

**Charged Agreement(s)** The Charged Agreement(s) in respect of each Series of Securities will be a swap agreement entered into between the Issuer and the Counterparty and, if applicable, the CSD and/or if Collateral Management Terms are applicable the relevant Collateral Management Agreement, each as described below. The purpose of the

swap agreement is to allow the Issuer to perform its scheduled obligations under the Securities and in order to collateralise the Counterparty's obligations under the swap agreement, the swap agreement will either be (i) supplemented by an ISDA Credit Support Annex (the "**CSA Fully Funded Swap Agreement**") or (ii) entered into together with an ISDA Credit Support Deed (the "**CSD**"). Under the terms of the CSA Fully Funded Swap Agreement, the Counterparty shall, *inter alia*, deliver Collateral Assets to the Issuer, and, as applicable, the Issuer shall re-deliver Collateral Assets to the Counterparty on the basis of the fair market valuation of the existing Collateral Assets and the Securities. Under the terms of the CSD, the Counterparty shall grant by way of security interest to the Issuer, the Collateral Assets, and, as applicable, release such security interest (in whole or in part, as applicable) on the basis of the fair market valuation of the existing Collateral Assets and the Securities. In respect of certain Series of Securities the Issuer and the Counterparty may each appoint one or more agents to perform certain custodial and administrative functions relating to their obligations under the CSA Fully Funded Swap Agreement or the CSD, as applicable. Each agent will be appointed pursuant to a collateral management agreement between the Issuer, the Counterparty, the Security Trustee and such agent (each a "**Collateral Management Agreement**"). The Issuer, the Counterparty, the Security Trustee and The Bank of New York Mellon have entered into a collateral management agreement dated 7 August 2009 (the "**BONYM Collateral Management Agreement**").

The applicable Final Terms will specify whether the Charged Agreement(s) will be a CSA Fully Funded Swap Agreement or a Fully Funded Swap Agreement and CSD and the relevant Collateral Management Agreement if the Final Terms specify that the Collateral Management Terms apply.

**Collateral Assets:**

The collateral under the Charged Agreement(s) will be:

- (i) cash;
- (ii) bonds or notes listed on a regulated market;
- (iii) shares listed on a regulated market;
- (iv) shares, units or other interests in a UCITS fund; and/or
- (v) other assets.

**Security Trustee:**

BNY Mellon Corporate Trustee Services Limited

**Custodian:**

Morgan Stanley & Co. International plc or The Bank of New York Mellon, or any other Custodian as specified in the applicable Final Terms. The Custodian will be appointed pursuant to the terms of the Agency Agreement, unless Collateral Management Terms are specified as applicable in the applicable Final Terms, in which case the Custodian will be appointed pursuant to the terms of the relevant Collateral Management Agreement. The Bank of New York Mellon has entered into a collateral management agreement dated 7 August 2009.

## IN RESPECT OF NOTES:

<b>Fiscal Agent:</b>	The Bank of New York Mellon
<b>Registrar</b>	The Bank of New York Mellon (Luxembourg) S.A.
<b>Transfer Agent</b>	The Bank of New York Mellon
<b>Issuance in Series:</b>	Notes will be issued in series (each, a “ <b>Series</b> ”). Each Series may comprise one or more tranches (“ <b>Tranches</b> ” and each, a “ <b>Tranche</b> ”) issued on different issue dates.
<b>Forms of Notes:</b>	<p>MSBV may issue Notes in bearer form (“<b>Bearer Notes</b>”) if it has been determined that such Notes should be classified as being in registered form for U.S. Federal income tax purposes or in registered form (“<b>Registered Notes</b>”). Bearer Notes may be in either definitive form or global form. Notes in definitive bearer form will be serially numbered. Registered Notes may be in either individual certificate form or in global certificate form.</p> <p><i>(i) Bearer Notes</i></p> <p>Bearer Notes issued with maturities of more than 1 year initially may be represented by a temporary global bearer note that the Issuer will deposit with a common depository or (if in new global note form (a “<b>New Global Note</b>” or “<b>NGN</b>”) a common safekeeper for Euroclear Bank S.A./N.V. (“<b>Euroclear</b>”), Clearstream Banking, <i>société anonyme</i>, Luxembourg (“<b>Clearstream, Luxembourg</b>”), and/or any other relevant clearing system. Interests in each temporary global bearer note will be exchangeable for interests in permanent global bearer notes or for definitive bearer notes.</p> <p>Bearer Notes issued with maturities of 1 year or less, and Bearer Notes issued with maturities of more than 1 year that are not initially represented by a temporary bearer global, initially will be represented by a permanent global bearer note that the Issuer will deposit with a common depository or (if in New Global Note form) a common safekeeper for Euroclear, Clearstream, Luxembourg, and/or any other relevant clearing system.</p> <p><i>(ii) Registered Notes</i></p> <p>Registered Notes will be in the form of either individual note certificates or global note certificates, in each case as specified in the relevant Final Terms. Each global note certificate will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depository and will be exchangeable for individual note certificates in accordance with its terms.</p>
<b>Terms and Conditions:</b>	Final Terms will be prepared in respect of each Tranche of Notes (each, a “ <b>Final Terms</b> ”). The terms and conditions applicable to each Tranche will be those set out herein under the heading “Terms and Conditions of the Notes”, as completed, in each case, by the applicable Final Terms.

<b>Specified Currency:</b>	Notes 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.
<b>Issue Price:</b>	Notes may be issued at any price, as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.
<b>Maturities:</b>	Notes will have maturities as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.  Where Notes have a maturity of less than one year and either (i) the issue proceeds are received by the Issuer in the United Kingdom or (ii) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only 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, or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Issuer.
<b>Redemption:</b>	Notes shall be redeemed at par.
<b>Early Redemption:</b>	Early redemption will be permitted for taxation reasons as mentioned in Condition 11 ( <i>Redemption and Purchase</i> ) and will otherwise be permitted to the extent specified in the Conditions.
<b>Interest:</b>	Notes may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed rate, which may be zero, or floating rate, or at a rate which varies during the lifetime of the relevant Series.
<b>Denominations:</b>	Notes will be issued in such denominations (which shall be not less than EUR 1,000 per Note) as may be specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements, provided that the minimum amount of Notes that can be subscribed for by an investor or transferred by a Noteholder shall be EUR100,000 and provided that such Noteholder does not hold Notes with an aggregate amount of less than EUR100,000 following such transfer.
<b>Taxation:</b>	Neither the Issuer nor the Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, issue, transfer, settlement, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer or Guarantor shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

**Enforcement of Notes in Global Form:**

In the case of Notes issued in global form, individual holders' rights will be governed by a deed of covenant entered into by MSBV dated 23 January 2014 (the "**Deed of Covenant**" which expression shall be construed as a reference to that deed as the same may be amended, supplemented, novated or restated from time to time), a copy of which will be available for inspection at the specified office of the Fiscal Agent.

**IN RESPECT OF W&C SECURITIES:**

**Principal W&C Agent**

The Bank of New York Mellon

**Registrar**

The Bank of New York Mellon (Luxembourg) S.A.

**Transfer Agent**

The Bank of New York Mellon

**Issuance in Series**

W&C Securities will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates.

**Terms and Conditions**

Final Terms will be prepared in respect of each Tranche of W&C Securities. The terms and conditions applicable to each Tranche of W&C Securities will be those set out herein under the heading "Terms and Conditions of the W&C Securities" as completed by the applicable Final Terms.

The Issuer may issue W&C Securities that are Share W&C Securities, Share Basket W&C Securities, Index W&C Securities and Index Basket W&C Securities (each as defined in Condition 1 of "Terms and Conditions of the W&C Securities").

**Forms of W&C Securities**

MSBV may issue W&C Securities in bearer form ("**Bearer W&C Securities**") if it has been determined that such W&C Securities should be classified as being in registered form for U.S. Federal income tax purposes or in registered form ("**Registered W&C Securities**"). Bearer W&C Securities may be in either definitive form or global form. Bearer W&C Securities in definitive bearer form will be serially numbered. Registered W&C Securities may be in either individual registered form or in global registered form.

*(i) Bearer W&C Securities*

Each Tranche of Bearer W&C Securities will (unless otherwise specified in the applicable Final Terms) at all times be represented by a global bearer Warrant or a global bearer Certificate (each a "**Global Bearer W&C Security**"). The Global Bearer W&C Security will be deposited on the issue date with a common depository for Euroclear, Clearstream, Luxembourg and/or any other relevant Clearing System. W&C Securities in definitive bearer form will only be issued if so specified in the applicable Final Terms.

*(ii) Registered W&C Securities*

Registered W&C Securities will be in the form of either individual registered securities or global registered securities, in each case as specified in the relevant Final Terms. Each global registered security will be deposited on or around the relevant issue date with a

depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depository and will be exchangeable for individual registered securities in accordance with its terms.

#### **Exercise of W&C Securities**

W&C Securities may be exercisable on any day during a specified exercise period (“**American Style W&C Securities**”), on a specified expiration date (“**European Style W&C Securities**”) or on specified dates during a specified exercise period (“**Bermudan Style W&C Securities**”), as specified in the applicable Final Terms. If so specified in the applicable Final Terms, W&C Securities may be deemed exercised on the expiration date thereof.

#### **Settlement of W&C Securities**

Upon exercise, W&C Securities may entitle the W&C Holder to receive from the Issuer a Cash Settlement Amount (as set out below and as specified or calculated in accordance with the applicable Final Terms) (“**Cash-Settlement W&C Securities**”), or may entitle the W&C Holder to receive delivery of or to deliver an amount of securities (as specified or calculated in accordance with the relevant supplement) (“**Physical-Settlement W&C Securities**”), as specified in the applicable Final Terms.

The relevant payment features for a Cash Settlement Amount to be included in the applicable Final Terms will be one of six Payment Options, completing or where not relevant, deleting the applicable provisions, the details of which are set out in the “Terms and Conditions of the W&C Securities” and the applicable Final Terms.

#### **Minimum Exercise Number**

W&C Securities are exercisable in the minimum number (or, if so specified, integral multiples thereof) specified in the applicable Final Terms.

#### **Distribution Amounts**

W&C 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.

A Distribution Amount may be payable in respect of each W&C Security less any net costs. The Distribution Amount will (i) be positively affected when the value of dividends on the Shares increases or (ii) be negatively affected when the value of dividends on the Shares decreases. Accordingly the risk for investors in respect of the Securities is greater in the situation described in (ii) above.

#### **Taxation**

The W&C Holders shall be liable for any applicable taxes, duties and other charges due in relation to, *inter alia*, the issue, transfer, transmission and/or settlement of the W&C Securities. In the case of Cash-Settlement W&C Securities, the Issuer shall be entitled to withhold or deduct from any amounts otherwise payable to the W&C Holders such amount as is necessary for the payment of such taxes, duties and other charges. In the case of Physical-Settlement W&C Securities, the Issuer’s obligation to deliver an amount of securities

shall be subject to payment by the relevant W&C Holders, or shall be reduced by such amount to take account, of an amount in respect of such taxes, duties and other charges.

**GENERAL:**

**Use of Proceeds:**

The net proceeds from the sale of Securities will be used by the Issuer for general corporate purposes and/or, in connection with hedging the Issuer's obligations under the Securities.

**Listing**

Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and trading on its regulated market. The applicable Final Terms will specify whether an issue of Securities will be admitted to the Official List and trading on its regulated market or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as the Issuer and any Distribution Agent may agree. Securities issued under the Programme may also be unlisted.

**Clearance Systems**

Euroclear, Clearstream, Luxembourg and/or any other clearing system as may be specified in the applicable Final Terms.

**Governing Law**

The Securities and any non-contractual obligations arising out of or in connection with the Securities shall be governed by and construed in accordance with English law.

The Guarantee will be governed by and construed in accordance with the laws of the State of New York.

**Selling Restrictions**

**The Securities may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account of U.S. Persons (as defined in any of Regulation S under the Securities Act, or the United States Commodity Exchange Act).** 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 the sections entitled "*Subscription and Sale*" and "*No Ownership by U.S. Persons.*"

## DESCRIPTION OF THE COLLATERAL ASSETS

The Collateral Assets in respect of the Securities will comprise one or more of the following assets:

### *Cash*

Cash in a stipulated currency and amount.

### *Debt securities*

Debt securities listed on a regulated market. In the case of an offer of Securities where an obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive (a “**Non-Exempt Offer**”), the debt securities will be identified in the applicable Final Terms as follows:

- (i) the ISIN and Common Code;
- (ii) the issuer and guarantor (if any) of the debt securities;
- (iii) a description of the debt securities;
- (iv) the regulated market on which they are traded;
- (v) the frequency with which prices of the relevant securities are published; and
- (vi) details of the information provider for the information in (i) to (v) below.

### *Equity securities*

Equity securities listed on a regulated market. In the case of a Non-Exempt Offer, the equity securities will be identified in the applicable Final Terms as follows:

- (i) the ISIN;
- (ii) the issuer of the equity securities;
- (iii) a description of the equity securities;
- (iv) the regulated market on which they are traded;
- (v) the frequency with which prices of the relevant securities are published; and
- (vi) details of the information provider for the information in (i) to (v) below.

### *Shares, units or interests in a UCITS Fund*

Shares, units or interests in a UCITS Fund. In the case of a Non-Exempt Offer, the shares, units or interests in a UCITS Fund will be identified in the applicable Final Terms as follows:

- (i) the ISIN;
- (ii) the issuer of the shares, units or interests in the UCITS Fund;
- (iii) a description of the shares, units or interests in the UCITS Fund;
- (iv) a description of the UCITS Fund’s regulatory authority;
- (v) details of where the price or value of the relevant share, unit or interest is available;
- (vi) details of any information provider for the shares, units or interests in the UCITS Fund; and
- (vii) details of where the prospectus relating to such shares, units or interests in a UCITS Fund may be obtained.

## **FURTHER INFORMATION ON THE FULLY FUNDED SWAP AGREEMENT AND THE CREDIT SUPPORT DEED**

*Words and expressions defined in the “Terms and Conditions of the Notes” or in the “Terms and Conditions of the W&C Securities” as applicable and in the remainder of this Base Prospectus shall have the same meanings in this section.*

In respect of each Series of Securities, the Issuer will enter into a swap agreement (the “**Fully Funded Swap Agreement**”) with Morgan Stanley & Co. International plc (the “**Counterparty**”) evidenced by a 1992 ISDA Master Agreement (Multicurrency-Cross Border) and schedule thereto together with the confirmation entered into by the Issuer and the Counterparty in respect of such Series of Securities.

The purpose of the Fully Funded Swap Agreement is to allow the Issuer to perform its scheduled obligations under the Securities. The Fully Funded Swap Agreement will provide that initially the Issuer will pay to the Counterparty the proceeds of issue of the Securities. Over the term of the Securities and at scheduled settlement of the Securities (and in certain circumstances on the early redemption or termination, as the case may be, of the Securities) the Counterparty will make payments or delivery of assets to the Issuer which correspond to those which the Issuer is scheduled to make under the Securities.

In order to collateralise the Counterparty’s obligations under the Fully Funded Swap Agreement, the Fully Funded Swap Agreement will either be: (i) supplemented by an ISDA Credit Support Annex (the “**CSA Fully Funded Swap Agreement**”) or (ii) entered into together with an ISDA Credit Support Deed (the “**CSD**”).

### **CSA Fully Funded Swap Agreement**

Under the terms of the CSA Fully Funded Swap Agreement, over the term of the Securities the Counterparty shall deliver to the Issuer, the Initial Collateral and from time to time additional Collateral Assets and as applicable, the Issuer shall re-deliver Collateral Assets to the Counterparty on the basis of the fair market valuation from time to time of the Collateral Assets and the Securities. The CSA Fully Funded Swap Agreement will include provisions governing the calculation of the fair market valuation. The Counterparty may at its sole discretion substitute the Collateral Assets for other Eligible Collateral. The Issuer and the Counterparty may appoint one or more agents to perform custodial and administrative functions relating to their obligations under the CSA Fully Funded Swap Agreement pursuant to the terms of a collateral management agreement between the Issuer, the Counterparty, the Security Trustee and the relevant agent(s). The Bank of New York Mellon has entered into a collateral management agreement dated 7 August 2009.

### **The Credit Support Deed**

Under the terms of the CSD, the Counterparty shall grant by way of security interest to the Issuer the Collateral Assets, and as applicable, release such security interest (in whole or in part, as applicable) on the basis of the fair market valuation from time to time of the Collateral Assets and the Securities. The CSD will include provisions governing the calculation of the fair market valuation. The Counterparty may at its sole discretion substitute Collateral Assets for other Eligible Collateral. The Issuer and the Counterparty may appoint one or more agents to perform custodial and administrative functions relating to their obligations under the CSD pursuant to the terms of a collateral management agreement between the Issuer, the Counterparty, the Security Trustee and the relevant agent(s). The Bank of New York Mellon has entered into a collateral management agreement dated 7 August 2009.

### **Termination of the Fully Funded Swap Agreement**

The Fully Funded Swap Agreement may be terminated early (either in whole or, in certain circumstances, in part only) in the following circumstances:

- (i) if at any time some or all of the Securities become repayable in full prior to the Maturity Date or Exercise Date, as the case may be;
- (ii) at the option of one party, if there is a failure by the other party to pay and/or deliver any amounts due under the Fully Funded Swap Agreement (subject as provided in the Fully Funded Swap Agreement);

- (iii) if (subject as provided in the Fully Funded Swap Agreement) withholding taxes are imposed on payments made by the Issuer or the Counterparty under the Fully Funded Swap Agreement or it becomes illegal for either party to perform its obligations under the Fully Funded Swap Agreement; or
- (iv) upon the occurrence of certain other events (being Events of Default or Termination Events) as described in the Fully Funded Swap Agreement with respect to either party to the Fully Funded Swap Agreement.

**Consequences of Early Termination of the Fully Funded Swap Agreement**

Section 2(c) of the ISDA Master Agreement has been amended so that the netting of the payments provisions therein shall apply to the Fully Funded Swap Agreement.

Upon any such early termination of the Fully Funded Swap Agreement, the Issuer or the Counterparty may be liable to make a termination payment to the other party (regardless, if applicable, of which such parties may have caused such termination).

In all cases of such early termination occurring other than by reason of a default by the Counterparty (in which case the determination will be made by the Issuer), any applicable termination payment will be determined by the Counterparty on the basis of the Counterparty's determination of the total losses and costs (or gain, in which case expressed as a negative number) of the other party arising in connection with the termination of the Fully Funded Swap Agreement.

## FORM OF FINAL TERMS OF THE NOTES

FINAL TERMS dated [●]

Series Number: [●]

Common Code: [●]

Tranche: [●]

ISIN: [●]

**MORGAN STANLEY B.V.**

as **Issuer**

**MORGAN STANLEY**

as **Guarantor**

*SECURED NOTE, WARRANT AND CERTIFICATE PROGRAMME*

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Distribution Agent has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.<sup>1</sup>

THE NOTES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES DESCRIBED HEREIN MAY NOT BE OFFERED, SOLD, OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE “*SUBSCRIPTION AND SALE*” AND “*NO OWNERSHIP BY U.S. PERSONS*” IN THE BASE PROSPECTUS DATED 21 JANUARY 2015. IN PURCHASING THE NOTES, 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 FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. THE NOTES ARE NOT RATED.

### **PART A – CONTRACTUAL TERMS**

This document constitutes Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 12 December 2016 [and the supplemental Base Prospectus[es] dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes 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, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. Copies of the Base Prospectus [and the Supplemental Base Prospectus] and the Final Terms are available from the offices of Morgan Stanley & Co. International plc at 25 Cabot Square, Canary Wharf, London E14 4QA and are available for viewing at [www.ise.ie](http://www.ise.ie).

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<sup>1</sup> When preparing Final Terms relating to an issuance of Notes not to be listed on a regulated market, Prospectus Directive references are to be removed.

*[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 Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [23 January 2014 / 26 June 2012 / 30 September 2011 / 20 August 2010 / 7 August 2009] [and the supplemental Base Prospectus[es] dated [●]] which are incorporated by reference in the Base Prospectus dated [■] January 2016 and are attached hereto]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 21 January 2015 [and the supplemental Base Prospectus[es] dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 21 January 2015 [and the supplemental Base Prospectus[es] dated [●] and [●]] (including the Conditions as so incorporated by reference). [The Base Prospectus[es] [and the supplemental Base Prospectuses] are available for viewing at [address] [and] [www.ise.ie](http://www.ise.ie) 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.]*

- |    |       |  |  |
|----|-------|--|--|
| 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 Notes become fungible).] |  |
| 3. |       | Specified Currency or Currencies:  | [●]  |
| 4. |       | Aggregate Nominal Amount of the Notes:   | [●]  |
|    | [(i)] | Series:  | [●]  |
|    | [(ii) | Tranche:   | [●]  |
| 5. |       | Issue Price:   | [●] per cent. of Par per Note  |
| 6. | (i)   | Specified Denominations (Par):   | [●]  |
|    |       |  | <i>(N.B. Notes will be issued in denominations of at least EUR 1,000 per Note, provided that the minimum amount of Notes that can be subscribed for by an investor or transferred by a Noteholder shall be EUR100,000 and provided that such Noteholder does not hold Notes with an aggregate amount of less than EUR100,000 following such transfer.)</i> |
|    | (ii)  | Calculation Amount:  | [●]  |
| 7. | (i)   | Issue Date:  | [●]  |
|    | (ii)  | Trade Date:  | [●]  |

- (iii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [specify date or (for Floating Rate Notes) Interest Payment Date falling in, or nearest to, the relevant month and year]
9. Interest Basis: [●% Fixed Rate]  
[[specify reference rate] +/- ●% Floating Rate]  
[Zero Coupon]
- (further particulars specified below)
10. Put/Call Options:
- (i) Redemption at the option of the Issuer: [Applicable/Not Applicable]  
(Condition 11.4)
- (ii) Redemption at the option of the Noteholders: [Applicable/Not Applicable]  
(Condition 11.6)
11. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

12. **Fixed Rate Note Provisions:** [Applicable/Not Applicable]  
(Condition 8) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of “Business Day”]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [Actual/Actual; Actual/365(Fixed); Actual/360; 30/360; 30E/360, Eurobond Basis; 30E/360 (ISDA); Actual/Actual (ICMA)]
13. **Floating Rate Note Provisions:** [Applicable/Not Applicable]  
(Condition 9) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Specified Interest Payment Dates: [●]
- (ii) First Interest Payment Date: [●]
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day

		Convention]
(iv)	Additional Business Centre(s):	[●]
(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vi)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Determination Agent):	[N/A]/[●]
(vii)	Screen Rate Determination:	
	– Reference Rate:	[LIBOR/EURIBOR]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
(viii)	ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
(ix)	Margin(s):	[+/-][ ] per cent. per annum
(x)	Minimum Rate of Interest:	[●] per cent. per annum
(xi)	Maximum Rate of Interest:	[●] per cent. per annum
(xii)	Day Count Fraction:	[Actual/Actual; Actual/365(Fixed); Actual/360; 30/360; 30E/360, Eurobond Basis; Actual/Actual (ICMA)]
14.	<b>Zero Coupon Note Provisions:</b>	[Applicable/Not Applicable]
	(Condition 10)	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) [Amortisation/Accrual] Yield:	[●] per cent. per annum
	(ii) Reference Price:	[●]

#### PROVISIONS RELATING TO REDEMPTION

15.	<b>Call Option:</b>	[Applicable/Not Applicable]
	(Condition 11.4)	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) Optional Redemption Date(s) (Call):	[●]
	(ii) Optional Redemption Amount(s) (Call) of each Note:	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount

- (iv) Notice period: [●]
16. **Put Option:** [Applicable/Not Applicable]  
 (Condition 11.6) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s) (Put): [●]
- (ii) Optional Redemption Amount(s) (Put) of each Note: [●] per Calculation Amount
- (iii) Notice period: [●]
17. **Final Redemption Amount of each Note:** [[●] per Calculation Amount]  
 (Condition 11.1)
18. **Early Redemption Amount upon early redemption:**  
 (Conditions 11.2, 11.7, 15, 16 and 17)
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, on an optional/mandatory redemption or on event of default or the method of calculating the same (if required): [An amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute discretion] / [As per the Conditions]
19. Early Redemption Amount (Illegality and Regulatory Event)  
 (Condition 29) [[Early Redemption Amount (Illegality and Regulatory Event) - Fair Value Less Costs] / [Early Redemption Amount (Illegality and Regulatory Event) - Fair Value] / [Early Redemption Amount (Illegality and Regulatory Event) - Par] shall apply]

## PROVISIONS RELATING TO SECURITY

20. Counterparty: [Morgan Stanley & Co. International plc of 25 Cabot Square, Canary Wharf, London E14 4QA]
21. Charged Agreement(s): [CSA Fully Funded Swap Agreement/ Fully Funded Swap Agreement and Credit Support Deed] [and Collateral Management Agreement]
22. Fully Funded Swap Agreement  
 If a CSA Fully Funded Swap Agreement is selected, for the purpose of (C)(a) of the definition of the CSA Fully Funded Swap

		Agreement, specify: <i>[valuation period and timing of valuation]</i>
	Fully Funded Swap Agreement Termination Date:	[●]
23.	Credit Support Deed:	The “CSD” as defined in the Conditions: [Applicable]/[Not Applicable]  [If Applicable, for the purpose of (a) of the definition of the CSD, specify: <i>[valuation period and timing of valuation]</i> ]
24.	Increased Cost of Collateral Assets Events:	[Applicable]/[Not Applicable]
25.	Counterparty’s rights to assign and/or to [Yes, to any subsidiary of Morgan Stanley]/[No]. delegate its rights and obligations under the Fully Funded Swap Agreement:	[Yes, to any subsidiary of Morgan Stanley]/[No].
26.	Security Ranking Basis:	[Counterparty Priority Basis]/[Noteholder Priority Basis]/[ <i>Pari passu</i> Basis].
27.	Instructing Creditor:	[For the purposes of these Notes only, the Instructing Creditor shall be [the Counterparty]/[the Noteholders].]
28.	Custodian:	[Morgan Stanley & Co. International plc]/[The Bank of New York Mellon]/[Other]
29.	Custodian’s account details:	[Euroclear Account No. [●] or such other account as may be advised by the Custodian from time to time.]
30.	Collateral Management Terms:	[Applicable]/[Not Applicable]  [If Applicable:  [BONYM Collateral Management Agreement/The Collateral Management Agreement dated [●] between the Issuer, the Counterparty, the Security Trustee and <i>[insert name of collateral manager/custodian]</i> ].

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

31.	Form of Notes: (Condition 3)	[Bearer Notes]  [Temporary Global Note]  [Permanent Global Note exchangeable for Definitive Notes on [●] days’ notice/at any time/in the limited circumstances specified in the Permanent Global Note]  <i>(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes</i>
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*language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].” Furthermore, such Specified Denomination construction is not permitted in relation to the issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)]*

[Registered Notes:

[Global Registered Note registered in the name of [a nominee for] [a common depository for Euroclear and Clearstream, Luxembourg], exchangeable for Individual Note Certificates on [●] days’ notice/at any time/in the limited circumstances described in the Global Registered Note]]

*(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].” Furthermore, such Specified Denomination construction is not permitted in relation to the issue of Notes which is to be represented on issue by a Global Registered Note exchangeable for Individual Note Certificates.)]*

[Individual Note Certificates]

32. Additional Financial Centre(s): [Not Applicable/give details. *Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), 16(iv) and 17(i) relate.*]
33. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
34. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
35. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
36. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions in Condition 27 apply]
37. Taxation:
- (i) Implementation of Financial Transaction Tax: [Applicable/Not Applicable]
- (ii) Potential Section 871(m) transaction: [Not Applicable] / [For further information please call [*give details*]] / [visit our website at [*give details*]] / [write to [*give details*]].]
38. Determination Agent: [Morgan Stanley & Co. International plc] [25 Cabot Square, Canary Wharf, London, E14 4QA] or any successor or substitute determination agent appointed by the Issuer from time to time and as notified to the Noteholders in accordance with Condition 24.

## **DISTRIBUTION**

39. (i) If syndicated, names of Manager and names and addresses of the entities agreeing to place the issue [Not Applicable/*give names*]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
40. If non-syndicated, name of Dealer: [Not Applicable/*give name* ]

## **[PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on the regulated market of the Irish Stock Exchange of the Notes described herein pursuant to the Secured Note, Warrant and Certificate Programme of Morgan Stanley B.V.

## **RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [Information concerning the *[insert information of Relevant Underlying]* has been accurately reproduced from information published by [●] and [●] respectively.] [Each of the [●]] [The] Issuer [and the Guarantor] confirms 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 information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....  
Duly authorised

Signed on behalf of the Guarantor:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING

Listing and admission to Trading: [Application has been made by the Issuer (or on its behalf) to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on its regulated market with effect from [●].]/[Not Applicable.]

*(Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading.)*

Estimate of total expenses related to admission to trading: [●].

### 2 RATINGS

Ratings: The Notes to be issued have not been rated.

### 3 [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*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

### 4 [FIXED RATE NOTES ONLY – YIELD

Indication of yield: [●]

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5 [[FLOATING RATE NOTES ONLY – HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

### 6 OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

New Global Note: [Yes/No]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [●]

Names and addresses of additional Paying Agent(s) (if any): [●]

Names and addresses of initial Transfer Agent(s): [●]

Names and addresses of additional Transfer Agent(s) (if any): [●]

Name and address of Registrar (if any): [●]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

[Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs<sup>2</sup> as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)[include this text for registered notes] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] *[include this text if “yes” selected, in which case the Notes must be issued in NGN form] /*

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)[include this text for registered notes] . Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

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<sup>2</sup> International Central Securities Depositories

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes which, as completed by the applicable Final Terms, will be endorsed on each Note in definitive form issued (if any) by Morgan Stanley B.V. under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described in the section entitled “Overview of Provisions Relating to the Notes while in Global Form” in the Base Prospectus.*

### 1. INTRODUCTION

1.1 *Programme:* Morgan Stanley B.V. (“**MSBV**” or the “**Issuer**”) has established a programme (the “**Programme**”) for the issuance of secured notes, warrants and certificates which are expressed to be governed by English law. Each reference to the “**Custodian**” (which expression shall include any successor or substitute Custodian appointed (i) under the Agency Agreement or, (ii) if Collateral Management Terms (as defined below) are specified as applicable in the applicable Final Terms, under the relevant Collateral Management Agreement) is a reference to whichever of The Bank of New York Mellon, Morgan Stanley & Co. International plc or any other entity as is identified as the Custodian in the applicable Final Terms.

1.2 *Final Terms:* Notes issued under the Programme are issued in series (each, a “**Series**”) and each Series may comprise one or more tranches (each, a “**Tranche**”) of notes. Each Tranche is the subject of a set of final terms (each, a “**Final Terms**”) which complete these Terms and Conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the applicable Final Terms. In the event of any inconsistency between these Conditions and the applicable Final Terms, the applicable Final Terms shall prevail. All references in the Conditions to “**Notes**” are to Notes of a particular Series.

A copy of the applicable Final Terms will, in the case of a Tranche in relation to which application has been made for admission to the Official List and to trading on the Irish Stock Exchange, be lodged with the Irish Stock Exchange, and copies of which may be obtained free of charge from the Specified Office of the Fiscal Agent. In the case of a Tranche in relation to which application has not been made for admission to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the applicable Final Terms will only be available for inspection by a Noteholder of that Tranche.

1.3 *Agency Agreement:* The Notes are issued pursuant to an agency agreement dated 23 January 2014 as amended by a deed of amendment dated 12 December 2016 (the “**Agency Agreement**”, which expression shall include any amendments or supplements thereto) between, *inter alios*, MSBV, Morgan Stanley, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the “**Transfer Agents**”) and The Bank of New York Mellon as principal paying agent and fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes and, together with 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 Notes) and as principal warrant and certificate agent, and The Bank of New York Mellon and Morgan Stanley & Co. International plc each as a Custodian. In these Conditions references to the “**Agents**” are to the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them.

1.4 *Collateral Management Agreement:* MSBV, Morgan Stanley & Co. International plc and the Security Trustee (as defined below) may from time to time enter into collateral management agreements with one or more agents (each a “**Collateral Management Agreement**”) pursuant to which the Issuer and the Counterparty (as defined below) will appoint such agents to perform certain custodial and other administrative functions relating to the Issuer’s and the Counterparty’s obligations under the CSA Fully Funded Swap Agreement (as defined below) or the CSD (as defined below), as applicable. If Collateral Management Terms are specified as applicable in the applicable Final Terms, the relevant agents will be

appointed as the Custodian pursuant to the terms of the relevant Collateral Management Agreement and references herein to the “Custodian” shall be construed accordingly. The Issuer, the Counterparty, the Security Trustee and The Bank of New York Mellon have entered into a Collateral Management Agreement dated 7 August 2009 (the “**BONYM Collateral Management Agreement**”).

- 1.5 *Security Trust Deed:* The obligations of the Issuer under the Notes are secured by a security trust deed dated 7 August 2009 as amended by the Supplemental Security Trust Deed dated 26 June 2012 and the Supplemental Security Trust Deed dated 23 January 2014 (the “**Master Trust Deed**”) between MSBV, Morgan Stanley & Co. International plc and BNY Mellon Corporate Trustee Services Limited (the “**Security Trustee**” which expression shall include any successor security trustee) as supplemented by a supplemental trust deed (the “**Supplemental Trust Deed**”) dated the Issue Date specified in the applicable Final Terms between the Issuer and the Security Trustee and together constituting the security described below in respect of the Notes (the Master Trust Deed and the Supplemental Trust Deed being hereinafter referred to as the “**Security Trust Deed**”).
- 1.6 *Guarantee of Shortfall:* In the event of a shortfall existing in respect of a Noteholder’s claim on the realisation of or the enforcement with respect to the security constituted by the Security Trust Deed by the Security Trustee, the payment of such shortfall has been guaranteed by Morgan Stanley (the “**Guarantor**”) pursuant to a guarantee (the “**Guarantee**” which expression shall be construed as a reference to that agreement as the same may be amended, supplemented, novated or restated from time to time) dated 23 January 2014 and executed by the Guarantor. The original of the Guarantee is held by the Fiscal Agent on behalf of the Noteholders and the Couponholders at its specified office.
- 1.7 *Deed of Covenant:* Notes issued in global form are constituted by a deed of covenant entered into by MSBV dated 23 January 2014 (the “**Deed of Covenant**” which expression shall be construed as a reference to that deed as the same may be amended, supplemented, novated or restated from time to time). The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders at its Specified Office.
- 1.8 *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement, the Collateral Management Agreement, the Security Trust Deed and the Guarantee and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons, if any (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Collateral Management Agreement, the Guarantee and the Security Trust Deed applicable to them. Copies of the Agency Agreement, the Collateral Management Agreement, the Guarantee and the Security Trust Deed are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

## 2. **INTERPRETATION**

- 2.1 *Definitions:* In these Conditions the following expressions have the following meanings in respect of any Notes or Series of Notes:

“**Accrual Yield**” has the meaning given in the applicable Final Terms;

“**Additional Agreement**” means any agreements entered into by the Issuer other than the Security Trust Deed, the Agency Agreement, the Charged Agreement(s) and any Additional Charging Document in each case in respect of such Series;

“**Additional Business Centre(s)**” means the city or cities specified as such in the applicable Final Terms;

“**Additional Charging Document**” means any non-English law governed security document entered into by the Issuer for the purposes of granting security over or in respect of any part of the Mortgaged Property for such Series;

“**Additional Financial Centre(s)**” means the city or cities specified as such 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 (c) an entity directly or indirectly under common control with the Issuer;

“**Associated Costs**” means an amount per nominal amount of the Notes equal to the Calculation Amount equal to such Notes’ *pro rata* share of the total amount of any and all costs associated or incurred by the Issuer or any Affiliate in connection with the early redemption of such Notes, including, without limitation, any costs associated with unwinding any funding relating to the Notes and any costs associated with unwinding any hedge positions relating to the Notes, all as determined by the Determination Agent in its sole discretion;

“**Business Day**” means any day, other than a Saturday or Sunday:

- (i) that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close (a) in The City of New York or in London, or (b) for Notes denominated in a Specified Currency other than U.S. dollars, euros or Australian dollars, in the principal financial centre of the country of the Specified Currency, or (c) for Notes denominated in Australian dollars, in Sydney, and in each (if any) Additional Business Centre;
- (ii) for Notes denominated in euro, that is also a TARGET2 Settlement Day and a day that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close in each (if any) Additional Business Centre;

“**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) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred; **provided, however, that:**
  - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business

Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(b) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**“Calculation Amount”** has the meaning given in the relevant Final Terms;

**“Charged Agreement(s)”** means the Fully Funded Swap Agreement and, if specified as applicable in the applicable Final Terms, the CSD and/or if Collateral Management Terms are specified as applicable in the applicable Final Terms, the relevant Collateral Management Agreement in each case in respect of such Series;

**“Collateral Assets”** means the Initial Collateral Assets and any Eligible Collateral delivered to the Custodian as additional Collateral Assets in accordance with the Charged Agreement(s) but shall not include any Collateral Assets released in accordance with the Charged Agreement(s);

**“Counterparty”** means the entity or entities designated as the counterparty or counterparties in the applicable Final Terms;

**“Counterparty Priority Basis”** means first, in meeting the claims of the Counterparty (or if more than one Counterparty, the claims of all such Counterparties shall be met on the basis as specified in the applicable Final Terms) under the Charged Agreement(s) and, thereafter, in meeting the claims of the Noteholders on a *pari passu* and *pro rata* basis;

**“Coupon Sheet”** means, in respect of a Note, a coupon sheet relating to the Note;

**“CSA Fully Funded Swap Agreement”** means the agreement entered into between the Issuer and the Counterparty evidenced by a 1992 ISDA Master Agreement (Multicurrency – Cross Border) and schedule thereto entered into by the Issuer and the Counterparty by the execution of the Security Trust Deed and into which the terms of the Swap Schedule Terms are incorporated by reference, as the same may be modified and supplemented by the Supplemental Trust Deed, as supplemented by the ISDA 1995 Credit Support Annex (Bilateral Form-Transfer) and together with the confirmation entered into by the Issuer and the Counterparty, dated the Issue Date, the purpose of which is to allow the Issuer to perform its scheduled obligations under the terms of the Notes and collateralise the Counterparty’s obligations under the agreement, and accordingly, it provides that:

(A) initially, the Issuer shall pay to the Counterparty the proceeds of issue of the Notes;

(B) over the term of the Notes and at scheduled settlement thereof (and in certain circumstances on the early redemption of the Notes) the Counterparty shall pay to the Issuer payments and/or deliveries which correspond to those which the Issuer is scheduled to make to Noteholders under the Conditions; and

(C) as collateral for the Counterparty’s obligations under the agreement over the term of the Notes the Counterparty shall deliver the Initial Collateral Assets and from time to time additional Collateral Assets to the Issuer and, as applicable, the Issuer shall re-deliver Collateral Assets to the Counterparty, in each case (a) on the basis of the valuation period and timing of valuation specified in the applicable Final Terms and the fair market valuation of the existing Collateral Assets and the Notes and (b) as soon as practicable following such valuation;

**“CSD”** means the ISDA 1995 Credit Support Deed (Bilateral Form – Security Interest) between the Issuer and the Counterparty dated the Issue Date which provides that over the term of the Notes the Counterparty will grant a security interest over the Initial Collateral Assets and from time to time additional Collateral Assets in favour of the Issuer and, as applicable, release such security interest (in whole or in part, as applicable), in each case (a) on the basis of the valuation period and timing of valuation specified in the

applicable Final Terms and the fair market valuation of the existing Collateral Assets and the Notes and (b) as soon as practicable following such valuation;

“**Custodian**” means the entity (if any) appointed as such under (i) the Agency Agreement or (ii) if Collateral Management Terms are specified as applicable in the applicable Final Terms, the relevant Collateral Management Agreement and as specified in the applicable Final Terms and, if applicable, any subcustodian of, or any other entity appointed by, the Custodian;

“**Day Count Fraction**” means (subject as provided in Condition 8 (*Fixed Rate Note Provisions*)), in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the applicable Final Terms and:

- (i) if “**Actual/Actual**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (iv) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times Y_2 - Y_1] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (v) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times Y_2 - Y_1] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vi) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times Y_2 - Y_1] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Determination Agent**” means Morgan Stanley & Co. International plc or such other determination agent as may be specified in the applicable Final Terms and any successor or substitute determination agent appointed by the Issuer from time to time. Any change of determination agent shall be notified by the Issuer to the Noteholders in accordance with Condition 24 (*Notices*) as soon as practicable following such change. The Determination Agent shall act as an expert and not as an agent for the Issuer or the Noteholders. 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;

“**Early Redemption Amount**” means, unless otherwise specified in the applicable Final Terms, an amount per nominal amount of Notes equal to the Calculation Amount, equal to the amount determined by the Determination Agent, which on (i) in the case of redemption other than pursuant to Condition 17, the second Business Day immediately preceding the due date for the early redemption of the Notes, or (ii) in the case of redemption pursuant to Condition 17, the due date for the early redemption of such Notes, represents the fair market value of such Notes (taking into account all factors which the Determination Agent determines

relevant) less Associated Costs, and provided that no account shall be taken of the financial condition of (i) the Issuer which shall be presumed to be able to perform fully its obligations in respect of the Notes, or (ii) the Guarantor which shall be presumed to be able to perform fully its obligations in respect of the Guarantee;

**“Eligible Collateral”** means cash, securities, which may comprise bonds or notes listed on a regulated market, shares listed on a regulated market, shares, units or other interests in a UCITS Fund;

**“Extraordinary Resolution”** has the meaning given in the Agency Agreement;

**“Final Redemption Amount”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms;

**“Fixed Coupon Amount”** has the meaning given in the applicable Final Terms;

**“Fully Funded Swap Agreement”** means the agreement entered into between the Issuer and the Counterparty evidenced by a 1992 ISDA Master Agreement (Multicurrency – Cross Border) and schedule thereto entered into by the Issuer and the Counterparty by the execution of the Security Trust Deed and into which the terms of the Swap Schedule Terms are incorporated by reference, as the same may be modified and supplemented by the Supplemental Trust Deed, together with the confirmation entered into by the Issuer and the Counterparty dated the Issue Date, the purpose of which is to allow the Issuer to perform its scheduled obligations under the terms of the Notes and accordingly, it provides that:

- (A) initially, the Issuer shall pay to the Counterparty the proceeds of issue of the Notes; and
- (B) over the term of the Notes and at scheduled settlement thereof (and in certain circumstances on the early redemption of the Notes) the Counterparty shall make payments and/or deliveries to the Issuer equal to the payments and/or deliveries which the Issuer is scheduled to make to Noteholders under the Conditions;

**“Fully Funded Swap Agreement Termination Date”** means the date specified as such in the applicable Final Terms;

**“Implementation of Financial Transaction Tax”** means that, on or after the Trade Date of any Notes, due to the adoption of or any change in any applicable law or regulation (including without limitation any law or regulation implementing a system of financial transaction taxes in any jurisdiction, including the European Union relating to any tax, payable in respect of the transfer of, or issue or modification or redemption of, any financial instruments), the Issuer determines (acting in good faith and in a commercially reasonable manner) that either it or any of its Affiliates would incur or has incurred a materially increased amount of tax, transfer tax, duty, stamp duty, stamp duty reserve tax, expense or fee (other than brokerage commissions) to (A) enter into, modify or unwind the Notes or any part thereof, or perform its obligations under such Notes, or (B) 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 relevant Notes or (C) realize, recover or remit the proceeds of any such transaction(s) or asset(s), provided that the Issuer has determined that the nature of the adoption of or any change in law or regulation is such that it is applicable to investors generally when carrying out similar trading or hedging activities in the relevant jurisdiction.

**“Increased Cost of Collateral Assets Event”** means that the Counterparty and/or any of its Affiliates or agents would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of taxes, duties, expenses or fees (other than brokerage commissions) to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to perform its obligations with respect to the Charged Agreement(s), as determined by the Determination Agent in its sole and absolute discretion, and provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Counterparty and/or any of its Affiliates or agents shall not be deemed an Increased Cost of Collateral Assets Event.

**“Initial Collateral Assets”** means any Eligible Collateral delivered to the Custodian on the Issue Date as Collateral Assets in accordance with the Charged Agreement(s);

**“Instructing Creditor”** means:

- (a) if the applicable Security Ranking Basis is Noteholder Priority Basis, Noteholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Notes of the relevant Series;  
or
- (b) if the applicable Security Ranking Basis is Counterparty Priority Basis, the Counterparty; or
- (c) if the applicable Security Ranking Basis is *Pari passu* Basis each of (i) the Counterparty and (ii) Noteholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Notes of the relevant Series,

Provided That, if the Counterparty is the Defaulting Party (as defined in the Charged Agreement(s)) under the Charged Agreement(s), the Instructing Creditor shall be Noteholders holding not less than 25 per cent. of the aggregate principal amount of the outstanding Notes of the relevant Series;

**“Interest Amount”** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**“Interest Commencement Date”** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the applicable Final Terms;

**“Interest Determination Date”** has the meaning given in the applicable Final Terms;

**“Interest Payment Date”** means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms and, if a Business Day Convention is specified in the applicable Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the applicable Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**“Interest Period”** means, subject as otherwise provided in these Conditions, each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**“ISDA Definitions”** means the 2006 ISDA Definitions, as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the applicable Final Terms) as published by the International Swaps and Derivatives Association, Inc.;

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

**“Margin”** has the meaning given in the applicable Final Terms;

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

**“Maximum Redemption Amount”** has the meaning given in the applicable Final Terms;

**“Minimum Redemption Amount”** has the meaning given in the applicable Final Terms;

“**Mortgaged Property**” means the assets over which the Security is created by the Issuer from time to time in relation to such Series, including, as applicable, the Collateral Assets and the Rights under the Transaction Documents;

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in the applicable Final Terms;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in the applicable Final Terms;

“**Optional Redemption Date (Call)**” has the meaning given in the applicable Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the applicable Final Terms;

“**Pari passu Basis**” means, in meeting the claims of the Noteholders and the Counterparty (or if more than one Counterparty, the claims of all such Counterparties shall be met on the basis as specified in the applicable Final Terms) under the Charged Agreement(s), on a *pari passu* and *pro rata* basis;

“**Participating Member State**” means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means any day which (subject to Condition 19 (*Prescription*)) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (i) if the currency of payment is euro, any day which is a TARGET2 Settlement Day or (ii) if the currency of payment is not euro, any day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Principal Financial Centre of the currency of payment;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**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) by the Determination Agent; and
- (ii) in relation to Australian dollars, it means Sydney and Melbourne and, in relation to New Zealand dollars, it means Wellington and Auckland;

“**Put Option Notice**” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Put Option Receipt**” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“**Qualified Financial Institution**” means a financial institution organised under the laws of any jurisdiction in the United States of America, the European Union or Japan, which, as at the date on which the relevant Right to Redemption Notice is deposited in accordance with Condition 28.6 (Right to Redemption in respect

of substitutions with non Morgan Stanley Group entities), has outstanding debt obligations with a stated maturity of one year or less from the date of issue of such outstanding debt obligations, and such financial institution is rated either:

- (i) A2 or higher by S&P or any successor, or any other comparable rating then used by that rating agency, or
- (ii) P-2 or higher by Moody's or any successor, or any other comparable rating then used by that rating agency,

**provided that**, if no Qualified Financial Institution is reasonably available, then the Determination Agent shall, in good faith and acting in a commercially reasonable manner, select a financial institution of reputable standing organised under the laws of any jurisdiction in the United States of America, the European Union or Japan as a Qualified Financial Institution;

**“Rate of Interest”** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the applicable Final Terms;

**“Realisation Amount”** means the net proceeds of realisation of, or enforcement with respect to, the Mortgaged Property (following payment of (i) all amounts due to the Security Trustee and/or any appointee, including any costs, expenses and taxes incurred in connection with such realisation or enforcement and (ii) all amounts due and unpaid to the Fiscal Agent under clause 11.5 of the Agency Agreement);

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or the Early Redemption Amount as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms;

**“Redemption Expenses”** means, in respect of any Note or Notes, any expenses (other than in relation to Taxes) payable on or in respect of or in connection with the redemption of such Note or Notes;

**“Reference Asset”** means, in respect of any Note, any Underlying Share or other non-cash asset, the price or level of which determines the Redemption Amount of such Note;

**“Reference Banks”** means four major banks selected by the Determination Agent in the market that is most closely connected with the Reference Rate;

**“Reference Price”** has the meaning given in the applicable Final Terms;

**“Reference Rate”** has the meaning given in the applicable Final Terms;

**“Regulatory Event”** means that, at any time on or after the Trade Date, as a result of:

- (a) an implementation or adoption of, or change in, any applicable law, regulation, interpretation, action or response of a regulatory authority;
- (b) the promulgation of, or any interpretation by any court, tribunal, government or regulatory authority with competent jurisdiction (a **“Relevant Authority”**) of, any relevant law or regulation (including any action taken by a taxing authority); or
- (c) the public or private statement or action by, or response of, any Relevant Authority or any official or representative of any Relevant Authority acting in an official capacity,

there is a reasonable likelihood of it becoming:

- (i) unlawful, impossible or impracticable, for the Issuer and/or the Guarantor to maintain the Notes and/or to maintain other instruments issued under the Program and/or to perform its obligations under the Notes; and/or

- (ii) necessary for the Issuer and/or the Guarantor to obtain a licence, authorisation or other approval for the continuation or maintenance of the business relating to or supporting the Notes or their hedging activities in relation to such Notes.

**“Relevant Clearing System”** means, as appropriate, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system, as the case may be, through which interests in Notes are to be held and through an account at which the Notes are to be cleared, as specified in the applicable Final Terms;

**“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 Noteholders;

**“Relevant Financial Centre”** has the meaning given in the applicable Final Terms;

**“Relevant Screen Page”** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the applicable Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**“Relevant Time”** has the meaning given in the applicable Final Terms;

**“Reserved Matter”** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**“Right to Redemption”** has the meaning given to it in Condition 28.

**“Right to Redemption Notice”** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder under Condition 28.

**“Right to Redemption Receipt”** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note and a Right to Redemption Notice with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder.

**“Rights”** means, in relation to any agreement or asset, all rights, title and interest of the relevant person in, to and under such agreement or asset including, without limitation:

- (a) in the case of the Issuer’s rights under the Agency Agreement, all its rights in respect of all funds and/or assets held from time to time by any of the Agents and/or the Custodian for payment in respect of the Notes or otherwise in relation to the Notes;
- (b) if the applicable Final Terms specify that Collateral Management Terms are applicable, in the case of the Issuer’s rights under the relevant Collateral Management Agreement, all the Issuer’s rights, title and interest under the relevant Collateral Management Agreement, including but not limited to all its rights to the Collateral Assets and/or in respect of all funds and/or assets held from time to time by the Custodian in relation to the Notes; and
- (c) in the case of the Issuer’s rights under the Collateral Assets:
  - (iii) if the Fully Funded Swap Agreement is specified as a CSA Fully Funded Swap Agreement in the applicable Final Terms, the Issuer’s rights to the Collateral Assets, including all its rights in respect thereof or relating thereto and any sums or assets

derived therefrom whether or not against third parties, including, without limitation, the Issuer's rights against the Custodian to redelivery of equivalent Collateral Assets and any proceeds of the sale of the Collateral Assets; or

- (iv) if the applicable Final Terms specify that the Fully Funded Swap Agreement is entered into together with a CSD, the Issuer's rights in relation to the Collateral Assets, including all its rights in respect thereof or relating thereto including, without limitation its rights in respect of the Security Interests granted by the Counterparty to the Issuer over the Collateral Assets pursuant to the CSD;

**"Security"** means the Security Interests created, or intended to be created at any time, in favour of the Security Trustee under the Security Documents in respect of such Series;

**"Security Documents"** means the Security Trust Deed and any Additional Charging Documents in respect of such Series;

**"Security Interest"** means any mortgage, sub-mortgage, standard security, charge, sub-charge, assignment, assignation in security, pledge, lien, right of set-off or other encumbrance or security interest;

**"Specified Currency"** has the meaning given in the applicable Final Terms;

**"Specified Denomination(s)"** has the meaning given in the applicable Final Terms;

**"Specified Office"** has the meaning given in the Agency Agreement;

**"Specified Period"** has the meaning given in the applicable Final Terms;

**"Subsidiary"** means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person, or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

**"Substitution Date"** has the meaning given to it in Condition 28.

**"Substitution Redemption Date"** has the meaning given to it in Condition 28.

**"Talon"** means a talon for further Coupons;

**"TARGET2"** means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TARGET2 Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in euro;

**"Taxes"** means any tax, duty, impost, levy, charge or contribution in the nature of taxation or any withholding or deduction for or on account thereof, including (but not limited to) any applicable stock exchange tax, turnover tax, stamp duty, stamp duty reserve tax and/or other taxes chargeable or payable in connection with any redemption of a Note and/or payment of the Redemption Amount and/or the relevant Transfer Documentation;

**"Trade Date"** means the date specified as such in the applicable Final Terms;

**"Transaction Documents"** means the Security Trust Deed, the Agency Agreement, the Charged Agreement(s), the Additional Agreements and any Additional Charging Document, in each case entered into in relation to such Series and all agreements incidental to the issue of the Notes of such Series;

“**Transfer Documentation**” means such documentation as is generally acceptable for settlement of transfer of Underlying Shares on the relevant Exchange or through the Clearing System, including, without limitation, stock notes and/or stock transfer forms in the case of settlement on the Irish Stock Exchange;

“**Treaty**” means the Treaty on the Functioning of the European Union, as amended;

“**UCITS Fund**” means an investment fund that qualifies as an undertaking for collective investment in transferable securities within the scope of Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), as such directive is amended, superseded and replaced from time to time; and

“**Zero Coupon Note**” means a Note specified as such in the applicable Final Terms.

2.2 *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) any reference to principal shall be deemed to include the Redemption Amount, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (iii) any reference to interest shall be deemed to include any other amount in the nature of interest payable pursuant to these Conditions;
- (iv) references to Notes being “outstanding” shall be construed in accordance with the 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 Notes.

3. **FORM, DENOMINATION AND TITLE**

3.1 *Form:* MSBV will issue Notes in bearer form (“**Bearer Notes**”), but only if it has been determined that such Bearer Notes should be classified as being in registered form for U.S. Federal income tax purposes, or in registered form (“**Registered Notes**”).

3.2 *Bearer Notes*

3.2.1 *Form:* Bearer Notes in definitive form will be serially numbered, in the Specified Denomination(s) with Coupons and, if specified in the applicable Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

3.2.2 *Title:* Title to the Bearer Notes and the Coupons will pass by delivery. “holder” means in respect of a Note the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.

3.2.3 *Ownership:* The holder of any Bearer Note or Coupon shall (except as otherwise required by law) 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 other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Bearer Note under the Contracts (Rights of Third Parties) Act 1999.

### 3.3 *Registered Notes*

- 3.3.1 *Form:* Registered Notes may be in either individual certificate form or in global certificate form. Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.
- 3.3.2 *Title:* Title to the Registered Notes passes by registration in the Register which is kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). A certificate (each, a “**Note Certificate**”) will be issued to each holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. “**holder**” means, in the case of Registered Notes, the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.
- 3.3.3 *Ownership:* The holder of any Registered Note or Coupon shall (except as otherwise required by law) 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 other interest therein, any writing thereon or on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Registered Note under the Contracts (Rights of Third Parties) Act 1999.
- 3.3.4 *Transfers:* Subject to Conditions 3.3.7 (*Closed Periods*) and 3.3.8 (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- 3.3.5 *Registration and Delivery:* Within five business days of the surrender of a Note Certificate in accordance with Condition 3.3.4 (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 3.3.5, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- 3.3.6 *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

- 3.3.7 *Closed Periods*: Holders of Registered Notes may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- 3.3.8 *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any holder of Registered Notes who requests in writing a copy of such regulations.

#### 4. **STATUS**

- 4.1 *Status of the Notes*: The Notes of each Series constitute secured, direct and general obligations of the Issuer secured in the manner described in Condition 5. The Notes rank *pari passu* among themselves.
- 4.2 *Status of Guarantee*: The Guarantor's obligations in respect of the Notes constitute direct, unconditional and unsecured obligations of the Guarantor which rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of Morgan Stanley, present and future, but, in the event of insolvency, only to the extent permitted by laws affecting creditors' rights.

#### 5. **SECURITY**

- 5.1 *Security*: Pursuant to the Security Trust Deed the Issuer's obligations under the Notes and the Charged Agreement(s) will be secured by the following security:
- (a) a first ranking assignment by way of security of all of the Issuer's Rights under the Agency Agreement in respect of such Notes;
  - (b) a first ranking assignment by way of security of all of the Issuer's Rights in, to and under the Initial Collateral Assets;
  - (c) a first ranking assignment by way of security of all of the Issuer's Rights in, to and under the Eligible Collateral delivered or transferred to the Custodian pursuant to the provisions of the Charged Agreement(s); and
  - (d) a first ranking assignment by way of security of the Issuer's Rights under the Charged Agreement(s) (other than in respect of the Issuer's obligations under the Charged Agreement(s)) and the Issuer's Rights under any Additional Agreement.
- 5.2 The applicable Final Terms will specify whether (i) the Charged Agreement(s) will include (a) a CSA Fully Funded Swap Agreement or a Fully Funded Swap Agreement entered into together with a CSD and (b) the BONYM Collateral Management Agreement or such other Collateral Management Agreement specified therein and (ii) any other security interest will be created under the Security Trust Deed and/or under an Additional Charging Document.
- 5.3 *Realisation of Mortgaged Property upon early redemption or Event of Default*: If the Security in relation to any of the Mortgaged Property becomes enforceable following a mandatory redemption of the Notes pursuant to Condition 16 or if the Notes are declared immediately due and payable pursuant to Condition 17, the Security Trustee may in its discretion and, if requested by an Instructing Creditor, shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction) realise such Mortgaged Property and/or take such action as may be permitted under applicable laws against any obligor in respect of such Mortgaged Property. The Security Trustee will not have any liability as to the consequence of such action and will not have regard to the effect of such action on individual Noteholders or the Counterparty. On the occurrence of any such event, the Charged Agreement(s) will terminate in accordance with its or their terms.

## 6. APPLICATION OF PROCEEDS

The Security Trust Deed provides for the application of the Realisation Amount in accordance with the relevant Security Ranking Basis (following payment of (i) all amounts due to the Security Trustee and/or any appointee under or pursuant to the Security Trust Deed, including any costs, expenses and taxes incurred in connection with enforcement or realisation in accordance with the Security Trust Deed and (ii) all amounts due and unpaid to the Fiscal Agent under clause 11.5 of the Agency Agreement).

The applicable Final Terms will specify the “**Security Ranking Basis**” in accordance with which the Realisation Amount will be applied, being one of the following:

- (a) “**Noteholder Priority Basis**” meaning, first, in meeting claims of the Noteholders under the Notes on a *pari passu* and *pro rata* basis and, thereafter, in meeting the claims of the Counterparty (or if more than one Counterparty, the claims of all such Counterparties shall be met on the basis as specified in the applicable Final Terms) under the Charged Agreement(s); or
- (b) “**Pari passu Basis**” meaning in meeting the claims of the Noteholders and the Counterparty (or if more than one Counterparty, the claims of all such Counterparties shall be met on the basis as specified in the applicable Final Terms) under the Charged Agreement(s) on a *pari passu* and *pro rata* basis; or
- (c) “**Counterparty Priority Basis**” meaning, first, in meeting the claims of the Counterparty (or, if more than one Counterparty, the claims of all such Counterparties shall be met on the basis as specified in the applicable Final Terms) under the Charged Agreement(s) and, thereafter, in meeting the claims of the Noteholders on a *pari passu* and *pro rata* basis.

For the avoidance of doubt, the Counterparty shall not have any claim in respect of the Issuer’s Rights under the Charged Agreement(s).

## 7. SHORTFALL AFTER APPLICATION OF PROCEEDS

7.1 In the event that, following the application of the Realisation Amount in accordance with the applicable Security Ranking Basis, the amount payable to a Noteholder in respect of each Note held by him is less than the Early Redemption Amount together with any interest accrued to the date fixed for redemption (the difference being referred to as a “**Shortfall**”), the Issuer shall remain liable for such Shortfall, but any such Noteholders shall not have recourse to the Mortgaged Property secured in respect of any other Series of Notes.

7.2 In the event that the Issuer fails to make payment of the Shortfall, the Guarantor will on demand (without requiring the Noteholder first to take steps against the Issuer or any other person) pay to each Noteholder in respect of each Note held by him, an amount equal to the Shortfall (as to which the certificate of the relevant Noteholder or Couponholder shall in the absence of manifest error be conclusive) in the currency in which the Shortfall is payable by the Issuer.

## 8. FIXED RATE NOTE PROVISIONS

8.1 *Application:* This Condition 8 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the applicable Final Terms as being applicable.

8.2 *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Conditions 12 (*Payments - Bearer Notes*) and 13 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation or, in the case of a Registered Note, upon such due date, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the

relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

8.3 *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

8.4 *Regular Interest Periods:* If all of the Interest Payment Dates fall at regular intervals between the Issue Date and the Maturity Date, then:

8.4.1 the Notes shall, for the purposes of this Condition 8, be “**Regular Interest Period Notes**”;

8.4.2 the day and month (but not the year) on which any Interest Payment Date falls shall, for the purposes of this Condition 8, be a “**Regular Date**”; and

8.4.3 each period from and including a Regular Date falling in any year to but excluding the next succeeding Regular Date shall, for the purposes of this Condition 8, be a “**Regular Period**”.

8.5 *Irregular first or last Interest Periods:* If the Notes would be Regular Interest Period Notes but for the fact that either or both of:

8.5.1 the interval between the Issue Date and the first Interest Payment Date; and

8.5.2 the interval between the Maturity Date and the immediately preceding Interest Payment Date

is longer or shorter than a Regular Period, then the Notes shall nevertheless be deemed to be Regular Interest Period Notes, **provided, however, that** if the interval between the Maturity Date and the immediately preceding Interest Payment Date is longer or shorter than a Regular Period, the day and month on which the Maturity Date falls shall not be a “**Regular Date**”.

8.6 *Irregular Interest Amount:* If the Notes are Regular Interest Period Notes, the amount of interest payable in respect of each Note for any period which is not a Regular Period shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

8.7 *Day Count Fraction:* In respect of any period which is not a Regular Period the relevant day count fraction (the “**Day Count Fraction**”) shall be determined in accordance with the following provisions:

8.7.1 if the Day Count Fraction is specified in the applicable Final Terms as being 30/360, the relevant Day Count Fraction will be the number of days in the relevant period (calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed) divided by 360;

8.7.2 if the Day Count Fraction is specified in the applicable Final Terms as being Actual/Actual (ICMA) and the relevant period falls during a Regular Period, the relevant Day Count Fraction will be the number of days in the relevant period divided by the product of (A) the number of days in the Regular Period in which the relevant period falls and (B) the number of Regular Periods in any period of one year; and

8.7.3 the Day Count Fraction is specified in the applicable Final Terms as being Actual/Actual (ICMA) and the relevant period begins in one Regular Period and ends in the next succeeding Regular Period, interest will be calculated on the basis of the sum of:

- (a) the number of days in the relevant period falling within the first such Regular Period divided by the product of (1) the number of days in the first such Regular Period and (2) the number of Regular Periods in any period of one year; and
- (b) the number of days in the relevant period falling within the second such Regular Period divided by the product of (1) the number of days in the second such Regular Period and (2) the number of Regular Periods in any period of one year.

8.8 *Number of days:* For the purposes of this Condition 8, unless the Day Count Fraction is specified in the applicable Final Terms as being 30/360 (in which case the provisions of Condition 8.7.1 above shall apply), the number of days in any period shall be calculated on the basis of actual calendar days from and including the first day of the relevant period to but excluding the last day of the relevant period.

8.9 *Irregular Interest Periods:* If the Notes are not Regular Interest Period Notes and interest is required to be calculated for any period other than an Interest Period, interest shall be calculated on such basis as is described in the applicable Final Terms.

## 9. **FLOATING RATE NOTE PROVISIONS**

9.1 *Application:* This Condition 9 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the applicable Final Terms as being applicable.

9.2 *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 12 (*Payments- Bearer Notes*) and 13 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation or, in the case of a Registered Note, upon such due date payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 9 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment). The Rate of Interest in respect of all or any Interest Periods shall, if so specified in the applicable Final Terms, be zero.

9.3 *Screen Rate Determination:* If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Determination Agent on the following basis:

- 9.3.1 if the Reference Rate is a composite quotation or customarily supplied by one entity, the Determination Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- 9.3.2 in any other case, the Determination Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- 9.3.3 if, in the case of 9.3.1 above, such rate does not appear on that page or, in the case of 9.3.2 above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Determination Agent will:
  - (a) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(b) determine the arithmetic mean of such quotations; and

9.3.4 if fewer than two such quotations are provided as requested, the Determination Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Determination Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Determination Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined, **provided, however, that** if the Determination Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate (or as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

9.4 *ISDA Determination:* If ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Determination Agent under an interest rate swap transaction if the Determination Agent were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

9.4.1 the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the applicable Final Terms;

9.4.2 the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable Final Terms; and

9.4.3 the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the applicable Final Terms.

9.5 *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the applicable Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

9.6 *Calculation of Interest Amount:* The Determination Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

9.7 *Calculation of other amounts:* If the applicable Final Terms specify that any other amount is to be calculated by the Determination Agent, the Determination Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Determination Agent in the manner specified in the applicable Final Terms.

9.8 *Publication:* The Determination Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest 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 Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation as soon as practicable after such determination, but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Determination Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Determination Agent shall not be obliged to publish each Interest Amount, but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

9.9 *Notifications, etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 9 by the Determination Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders 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.

## 10. **ZERO COUPON NOTE PROVISIONS**

10.1 *Application:* This Condition 10 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the applicable Final Terms as being applicable.

10.2 *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

10.2.1 the Reference Price; and

10.2.2 the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## 11. **REDEMPTION AND PURCHASE**

11.1 *Scheduled Redemption:* Unless previously redeemed, or purchased and cancelled, Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Conditions 12 (*Payments-Bearer Notes*) and 13 (*Payments - Registered Notes*).

11.2 *Tax Redemption:* The Notes may be redeemed in whole (but not in part) at their Early Redemption Amount, at the option of the Issuer at any time prior to maturity, upon the giving of a notice of redemption as described below, if the Issuer determines, in its sole discretion, that it or the Guarantor is or will become required by law or agreement with a taxing authority to make any withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature with respect to the Notes. The Issuer will give notice of any tax redemption.

11.3 Prior to the Issuer giving notice of redemption under Condition 11.2, it will deliver to the Fiscal Agent:

(a) a certificate stating that it is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have occurred (the date on which that certificate is delivered to the Fiscal Agent is the “**Redemption Determination Date**”); and

- (b) an opinion of independent legal counsel of recognised standing to that effect based on the statement of facts.

Notice of redemption will be given not less than 30 nor more than 60 days prior to the date fixed for redemption. The date and the Early Redemption Amount will be specified in the notice.

If any date fixed for redemption is a date prior to the date (the “**Exchange Date**”) that is 40 days after the date on which the Issuer receives the proceeds of the sale of a Note, definitive bearer notes will be issuable on and after that redemption date as if that redemption date had been the Exchange Date. Notes in definitive form will be redeemed as described above.

- 11.4 *Redemption at the Option of the Issuer:* If the Call Option is specified in the applicable Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the applicable Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer’s giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call), plus accrued interest (if any) to such date).
- 11.5 *Partial Redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 11.4 (*Redemption at the Option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 11.4 (*Redemption at the Option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the applicable Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- 11.6 *Redemption at the Option of Noteholders:* If the Put Option is specified in the applicable Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note, redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put), together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11.6, the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit such Note (together with all unmatured Coupons relating thereto) with, in the case of a Bearer Note, any Paying Agent or, in the case of a Registered Note, the Registrar, and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11.6, may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 11.6, the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.
- 11.7 *Early Redemption of Zero Coupon Notes:* The Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- 11.7.1 the Reference Price; and

11.7.2 the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the applicable Final Terms for the purposes of this Condition 11.7 or, if none is so specified, a Day Count Fraction of 30E/360.

11.8 *Purchase:* Morgan Stanley, MSBV or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise, and at any price.

11.9 *Cancellation:* All Notes so redeemed shall, and all Notes so purchased by Morgan Stanley, MSBV or any of their respective Subsidiaries may, at the discretion of the relevant purchaser, be cancelled (together with all unmatured Coupons attached to or surrendered with them). All Notes so redeemed, and all Notes so purchased and cancelled, may not be reissued or resold.

## 12. PAYMENTS – BEARER NOTES

12.1 This Condition 12 is only applicable to Bearer Notes.

12.2 *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any 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. Such payment shall be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of a Global Note, the Issuer shall procure that the same is noted in a schedule thereto. Neither the Issuer nor or any Paying Agent shall under any circumstances be liable for any acts or defaults of the Relevant Clearing System in the performance of the Relevant Clearing System's duties in relation to the Notes. Notwithstanding the foregoing, payment on any Note will not be made (1) by cheque mailed to any address in the United States, or (2) by wire transfer to an account maintained with a bank located in the United States.

12.3 *Interest:* Payments of interest shall, subject to Condition 12.9 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 12.1 above.

12.4 *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a 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 amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest 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 or the Guarantor (if applicable).

12.5 *Payments Subject to Fiscal and Other Laws:*

12.5.1 All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment and to the rules and procedures of the Relevant Clearing System. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

12.5.2 Payments will be subject in all cases to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code")

or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

12.6 *Deductions for Unmatured Coupons:* If the applicable Final Terms specify that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:

12.6.1 if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment, **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

12.6.2 if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(a) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment, provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(b) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment, provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (b) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

12.7 *Unmatured Coupons Void:* If the applicable Final Terms specify that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 11.2 (*Tax Redemption*), Condition 11.4 (*Redemption at the Option of the Issuer*), Condition 11.6 (*Redemption at the Option of Noteholders*) or Condition 17 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

12.8 *Payments on Business Days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

12.9 *Payments Other Than in Respect of Matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 12.4 above).

12.10 *Partial Payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

- 12.11 *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, 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 19 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.
- 12.12 *Unavailability of Currency:* If the Specified Currency is not available to the Issuer for making payments of principal of, and premium and/or interest if any, on any Note (whether due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, or if the Specified Currency is no longer used by the government of the country issuing that currency or by public institutions within the international banking community for the settlement of transactions). If the Specified Currency is unavailable, the Issuer may satisfy its obligations to Noteholders by making payments on the date of payment in U.S. dollars on the basis of the prevailing exchange rate on the date of the payment or of the most recent practicable date, such rate being based on the highest bid quotation in The City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognised foreign exchange dealers for the purchase by the quoting dealer:
- (i) of the Specified Currency for U.S. dollars for settlement on the payment date;
  - (ii) in the aggregate amount of the Specified Currency payable to those holders or beneficial owners of Notes; and
  - (iii) at which the applicable dealer commits to execute a contract.

If those bid quotations are not available, the Exchange Rate Agent will determine the Market Exchange Rate at its sole discretion. All determinations by the Exchange Rate Agent will, in the absence of manifest error, be conclusive for all purposes and binding on the Issuer, the Guarantor (if applicable) and the Noteholders. The Exchange Rate Agent will be Morgan Stanley & Co. International plc, an affiliate of Morgan Stanley, unless otherwise noted in the applicable Final Terms. If the Exchange Rate Agent is not an affiliate of Morgan Stanley, it may be one of the dealers providing quotations.

Any payment made in U.S. dollars on the basis of the prevailing exchange rate where the required payment is in an unavailable Specified Currency will not constitute an Event of Default.

The foregoing provisions do not apply if a Specified Currency is unavailable because it has been replaced by the euro. If the euro has been substituted for a Specified Currency, the Issuer may (or will, if required by applicable law) without the consent of the holders of the affected Notes, pay the principal of, premium, if any, or interest, if any, on any Note denominated in the Specified Currency in euro instead of the Specified Currency, in conformity with legally applicable measures taken pursuant to, or by virtue of, the Treaty. Any payment made in U.S. dollars or in euro as described above where the required payment is in an unavailable Specified Currency will not constitute an Event of Default.

### 13. **PAYMENTS - REGISTERED NOTES**

This Condition 13 is only applicable to Registered Notes.

- 13.1 *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth (15th) day before the due date for any such payment, 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 (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of

redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

13.2 *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth (15th) day before the due date for any such payment, 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 (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

13.3 *Payments Subject to Fiscal and Other Laws:*

13.3.1 All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No commissions or expenses shall be charged to the holders of the Registered Notes in respect of such payments.

13.3.2 Payments will be subject in all cases to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

13.4 *Payments on Payment Business Days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 13 arriving after the due date for payment or being lost in the mail.

13.5 *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

13.6 *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the holder in the Register in the place of the Registrar’s Specified Office on the relevant Record Date. Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the Register at the opening of business on the relevant Record Date. For these purposes, in relation to any due date for payment under the Notes, the “**Record Date**” means (a) where the Notes are represented by a global Note held for Euroclear S.A./N.V. and Clearstream, Luxembourg S.A. (the “**Clearing Systems**”), the close of business on the first day on which both Clearing Systems are open for business prior to such due date and (b) where the Notes are represented by definitive Notes, the close of business on the fifteenth day prior to such due date.

## 14. **TAXATION**

14.1 Neither the Issuer nor the Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, issue, transfer, settlement, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer or the Guarantor, as

the case may be, shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

- 14.2 *Implementation of Financial Transaction Tax.* If "Implementation of Financial Transaction Tax" is specified in the applicable Final Terms to be applicable to any Series of Notes, then upon the occurrence of an Implementation of Financial Transaction Tax, the Issuer may (i) in its sole discretion, with immediate effect amend the Conditions of the Notes by adjusting downward any amount payable and/or any other value or term of the Conditions to account for the economic impact of the Implementation of Financial Transaction Tax on the Issuer and its Affiliates in relation to the Notes, and (ii) to the extent that at any time thereafter the Issuer determines (acting in good faith and in a commercially reasonable manner) that it (including its Affiliates) has incurred additional loss as a result of the Implementation of Financial Transaction Tax that has not been accounted for through the adjustment made pursuant to sub-paragraph (i) (such amount, "**Additional Increased Tax**"), it may reduce the amount otherwise payable on the Notes on the next payment date (and any payment date thereafter) by an amount up to the Additional Increased Tax amount. Any such adjustments shall be notified to Noteholders as soon as reasonably practicable. If an event or circumstance which would otherwise constitute an Increased Cost of Collateral Assets Event (where applicable) also constitutes an Implementation of Financial Transaction Tax, it will be treated as an Implementation of Financial Transaction Tax. In the event of an Implementation of Financial Transaction Tax occurring or if the Issuer will reduce the amount otherwise payable on the Notes by an amount up to the Additional Increased Tax, upon receipt of notification of such event from the Issuer, the Agent shall enter into an amendment to the Agency Agreement in form and substance satisfactory to the Agent (provided that the Agent is not required to enter into it if, in the Agent's opinion, it would impose more onerous obligations or require the Agent to incur any liability).

15. **OPTIONAL REDEMPTION FOLLOWING INCREASED COST OF COLLATERAL ASSETS EVENT**

If Increased Cost of Collateral Assets Event is specified as applicable in the applicable Final Terms, and an Increased Cost of Collateral Assets Event occurs, the Issuer may at its option elect to redeem the Notes in whole but not in part. In order to exercise its option to redeem the Notes the Issuer shall forthwith give not more than 30 nor less than 15 days' notice to the Security Trustee, the Noteholders and the Counterparty and upon expiry of such notice the Issuer shall redeem each Note at the Early Redemption Amount together with any interest accrued to the date fixed for redemption. Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 24.

16. **MANDATORY REDEMPTION FOLLOWING TERMINATION OF THE FULLY FUNDED SWAP AGREEMENT OR CSD**

If the Fully Funded Swap Agreement or the CSD, if applicable, is terminated for any reason in accordance with its terms prior to the Fully Funded Swap Agreement Termination Date, then the Issuer shall forthwith give not more than 30 nor less than 15 days' notice to the Security Trustee, the Noteholders and the Counterparty, and upon expiry of such notice the Issuer shall redeem the Notes in whole but not in part, each Note being redeemed at the Early Redemption Amount together with any interest accrued to the date fixed for redemption. Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 24.

In addition to the provisions set out above if the Fully Funded Swap Agreement or the CSD, if applicable, is terminated as a result of an Event of Default (as defined in the Fully Funded Swap Agreement) or Relevant Event (as defined in the CSD), the Security shall become enforceable (if the same shall not already have become enforceable in accordance with these Conditions).

In the event of such redemption and the Security becoming enforceable, the Security Trustee may take such action as is provided in Condition 5.3 and Condition 18 and shall do so if so requested or directed in accordance with the provisions of such Conditions (subject in each case to its being indemnified and/or

secured and/or prefunded in accordance with such Conditions and provided that the Security Trustee shall not be required to do anything which is contrary to applicable law).

## 17. EVENTS OF DEFAULT

17.1 If any of the following events (each, an “**Event of Default**”) occurs and is continuing:

17.1.1 *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within ten days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within ten days of the due date for payment thereof; or

17.1.2 *Breach of Other Obligations*: the Issuer except for reason of insolvency defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Security Trust Deed, including its obligations to execute and do all such assurances, acts and things as the Security Trustee may require for creating, perfecting or protecting the Security, and such default remains unremedied for ten days after written notice thereof, addressed to the Issuer by Noteholders of not less than 25 per cent in aggregate principal amount of the relevant Series, has been delivered to the Issuer and to the Specified Office of the Fiscal Agent; or

17.1.3 *Insolvency, etc.*: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), (iii) the Issuer takes any action for a composition with or for the benefit of its creditors generally, or (iv) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) and such order or effective resolution has remained in force and has not been rescinded, revoked or set aside for sixty days after the date on which such order is made or effective resolution is passed,

then Noteholders of not less than 25 per cent of the aggregate principal amount of the Notes may by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become so due and payable at their Early Redemption Amount, together with accrued interest (if any) (or unless such Notes are Exchangeable Notes) without further action or formality and the Security shall become enforceable (as provided in the Security Trust Deed). Notice of any such declaration shall promptly be given to the Noteholders. Payment will be made in such manner as shall be notified to the Noteholder in accordance with Condition 24.

Nothing herein contained shall be deemed to authorise any Noteholder to exercise any remedy against the Issuer or the Guarantor solely as a result of, or because it is related directly or indirectly to, the insolvency of the Guarantor or the commencement of any proceedings relative to the Guarantor under Title 11 of the United States Code, or the appointment of a receiver for the Guarantor under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or the commencement of any other applicable federal or state bankruptcy, insolvency, resolution or other similar law, or solely as a result of, or because it is related directly or indirectly to, a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official having been appointed for or having taken possession of the Guarantor or its property, or solely as a result of, or because it is related directly or indirectly to, the institution of any other comparable judicial or regulatory proceedings relative to the Guarantor, or to the creditors or property of the Guarantor. Notwithstanding the foregoing, Noteholders are authorised to exercise any remedy against the relevant Issuer as a result of an Event of Default described in Section 17.1.3.

17.2 *Annulment of Acceleration and Waiver of Defaults.* In some circumstances, if any or all Events of Default, other than the non-payment of the principal of the Notes of a Series that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the holders of a majority in principal amount of such Series of Notes (voting as one class) may annul past declarations of acceleration of or waive past defaults of the Notes. However, any continuing default in payment of principal of or any premium or interest on those Notes may not be waived.

## 18. ENFORCEMENT

The Security Trustee may, at any time, at its discretion and without notice, take such action under or in connection with any of the Security Documents as it may think fit (including, without limitation, enforcing the Security upon the Security becoming enforceable), provided that it shall not be bound to take any such action unless:

- (a) it shall have been so directed in writing by the Instructing Creditor; and
- (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder shall be entitled to enforce the Security or to proceed directly against the Issuer to enforce the other provisions of the Security Document(s) unless the Security Trustee, having become bound so to enforce or to proceed, fails so to do within a reasonable time and such failure is continuing.

**In the event that the Realisation Amount is insufficient to pay all amounts due to the Noteholders, the Issuer shall remain liable for the Shortfall and, in the event that the Issuer fails to make payment of the Shortfall as and when it becomes due, the Guarantor will be liable for such Shortfall pursuant to the terms of the Guarantee. No Noteholder shall be entitled to have recourse to the Mortgaged Property secured in respect of any other Series of Notes.**

## 19. PRESCRIPTION

Claims for principal in respect of the Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of the Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

## 20. REPLACEMENT OF NOTES AND COUPONS

If any Note, Note Certificate 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 Notes, or the Registrar, in the case of Registered Notes, during normal business hours (and, if the Notes, Note Certificates 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 or Transfer 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 may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

## 21. AGENTS

21.1 In acting under the Agency Agreement and in connection with the Notes and the Coupons, the 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 Noteholders or Couponholders.

- 21.2 The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Fiscal Agent or Registrar and additional or successor paying agents; **provided, however, that:**
- 21.2.1 there shall at all times be a Fiscal Agent and a Registrar appointed in respect of the Notes;
  - 21.2.2 if and for so long as the Notes 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 and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system;
  - 21.2.3 the Issuer will at all times maintain a Paying Agent with a Specified Office in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to that Directive; and
- 21.3 Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

## 22. MEETINGS OF NOTEHOLDERS AND MODIFICATION

- 22.1 *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these 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 Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. 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 principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented, **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders 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 Noteholders.

- 22.2 *Modification:* The Notes, these Conditions (subject as provided below in respect of Security Trustee Conditions) and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders by the Issuer to correct a manifest error or to effect a modification which is of a formal, minor or technical nature or which, in the opinion of the Issuer, is not materially prejudicial to the interest of the Noteholders. Pursuant to the terms of the Agency Agreement, the Security Trustee is obliged to agree to any such amendment made by the Issuer and to the Conditions (other than the Security Trustee Conditions). The Security Trustee may agree, without the consent of the Noteholders, the Couponholders or the Counterparty, to any modification of any of the Security Trustee Conditions that is not in the opinion of the Security Trustee materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Security Trustee, proven. For the purposes of this Condition, “**Security Trustee Conditions**” means the Conditions and the provisions of the applicable Final Terms relating to (i) the Security, including the enforcement of the Security and the application of the

proceeds of the Mortgaged Property and (ii) the rights, duties, powers, obligations and protections of the Security Trustee.

In addition, the Security Trustee may without the consent or sanction of the Noteholders or the Couponholders or the Counterparty at any time and from time to time concur with the Issuer in making any modification (1) to the Security Trust Deed, the relevant Supplemental Trust Deed(s), any relevant Additional Charging Documents, the Agency Agreement and any other Transaction Document to which it is a party which in the opinion of the Security Trustee it may be proper to make PROVIDED THAT the Security Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders or the Couponholders or (2) to the Security Trust Deed, the relevant Supplemental Trust Deed(s), any relevant Additional Charging Documents, the Agency Agreement and any other Transaction Document to which it is a party if in the opinion of the Security Trustee such modification is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Security Trustee, proven. Any such modification may be made on such terms and subject to such conditions (if any) as the Security Trustee may determine, shall be binding upon the Noteholders, the Couponholders and the Counterparty and, unless the Security Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with Condition 24 (*Notices*) as soon as practicable thereafter.

22.3 In connection with the Conditions, the Issuer and the Fiscal Agent shall have regard to the interests of the Noteholders 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 Noteholders or Couponholders resulting from such individual Noteholders or Couponholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

22.4 In connection with the exercise by it of any of its trusts, powers, authorities and discretions under the Security Documents (including, without limitation, any modification), the Security Trustee shall have regard to the interests of the Noteholders as a class and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Security Trustee shall not be entitled to require, nor shall any Noteholders or Couponholder be entitled to claim, from the Issuer, the Counterparty, the Security Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

## 23. FURTHER ISSUES

The Issuer shall be at liberty from time to time, without the consent of the Noteholders (but subject to the consent of the Counterparty (if any) in the case of (a) below), to create and issue further notes either:

- (a) so as to be consolidated and form a single Series with the Notes (such further Notes, the “**Further Fungible Notes**”), provided that the Counterparty delivers or transfers additional Collateral Assets to the Custodian pursuant to the Charged Agreement(s) and enters into an additional or supplemental Charged Agreement(s) (if applicable) (and references to “**Notes**”, “**Collateral Assets**” and “**Charged Agreement(s)**” shall thereafter be deemed to be references to such terms as amended to take into account the further issue); or
- (b) to form a separate Series from the Notes upon such terms as to security, interest, premium, redemption and otherwise as the Issuer may, in its absolute discretion, at the time of the issue thereof determine.

In addition, such Further Fungible Notes, when issued, shall preserve the economic equivalence of the existing Notes and the Determination Agent shall without the consent of any other person, make such amendments as are necessary, including without limitation, any consequential amendments to the Notional Amount.

24. **NOTICES**

24.1 *Bearer Notes:* Notices to holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, to the extent the Notes are admitted to the Official List and to trading on the Irish Stock Exchange, a leading newspaper having general circulation in Dublin (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) or the first date on which such notice would, in the ordinary course, be delivered. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes.

24.2 *Registered Notes:* Notices to holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, to the extent the Registered Notes are admitted to the Official List and to trading on the Irish Stock Exchange, a leading newspaper having general circulation in Dublin (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) or the first date on which such notice would, in the ordinary course, be delivered. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Registered Notes.

25. **CURRENCY INDEMNITY**

25.1 If any sum due from the Issuer in respect of the Notes 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 these 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 Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, 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 Noteholder 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.

25.2 This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

26. **ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), (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% rounded up to 0.00001%), (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).

27. **REDENOMINATION, RENOMINALISATION AND RECONVENTIONING**

27.1 *Application:* This Condition 27 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the applicable Final Terms as being applicable.

27.2 *Notice of Redenomination:* 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 Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

27.3 *Redenomination:* Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

27.3.1 the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note 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 Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); **provided, however, that**, if the Issuer determines, in consultation with 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 Noteholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

27.3.2 if Notes have been issued in definitive form:

- (a) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (**provided that** such Notes and Coupons are available) and no payments will be made in respect thereof;
- (b) the payment obligations contained in all Notes 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 Notes in accordance with this Condition 27 (*Redenomination, Renominalisation and Reconventioning*)) shall remain in full force and effect; and
- (c) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- (d) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination 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 Communities.

27.4 *Interest:* Following redenomination of the Notes pursuant to this Condition 27 (*Redenomination, Renominalisation and Reconventioning*), where Notes have been issued in definitive form, the amount of interest due in respect of such Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

27.5 *Interest Determination Date:* If the Floating Rate Note Provisions are specified in the applicable Final Terms as being applicable and Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date, the Interest Determination Date shall be deemed to be the second TARGET2 Settlement Day before the first day of the relevant Interest Period.

## 28. **SUBSTITUTION**

### 28.1 *Substitution of Issuer with Morgan Stanley Group entities*

Subject to the conditions set out in this Condition 28 (Substitution), but without the consent of Noteholders, the Issuer may substitute Morgan Stanley or a subsidiary of Morgan Stanley in place of MSBV as principal debtor under the Notes, provided that, unless Morgan Stanley is the substitute Issuer, any Notes in respect of which such a substitution is effected will be fully, unconditionally and irrevocably guaranteed pursuant to a guarantee of Morgan Stanley as to the payment of principal of, premium, interest and supplemental amounts, if any, on those Notes when and as the same will become due and payable, whether at maturity or otherwise, and provided further that under the terms of the guarantee, Noteholders will not be required to exercise their remedies against the substitute prior to proceeding directly against Morgan Stanley (as guarantor).

### 28.2 *Substitution of Issuer or Guarantor with non Morgan Stanley Group entities*

Subject to the conditions set out in this Condition 28, including the rights of Noteholders under Condition 28.6, but without the consent of Noteholders, the Issuer or the Guarantor may, in the event that the Issuer or the Guarantor (as the case may be) has determined that any of the following events has occurred in respect of the Issuer or the Guarantor (as the case may be): an insolvency, receivership, resolution or equivalent event under a relevant jurisdiction; a divestment mandated for regulatory reasons; any action being required to satisfy licensing requirements; or a change of control, substitute for itself any entity which is not a Morgan Stanley Group entity, provided that such entity has a long term credit rating from at least one rating agency of standard application on the international capital markets (including but not limited to S&P, Moody's and Fitch) which is at least as high as the Issuer or Guarantor (as the case may be) being substituted).

### 28.3 *Conditions to substitution*

Substitution of the Issuer or Guarantor for another entity (the "**Substitute**") as provided in Condition 28.1 (*Substitution of Issuer with Morgan Stanley Group entities*) or 28.2 (*Substitution of Issuer or Guarantor with non Morgan Stanley Group entities*) above (as applicable) are subject to the following conditions:

- (a) the Substitute becoming party to the Agency Agreement with any appropriate consequential amendments, as if it had been an original party to it in place of the Issuer or the Guarantor (as the case may be);
- (b) the amendment of the Deed of Covenant and such other conditions as the Issuer may agree with the Fiscal Agent and that such substitution is acceptable to the Security Trustee and, in the opinion of the Security Trustee does not have any adverse effect on the security constituted pursuant to the Security Trust Deed.
- (c) the Substitute is validly existing under the laws under which it is established or incorporated, has capacity to assume all rights, obligations and liabilities under the Notes, receipts, coupons and

- Guarantee, as applicable, and has obtained all necessary corporate authorisations to assume all such rights, obligations and liabilities under the Notes or Guarantee (as applicable);
- (d) the Substitute has obtained all necessary governmental or regulatory approvals and consents for the performance by it of its obligations in connection with the Notes or Guarantee (as applicable) and that all such approvals and consents are in full force and effect;
  - (e) in the case of substitution of the Issuer or Guarantor pursuant to Condition 28.2 (*Substitution of Issuer or Guarantor with non Morgan Stanley Group entities*) above only:
    - (i) the Substitute and the Issuer having obtained (a) legal opinions from independent legal advisers of recognised standing in the country of incorporation of the Substitute and in England that the obligations of the Substitute, in the case of a substitution of the Issuer, under the Notes and the Deed of Covenant, or, in New York in the case of a substitution of the Guarantor under the Guarantee, are legal, valid and binding obligations of the Substitute and (b) a legal opinion from an independent legal adviser in New York, that the Guarantee will apply to the Substitute *mutatis mutandis* as it applies to the Issuer prior to the substitution and will constitute legal, valid and binding obligations of the Guarantor, in respect of the Substitute (provided that no opinion as referred to in this sub paragraph (e) shall be required where the Substitute is the Guarantor); and
    - (ii) if the Notes are rated at the relevant time, the Substitute has obtained, prior to the substitution date, a written confirmation from the relevant rating agencies that the substitution will not result in whole or in part in a withdrawal, downgrading, placement in creditwatch or negative outlook of the Notes;
  - (f) all consents and approvals as required have been obtained and that the Substitute and the Notes comply with all applicable requirements of the Securities Act;
  - (g) the Fiscal Agent has confirmed to the Issuer or Guarantor (as the case may be) that it has completed its relevant “know your customer” requirements on the proposed Substitute;
  - (h) such substitution being permitted by the rules of any stock exchange on which the Notes are listed and each such stock exchange confirming that, following the proposed substitution of the Substitute, the Notes will continue to be listed on such stock exchange;
  - (i) no payment in respect of the Notes, receipts and coupons is overdue at the relevant time;
  - (j) at the time of any such substitution, the Substitute is in a position to fulfil all payment obligations arising from or in connection with the Notes in freely convertible and transferable lawful money without the necessity of any taxes or duties to be withheld at source, and to transfer all amounts which are required therefor to the Fiscal Agent without any restrictions; and
  - (k) if appropriate, the Substitute appointing a process agent as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes.

#### 28.4 *Reference in the Conditions to the Issuer or the Guarantor (as the case may be)*

In the event of a substitution pursuant to this Condition 28, any reference in the Conditions to the Issuer or the Guarantor (as the case may be) shall be construed as a reference to the entity substituted.

#### 28.5 *Notification to Noteholders*

The Issuer or the Guarantor (as the case may be) shall as soon as reasonably practicable notify Noteholders of the substitution in accordance with Condition 24 (Notices).

#### 28.6 *Right to Redemption in respect of substitutions with non Morgan Stanley Group entities*

- (a) With respect to the right of substitution referred to in Condition 28.2, the Issuer shall provide at least 60 calendar days' notice of any substitution under such Condition to Noteholders in accordance with Condition 24 (*Notices*). Noteholders who object to the substitution will have the right to require the Issuer to redeem their Notes at a price determined in accordance with the provisions of this Condition 28, by providing notice of their intention to exercise such right in the manner set out in this Condition 28 (the “**Right to Redemption**”).
- (b) The redemption of any Notes in respect of which the Right to Redemption has been exercised by Noteholders shall take place one Business Day prior to the relevant substitution becoming effective (the “**Substitution Redemption Date**”). The Issuer shall redeem any Notes in respect of which the Right to Redemption has been exercised at a price equal to (i) in the case of Notes the terms of which provide for the full repayment of principal at maturity, the Replacement Value of such Notes or (ii) in every other case, the fair market value of such Notes on the day on which the relevant Right to Redemption Notice is deposited, in each case, in accordance with the provisions of this Condition 28.6, as determined by the Determination Agent in its sole and absolute discretion, together with interest (if any) accrued to such date (to the extent that such interest is not otherwise taken into account in determining the fair market value of such Notes).

For the purpose of this Condition 28.6, “Replacement Value” means an amount determined by the Determination Agent, acting in good faith and in a commercially reasonable manner, as at the day on which the relevant Right to Redemption Notice is deposited in accordance with the provisions of this Condition 28.6 to be the amount that a Qualified Financial Institution would charge to assume all of the Issuer’s payment and other obligations with respect to the Notes as if the relevant event or events described in Condition 28.2 and the substitution described in this Condition 28 had not occurred or to undertake obligations that would have the effect of preserving the economic equivalent of any payment by the Issuer to the Noteholder with respect to the Notes.

- (c) In order to exercise the option contained in this Condition 28.6 the holder of a Note must, not less than 10 Business Days before the date on which the substitution is due to take place (the “**Substitution Date**”), deposit such Note (together with all unmatured Coupons relating thereto) with the Registrar, and a duly completed Right to Redemption Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Security is so deposited shall deliver a duly completed Right to Redemption Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Right to Redemption Notice in accordance with this Condition 28.6, may be withdrawn; provided, however, that if, prior to the relevant Substitution Redemption Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Substitution Redemption Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Right to Redemption Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Right to Redemption Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 28 the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.
- (d) Any payments made to Noteholders in accordance with this Condition 28 shall be made in accordance with the provisions of Condition 12 (*Payments – Bearer Notes*) or Condition 13 (*Payments – Registered Notes*), as applicable.

## 29. **ILLEGALITY AND REGULATORY EVENT**

- 29.1 The Issuer shall have the right to redeem the Notes early (at the amount specified in the applicable Final Terms), if it shall have determined, in its sole and absolute discretion, that:

29.1.1 its performance thereunder, or, if applicable, the Guarantor's performance of its obligation under the Guarantee, shall have become or will be unlawful in whole or in part as a result of compliance in good faith by the Issuer, or, if applicable, the Guarantor, 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**") (an "**Illegality Event**"); or

29.1.2 a Regulatory Event has occurred.

29.2 Subject to the conditions set out in Condition 29.1 above, if the Issuer determines that the Notes shall be redeemed early in accordance with this Condition 29, the Issuer shall give not less than five Business Days' notice to the Noteholders informing them that either an Illegality Event or a Regulatory Event, as applicable, has occurred, as a result of which the Notes shall be redeemed early on the date specified for redemption in such notice. In such circumstances the Issuer will, if and to the extent permitted by applicable law, pay to each Noteholder in respect of each Note held by such Noteholder an amount determined by the Determination Agent, in its sole and absolute discretion, as representing either: (i) the fair market value of such Note immediately prior to such redemption (ignoring such Illegality Event or Regulatory Event) less the cost to the Issuer (or its Affiliates) of, or the loss realised by the Issuer (or its Affiliates) on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion, if "Early Redemption Amount (Illegality and Regulatory Event) – Fair Value Less Costs" is specified in the Final Terms; (ii) the fair market value of such Note immediately prior to such redemption (ignoring such Illegality Event or Regulatory Event), if "Early Redemption Amount (Illegality and Regulatory Event) – Fair Value" is specified in the Final Terms; or (iii) the Calculation Amount of such Note, if "Early Redemption Amount (Illegality and Regulatory Event) - Par" is specified in the Final Terms. The Issuer's obligations under the Notes shall be satisfied in full upon payment in respect of each Note of the amount determined by the Determination Agent to be payable in accordance with the provisions above, based on the elections made in the applicable Final Terms. Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 24 (Notices).

29.3 The Issuer shall also, as soon as reasonably practicable under the circumstances, notify the Fiscal Agent and the Determination Agent of the occurrence of an Illegality Event or a Regulatory Event, as applicable.

## 30. GOVERNING LAW AND JURISDICTION

30.1 *Governing Law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

30.2 *Jurisdiction:* Each of the Issuer and the Guarantor agrees for the benefit of the Noteholders 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 Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

30.3 *Appropriate Forum:* Each of the Issuer and the Guarantor 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.

30.4 *Process Agent:* Each of the Issuer and the Guarantor 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 plc, 25 Cabot Square, Canary Wharf, London E14 4QA or, if different, its registered office for the time being or at any address of Morgan Stanley in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint another Person in

England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder 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 shall affect the right of any Noteholder to serve process in any other manner permitted by law.

- 30.5 *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 Noteholder 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.

31. **RIGHTS OF THIRD PARTIES**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## FORMS OF NOTES

MSBV may issue notes in bearer form (“**Bearer Notes**”), if it has been determined that such Bearer Notes should be classified as being in registered form for U.S. Federal income tax purposes, or in registered form (“**Registered Notes**”). Bearer Notes may be in either definitive form or global form. Notes in definitive bearer form will be serially numbered. Registered Notes may be in either individual certificate form or in global certificate form.

### **Bearer Notes**

Unless otherwise specified in the Conditions or the applicable Final Terms, each issuance of Bearer Notes initially in the form of a temporary global note in bearer form (a “**Temporary Global Note**”), without interest coupons, will be deposited on or around the issue date of such Notes (or any Tranche thereof) either:

- (a) if the Temporary Global Note is intended to be issued in New Global Note (“**NGN**”) form, as stated in the applicable Final Terms, with a common safekeeper (the “**Common Safekeeper**”) for Euroclear and/or Clearstream, Luxembourg; and
- (b) if the Temporary Global Note is not intended to be issued in NGN form, with a depositary or a common depositary (together with a “**Common Safekeeper**”, a “**Note Depositary**”) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Upon deposit of each Temporary Global Note, Euroclear or Clearstream, Luxembourg or, as applicable, any other relevant clearing system, will credit each subscriber with a principal amount of Notes equal to the principal amount for which it has subscribed and paid.

The interests of the beneficial owner or owners in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note in bearer form (a “**Permanent Global Note**” and, together with a Temporary Global Note, the “**Global Notes**”), without interest coupons, to be held by a Bearer Note Depositary from the date (the “**Exchange Date**”) that is 40 days after the date on which the Issuer receives the proceeds of the sale of that Note (or the relevant Tranche thereof) (the “**Closing Date**”). No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. Each issuance of Bearer Notes not issued in the form of a Temporary Global Note will be in the form of a Permanent Global Note.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of the first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts so exchanged; provided, however, that in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Bearer Notes in definitive form (“**Definitive Notes**”), which will be serially numbered, with coupons, if any, attached if:

- (a) a beneficial owner gives 30 days’ written notice to the Fiscal Agent through either Euroclear or Clearstream, Luxembourg or, as applicable, any other relevant clearing system; upon receipt of a request to exchange an interest in a Permanent Global Note for Definitive Notes, all other interests in that Permanent Global Note will be exchanged for Definitive Notes; or
- (b) 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

- (c) any Note is accelerated following any of the circumstances described in Condition 17 (*Events of Default*) of “Terms and Conditions of the Notes”.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons (as defined in “Terms and Conditions of the Notes”) and Talons attached (if so specified in the applicable Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange. The Note Depository for Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system will instruct the Fiscal Agent regarding the aggregate principal amount and denominations of Definitive Notes that must be authenticated and delivered to each of Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system. Definitive Notes may not be delivered in the United States. Definitive Notes will be serially numbered.

#### ***Terms and Conditions Applicable to the Bearer Notes***

The terms and conditions of any Definitive Note will be endorsed on that Definitive Note and will consist of the terms and conditions set out under “Terms and Conditions of the Notes” (or in the relevant Supplemental Base Prospectus) and the provisions of the applicable Final Terms, which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Overview of Provisions Relating to the Notes while in Global Form” below.

#### **Registered Notes**

Registered Notes will be in the form of either individual Note Certificates in registered form (“**Individual Note Certificates**”) or Global Registered Notes in registered form (a “**Global Registered Note**”), in each case as specified in the relevant Final Terms. Each Global Registered Note will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depository and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Final Terms specify the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be in the form of Individual Note Certificates issued to each holder of Registered Notes in respect of their respective holdings.

If the relevant Final Terms specify the form of Notes as being “Global Registered Note exchangeable for Individual Note Certificate”, then the Notes will initially be in the form of a Global Registered Note which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (1) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (2) at any time, if so specified in the relevant Final Terms; or
- (3) if the relevant Final Terms specify “in the limited circumstances described in the Global Registered Note”, then 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 of the circumstances described in Condition 17 (*Events of Default*) occurs.

Whenever the Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note

Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, 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.

**Terms and Conditions applicable to the Registered Notes**

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" above and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Overview of Provisions Relating to the English Law Notes while in Global Form" below.

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System Accountholders

In relation to any Bearer Notes (or any Tranche thereof) represented by a Global Note, references in “*Terms and Conditions of the Notes*” to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a Note Depository, in the case of a CGN, or a Common Safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that Bearer Note Depository or, as the case may be, the Common Safekeeper.

In relation to any Registered Notes (or any Tranche thereof) represented by a Global Registered Note, references in the “*Terms and Conditions of the Notes*” to “Noteholder” are references to the person in whose name such Global Registered Note is for the time being registered in the Register which, for so long as the Global Registered Note is held by or on behalf of a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depository or common depository or a nominee for that depository or common 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 Global Note (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 holder of such Global Note and in relation to all other rights arising under such Global Note, including any right to exchange any exchangeable Notes or any right to require the Issuer to repurchase such Notes. 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 Note and the timing requirements for meeting any deadlines for the exercise of those rights. For so long as the relevant Notes are represented by a Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note.

### Exchange of Temporary Global Notes

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5:00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the terms and conditions of such Temporary Global Note as set out in “*Terms and Conditions of the Notes*” or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then, the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof, 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 Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have in respect of Notes 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 Note in respect of Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes 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 Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the applicable Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5:00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) a Permanent Global Note (or any part of it) has become due and payable in accordance with the terms and conditions of such Permanent Global Note as set out in "Terms and Conditions of the Notes" or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then, the Permanent Global Note (including the obligation to deliver Definitive Notes) 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 the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5:00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have in respect of Notes 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 Note in respect of Notes will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Exchange of Global Registered Notes**

Whenever a Global Registered Note is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note within five business days of the delivery, by or on behalf of the holder of the Global Registered Note to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, 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:

- (1) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or
- (2) any of the Notes represented by a Global Registered Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest

thereon has not been made to the holder of the Global Registered Note in accordance with the terms of the Global Registered Note on the due date for payment,

then the Global Registered Note (including the obligation to deliver Individual Note Certificates) 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 holder of the Global Registered Note will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Note or others may have 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 Global Registered Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Note became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Specified Denomination of Notes**

Each Note will be issued with the Specified Denomination of at least EUR 1,000 per Note (or its equivalent in the currency in which such Note is denominated), provided that the minimum amount of Notes that can be subscribed for by an investor or transferred by a Noteholder shall be EUR100,000 and provided that such Noteholder does not hold Notes with an aggregate amount of less than EUR100,000 following such transfer.

For so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradeable in minimum nominal amounts of at least EUR 1,000 per Note (or its equivalent) and integral multiples of any amount thereafter, as specified in the applicable Final Terms, provided that the minimum amount of Notes that can be subscribed for by an investor or transferred by a Noteholder shall be EUR100,000 and provided that such Noteholder does not hold Notes with an aggregate amount of less than EUR100,000 following such transfer.

If Definitive Notes are required to be issued in the limited circumstances specified in the Permanent Global Note they will only be printed and issued in denominations of at least EUR 1,000 per Note (or its equivalent). Accordingly, if Definitive Notes are required to be issued, a Noteholder holding Notes having an original nominal amount which cannot be fully represented by Definitive Notes in the denomination of at least EUR 1,000 per Note (or its equivalent) will not be able to receive a Definitive Note in respect of the original nominal amount of the Notes by which the original nominal amount of such holding of Notes exceeds the next lowest integral multiple of at least EUR 1,000 per Note (or its equivalent), the “**Excess Amount**”) and will not be able to receive interest or principal in respect of such Excess Amount. Furthermore, at any meetings of Noteholders while Notes are represented by a Global Note, 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 Notes**

Each Global Note will contain provisions which modify the terms and conditions set out in “Terms and Conditions of the Notes” as they apply to the Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note which, according to the Terms and Conditions of the Notes (except in the case of Global Notes in NGN form), require presentation and/or surrender of a Note or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at the Specified Office or to the order of any paying agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the same is noted in a schedule thereto, and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

All payments in respect of the Global Registered Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Registered Note to the Specified Office of the Fiscal Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Registered Note,

the Issuer shall procure that the same is noted in a Schedule thereto. Notwithstanding Condition 13 (*Payments – Registered Notes*), each payment in respect of any Global Registered Note shall be made to the person shown in the Register as the registered holder of the Global Registered Note.

*Exercise of Put Option:* In order to exercise the Noteholder’s put option set out in Condition 11.6 (*Redemption at the Option of Noteholders*) of “Terms and Conditions of the Notes”, the bearer of the Permanent Global Note or the holder of a Global Registered Note must, within the period specified therein for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial Exercise of Call Option:* In connection with an exercise of the option contained in Condition 11.4 (*Redemption at the Option of the Issuer*) of “Terms and Conditions of the Notes” in relation to some but not all of the Notes, the Permanent Global Note or Global Registered Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the provisions set out therein and the Notes to be redeemed will not be selected as provided therein but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 24 (*Notices*) of “Terms and Conditions of the Notes” while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or Global Registered Note and the Permanent Global Note is (or the Permanent Global Note and the Temporary Global Note are) or the Global Registered Note is, deposited with a Note Depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a Common Safekeeper, notices to Noteholders may be given by delivery of the relevant notice to 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 Noteholders in accordance with Condition 24 (*Notices*) of “Terms and Conditions of the Notes”, on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as the Notes are listed on any stock exchange or are admitted to trading by another relevant authority, any notice to Noteholders shall be published in accordance with the rules and regulations of each such stock exchange or other relevant authority.

*Redenomination:* If the Notes are redenominated pursuant to Condition 27 (*Redenomination, Renominalisation and Reconventioning*) of “Terms and Conditions of the Notes” then following redenomination:

- (a) if Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the relevant Fiscal Agent shall determine and notify to the Noteholders; and
- (b) the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

## FORM OF FINAL TERMS FOR W&C SECURITIES

FINAL TERMS dated [●]

Series Number: [●]

Common Code: [●]

Tranche: [●]

ISIN: [●]

**MORGAN STANLEY B.V.**

as **Issuer**

**MORGAN STANLEY**

as **Guarantor**

*SECURED NOTE, WARRANT AND CERTIFICATE PROGRAMME*

**Issue of [Aggregate number] [Title of [Warrants/Certificates]]**

Any person making or intending to make an offer of the W&C Securities may only do so in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Neither the Issuer nor any Distribution Agent has authorised, nor do they authorise, the making of any offer of W&C Securities in any other circumstances.

The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.<sup>3</sup>

THE W&C SECURITIES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE W&C SECURITIES DESCRIBED HEREIN MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE “*SUBSCRIPTION AND SALE*” AND “*NO OWNERSHIP BY U.S. PERSONS*” IN THE BASE PROSPECTUS DATED 21 JANUARY 2015. IN PURCHASING THE W&C 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 FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. THE W&C SECURITIES ARE NOT RATED.

### **PART A – CONTRACTUAL TERMS**

This document constitutes Final Terms relating to the issue of W&C Securities described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the W&C Securities (the “**Conditions**”) set forth in the Base Prospectus dated 12 December 2016 [and the supplemental Base Prospectus(es) dated [●]]<sup>4</sup> which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the W&C 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, the Guarantor and the offer of the W&C Securities is only available on

<sup>3</sup> When preparing Final Terms relating to an issuance of W&C Securities not to be listed on a regulated market, Prospectus Directive references are to be removed.

<sup>4</sup> Only include details of a supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

the basis of the combination of these Final Terms and the Base Prospectus. Copies of the Base Prospectus are available from the offices of Morgan Stanley & Co. International plc at 25 Cabot Square, Canary Wharf, London E14 4QA and are available for viewing at [www.ise.ie](http://www.ise.ie).

*[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 Conditions (the “**Conditions**”) set forth in the Base Prospectus dated [23 January 2014 / 26 June 2012 / 30 September 2011 / 20 August 2010 / 7 August 2009] [and the supplemental Base Prospectus[es] dated [●]] which are incorporated by reference in the Base Prospectus dated 21 January 2015 and are attached hereto]. This document constitutes the Final Terms of the W&C Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated [■] January 2016 [and the supplemental Base Prospectus[es] dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer[, the Guarantor] and the offer of the W&C Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 21 January 2015 [and the supplemental Base Prospectus[es] dated [●] and [●]] (including the Conditions as so incorporated by reference). [The Base Prospectus[es] [and the supplemental Base Prospectuses] are available for viewing at [address] [and] [www.ise.ie](http://www.ise.ie) and copies may be obtained from [address].]

[W&C Holders and prospective purchasers of W&C Securities should ensure that they understand the nature of the W&C Securities and the extent of their exposure to risk and that they consider the suitability of the W&C Securities as an investment in the light of their own circumstances and financial conditions. An investment in the W&C Securities entails risks not associated with investments in a conventional security, such as are described in the section entitled “*Risks associated with the Securities generally*” on pages [12 to 23] of the Base Prospectus. The performance of the Underlying Securities(as defined herein) will affect the nature and value of the investment return on the W&C Securities. W&C Holders and prospective purchasers of W&C Securities should conduct their own investigations and, in deciding whether or not to purchase W&C Securities, prospective purchasers should form their own views of the merits of an investment related to the Underlying Securities based upon such investigations.]

[Given the highly specialised nature of these W&C Securities, the Issuer [, the Guarantor] and the Distribution Agent consider that they are only suitable for sophisticated investors who are able to determine for themselves the risk of an investment linked to the Underlying Securities and who are able to bear the loss of any amount invested. Consequently, if you are not such an investor you should not consider purchasing these W&C Securities without taking detailed advice from a specialised professional adviser.]

[Morgan Stanley and/or any of its Affiliates are not qualified to give legal, tax or accounting advice to their clients and do not purport to do so in this document. Prospective investors are urged to seek the advice of their own professional advisers about the consequences of the proposals contained herein.]

*[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 electing a payout option, please follow the prompts and insert the relevant highlighted language in respect of that payout option. Language relating to other payout options should be deleted*

- |    |  |                     |
|----|--|---------------------|
| 1. | Issuer:  | Morgan Stanley B.V. |
| 2. | Guarantor:                                     | Morgan Stanley      |
| 3. | (i) Series Number:                             | [●]                 |
| 4. | (i) Tranche:                                   | [●]                 |
| 5. | Aggregate Number of [Warrants/Certificates] in | [●]                 |

the Series:

6. Aggregate Number of [Warrants/Certificates] in the Tranche: [●]
7. Issue Date: [●]
8. Issue Price: [currency][amount] per W&C Security]
9. Form of W&C Securities: [Bearer W&C Securities]  
Global Bearer [Warrant/Certificate]  
[Registered W&C Securities:  
[[Global Registered [Warrant/Certificate]]  
[Individual W&C Certificates]
10. W&C Securities Exercise Style: (*Condition 8*) [American/European/Bermudan] Style W&C Securities
- (i) [Exercise Period:] [As defined in Condition 1]
- (ii) [Potential Exercise Dates:] [Each day from and including the Commencement Date to and including the Latest Exercise Time on the Expiration Date]
- (iii) [Commencement Date:] [●]
11. Type: [Warrants/Certificates]  
The [Warrants/Certificates] are [Index/Index Basket/Share/Share Basket W&C Securities]

*For Share and Share Basket W&C Securities only*

- (i) Underlying Security: [●]
- (ii) Share Issuer: [●]
- (iii) ISIN: [●]
- (iv) Exchange(s): [●]
- (v) Related Exchange: [●][All Exchanges]
- (vi) Exchange Business Day: [●]
- (vii) Initial Date: [●]
- (viii) Additional Disruption Events: Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging shall apply [specify if any are not applicable]

*For Index and Index Basket W&C Securities only*

- (viii) Index/Indices: [●]
- (ix) Exchange(s): [●][specify whether Multi-exchange Index]
- (x) Related Exchange(s): [●][All Exchanges]
- (xi) Exchange Business Day: [●]

- (xii) Initial Date: [●]
- (xiii) Additional Disruption Events: Change in Law, Hedging Disruption and Increased Cost of Hedging shall apply [*specify if any are not applicable*]

*Provisions relating to Distribution Amounts (if any) payable*

- (xiv) Distribution Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (xv) Distribution Commencement Date: [Issue Date/Initial Date][Not Applicable]
- (xvi) Distribution Valuation Date(s): [[ ] [and for the purpose of any subsequent distribution if any, the relevant Ex-Dividend Date in respect of the Shares]]

[The day on which the Determination Agent determines the Relevant Payment (as defined below) would be received by a shareholder resident in such jurisdiction as the Determination Agent may determine to be relevant to the Issuer or its agent(s) or Affiliate(s) for hedging purposes in respect of the W&C Securities.]

[Not Applicable]

- (xvii) Distribution Payment Date(s): [[ ] [adjusted in accordance with the Business Day Convention]

[The [●] Business Day following the Distribution Valuation Date.] [*include for payout options 2 and 6*]

*NB consider also rolling provisions to take account of any delay to a Distribution Valuation Date pursuant to Condition 11*

- (xviii) Distribution Amount[(s)]: [In respect of any dividend payment (or part thereof) for one Share [comprised in the Basket] (a “**Relevant Payment**”) for which the Ex-Dividend Date falls within the Reference Period [(other than an Extraordinary Dividend, or part thereof)], [[●] per cent. of] the amount of such Relevant Payment [converted into the Specified Currency at the Spot Rate at or about ● [a.m./p.m.] (● time) on [the Business Day following] the Distribution Valuation Date] minus all Relevant Deductions.]

[Specify for payout options 2 and 6]

[Net Yield]

[Not Applicable]

- (xix) Minimum Distribution Amount: [insert] [Not Applicable]
- (xx) Maximum Distribution Amount: [insert] [Not Applicable]
- (xxi) Distribution Record Date: [ ] [Distribution Valuation Date][specify for payout option 2 and payout option 6] [Not Applicable]

*Provisions relating to Share determinations*

- (xxii) Additional Outperformance Weighting: [[ ] per cent.][Not Applicable]
- (xxiii) Net Yield Weighting: [[ ] per cent.][Not Applicable] *[specify in respect of each Basket component where applicable]*
- (xxiv) Outperformance Weighting: [[ ] per cent.][Not Applicable] *[specify in respect of each Basket component where applicable]*
- (xxv) Additional Outperformance Period: [From and including the [Issue Date/specify date] to but excluding the [Final Valuation Date/specify date]] [Not Applicable]
- (xxvi) Reference Period: [From but excluding the [Initial Date/specify date] to and including the [Expiration Date/specify date]] [Not Applicable]
- (xxvii) Extraordinary Dividend: [Applicable][,provided an Extraordinary Dividend must be in cash form][specify for payout option 3],[Not Applicable]
- (xxviii) Relevant Deduction: [Applicable] [Not Applicable]

**Exercise**

12. Expiration Date: [●]
13. Latest Exercise Time: [●] *[(local time in the place where the Clearance System through which the relevant W&C Security being exercised is located)]*
14. Minimum Exercise Number  
*(Condition 9.10)* [[●]/Not applicable]
15. Permitted Multiple:  
*(Condition 9.10)* [[●]/Not applicable]
16. Deemed Exercise:  
*(Condition 9.6)* [[●]/Not applicable]
- [In the case of Physical-Settlement W&C Securities only:*  
Assessed Value Payment Amount: Applicable/Not Applicable]

**Issuer Call Option**

17. Call Option  
*(Condition 10)* [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-*

*paragraphs of this paragraph)*

- (i) Optional Settlement Date(s): [●]
- (ii) Optional Settlement Amount(s) of each W&C Security: [●]
- (iii) Notice period: [●]

### **Settlement**

18. Settlement Basis: The W&C Securities are [Physical/Cash] Settlement W&C Securities  
(Condition 8)

#### ***For Physical-Settlement W&C Securities only:***<sup>5</sup>

19. Ratio: [●] W&C Security(ies) relates to [●] [Underlying Security/Securities]
20. Strike Price Payment Date: [●]
21. Strike Price: [●]
22. Settlement Price: [[●]/Not applicable]
23. Physical-Settlement Date: [As defined in Condition 1]

#### ***For Cash-Settlement W&C Securities only:***

24. Cash-Settlement Amount: [An amount determined by the Determination Agent equal to [in respect of each Share comprised in the Basket the sum of] (i) the Reference Value of the Underlying Security as of the Valuation Time on the Valuation Date plus (ii) the Net Yield plus (iii) the Outperformance. Relevant Deduction applies for these purposes]. [*specify for payout option 1 and 5*]
- [An amount determined by the Determination Agent equal to the Reference Value of the Underlying Security as of the Valuation Time on the Valuation Date [multiplied by [●]]calculated in [*specify currency*] and converted into the Specified Currency at the Spot Rate at or about ● [a.m./p.m.] (● time) on the Valuation Date [*specify for payout 2 and 6*]
- [An amount determined by the Determination Agent equal to (A) the Reference Value of the Underlying Security as of the Valuation Time on the Valuation Date calculated in [*specify currency*] [and converted into the Specified Currency at the Spot Rate at or about ● [a.m./p.m.] (● time) on the Valuation Date] plus (B) Payment Option 3 Outperformance plus (C) the Net Yield. Relevant Deduction applies for these purposes] [*specify for payout option 3*]

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<sup>5</sup> Note that if Physical-Settlement W&C Securities are to be listed, the underlying must be "transferable securities" and must not be linked to any member of the Morgan Stanley group. See Article 2(l)(m)(ii) of the Prospectus Directive.

[The Reference Value as of the Valuation Time on the Valuation Date][specify for payout option 4]

25. Determination Date: [●]  
(Condition 9.8(a))
26. Valuation Time: [●]
27. Valuation Date: [●]
28. Averaging Dates: [●]
29. Settlement Currency: [●]
30. Cash-Settlement Payment Date: [●]
31. Early Termination Amount (Illegality and Regulatory Event) and Regulatory Event) [Early Termination Amount (Illegality and Regulatory Event) - Fair Value Less Costs] / [Early Termination Amount (Illegality and Regulatory Event) – Fair Value] shall apply  
(Condition 16)

***For all W&C Securities:***

**PROVISIONS RELATING TO SECURITY**

32. Counterparty: [Morgan Stanley & Co. International plc of 25 Cabot Square, Canary Wharf, London E14 4QA]
33. Charged Agreement(s): [CSA Fully Funded Swap Agreement/Fully Funded Swap Agreement and Credit Support Deed][and Collateral Management Agreement]
34. Fully Funded Swap Agreement: If a CSA Fully Funded Swap Agreement is selected, for the purpose of (C)(a) of the definition of the CSA Fully Funded Swap Agreement, specify: [valuation period and timing of valuation].  
Fully Funded Swap Agreement Termination Date: [●]
35. Credit Support Deed: The “CSD” as defined in the Conditions: [Applicable]/[Not Applicable]  
[If Applicable, for the purpose of (a) of the definition of the CSD, specify : [valuation period and timing of valuation]
36. Increased Cost of Collateral Assets Event: [Applicable]/[Not Applicable]
37. Counterparty’s rights to assign and/or to delegate its rights and obligations under the Fully Funded Swap Agreement: [Yes, to any subsidiary of Morgan Stanley]/[No].
38. Security Ranking Basis: [Counterparty Priority Basis]/[W&C Holder Priority Basis]/[Pari passu Basis].
39. Instructing Creditor: [For the purposes of these W&C Securities only, the Instructing Creditor shall be [the Counterparty]/[the W&C Holders].]

40. Custodian: [Morgan Stanley & Co. International plc]/[The Bank of New York Mellon]/[Other][*Insert details*]
41. Custodian's account details: [Euroclear Account No. [●] or such other account as may be advised by the Custodian from time to time.]
42. Collateral Management Terms: [Applicable]/[Not Applicable]  
 [If Applicable:  
 [BONYM Collateral Management Agreement/The Collateral Management Agreement dated [●] between the Issuer, the Counterparty, the Security Trustee and *insert name of collateral manager/custodian*].
43. Additional Charging Document: [Applicable]/[Not Applicable].
- Additional details**
44. Name and address of the Determination Agent: [Morgan Stanley & Co. International plc  
 25 Cabot Square  
 Canary Wharf  
 London E14 4QA]  
 or any successor or substitute determination agent appointed by the Issuer from time to time and as notified to the W&C Holders in accordance with Condition 21.
45. Clearance Systems: [Euroclear and Clearstream, Luxembourg] [Not Applicable]
46. Inconvertibility Event Provisions: [Applicable][Not Applicable]  
 [Converted Payment][, Early Termination][, Suspended Payment]
- (i) Inconvertibility Early Termination Amount options: [insert amount][Early Termination Amount][Fair Market Value]
- (ii) Early Termination Relevant Currency Amount [●]
- (ii) Fallback FX Spot Rate: [●]
- (iii) Inconvertibility Specified Currency: [●]
- (iv) Relevant Currency/ies: [●]
- (v) Relevant Jurisdiction: [●]
47. Taxation: [Applicable/Not Applicable]
- (i) Implementation of Financial Transaction Tax: [Applicable/Not Applicable]
- (ii) Potential Section 871(m) transaction: [Not Applicable] / [For further information please call [*give details*]] / [visit our website at [*give*

*details]] / [write to [give details]].]*

**[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading on the Irish Stock Exchange the issue of W&C Securities described herein pursuant to the Secured Note, Warrant and Certificate Programme of Morgan Stanley B.V.

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [Information concerning the *[insert information of Relevant Underlying]* has been accurately reproduced from information published by [●] and [●] respectively.] [Each of the [●]] [The] Issuer [and the Guarantor] confirms 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 information inaccurate or misleading.]

By: .....

Duly authorised

## PART B - OTHER INFORMATION

### 1 LISTING

Listing and admission to Trading:

[Application has been made by the Issuer (or on its behalf) to the Irish Stock Exchange for the W&C Securities to be admitted to the Official List and to trading on its regulated market with effect from [●].]/[Not Applicable.]

*(Where documenting a fungible issue need to indicate that original W&C Securities are already admitted to trading.)*

Estimate of total expenses related to admission to trading: [●]

### 2 RATINGS

Ratings:

The W&C Securities to be issued have not been rated.

### 3 [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*”], so far as the Issuer is aware, no person involved in the offer of the W&C Securities has an interest material to the offer.”]

### 4 [PERFORMANCE OF INDEX/BASKET OF INDICES], [EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS] AND OTHER INFORMATION CONCERNING THE [INDEX/BASKET OF INDICES]] (INDEX W&C SECURITIES ONLY)

*[Need to include details of where past and further performance and volatility of [the/each] index can be obtained, the relevant weighing of each index within a basket of indices and where pricing information is available. Need to include the name of [the/each] index and details of where the information about [the/each] index can be obtained. Note an index composed by the Issuer or any legal entity belonging to the same group may not be included for issues documented under Final Terms. ]*

*[Need to include 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.]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

### 5 PERFORMANCE OF [THE SHARE/BASKET OF SHARES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE SHARE/BASKET OF SHARES]] (SHARE W&C SECURITIES ONLY)

*[Need to include details of the name of [the/each] share company, any security identification number of the shares, where pricing information about the shares is available, the relevant weighting of each share within a basket of shares (if relevant) and where past and further performance and volatility of the [share/basket of shares] can be obtained.]*  
*[Need to include 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.]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

## 6 OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

Delivery: Delivery [against/free of] payment

Names and addresses of initial W&C Agent(s): [●]

Names and addresses of additional W&C Agent(s) (if any): [●]

Names and addresses of initial Transfer Agent(s): [●]

Names and addresses of additional Transfer Agent(s) (if any): [●]

Name and address of Registrar (if any): [●]

## TERMS AND CONDITIONS OF THE W&C SECURITIES

*The following is the text of the Terms and Conditions of the W&C Securities which (subject to completion and amendment) will be applicable to each Series of W&C Securities issued by Morgan Stanley B.V. provided that the applicable Final Terms in relation to any Series of W&C Securities may complete these Terms and Conditions and/or may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace the following Terms and Conditions for the purposes of such Series of W&C Securities.*

This W&C Security is one of a series (each a “**Series**”) of W&C Securities (the “**W&C Securities**”) issued by Morgan Stanley B.V. (“**MSBV**” or the “**Issuer**”). W&C Securities will be either warrants (“**Warrants**”) or certificates (“**Certificates**”) as specified in the applicable Final Terms, and references in these Terms and Conditions to “W&C Security”, “W&C Securities”, “Warrant”, “Warrants”, “Certificate” and “Certificates” will be construed accordingly.

The W&C Securities are issued pursuant to an agency agreement dated 23 January 2014 as amended by a deed of amendment dated 12 December 2016 (the “**Agency Agreement**”, which expression shall include any amendments or supplements thereto) between, *inter alios*, MSBV, Morgan Stanley, The Bank of New York Mellon as principal paying agent and fiscal agent and as principal warrant and certificate agent (the “**Principal W&C Agent**”, which expression includes any successor or substitute Principal W&C Agent appointed in accordance with the Agency Agreement and, together with any other W&C agents appointed under the Agency Agreement, the “**W&C Agents**” and each a “**W&C Agent**”), The Bank of New York Mellon (Luxembourg) S.A. as registrar (the “**Registrar**”, which expression includes any successor or substitute Registrar appointed in accordance with the Agency Agreement), The Bank of New York Mellon as transfer agent (the “**Transfer Agent**”, which expression includes any successor or substitute Transfer Agent appointed in accordance with the Agency Agreement and, together with any other transfer agents appointed under the Agency Agreement, the “**Transfer Agents**” and each a “**Transfer Agent**”) and Morgan Stanley & Co. International plc.

In these terms and conditions (the “**Conditions**”), each reference to the “**Custodian**” (which expression shall include any successor or substitute Custodian appointed under the Agency Agreement or, if Collateral Management Terms (as defined below) are specified as applicable in the applicable Final Terms, under the relevant Collateral Management Agreement) is a reference to whichever of The Bank of New York Mellon, Morgan Stanley & Co. International plc or any other entity as is identified as the Custodian in the applicable Final Terms.

MSBV, Morgan Stanley & Co. International plc and the Security Trustee (as defined below) may from time to time enter into collateral management agreements with one or more agents (each a “**Collateral Management Agreement**”) pursuant to which the Issuer and the Counterparty (as defined below) will appoint such agents to perform certain custodial and other administrative functions relating to the Issuer’s and the Counterparty’s obligations under the CSA Fully Funded Swap Agreement (as defined below) or the CSD (as defined below), as applicable. If Collateral Management Terms are specified as applicable in the applicable Final Terms, the relevant agents will be appointed as the Custodian pursuant to the terms of the relevant Collateral Management Agreement and references herein to the “Custodian” shall be construed accordingly. The Issuer, the Counterparty, the Security Trustee and The Bank of New York Mellon have entered into a Collateral Management Agreement dated 7 August 2009 (the “**BONYM Collateral Management Agreement**”).

The obligations of the Issuer under the W&C Securities are secured by a security trust deed dated 7 August 2009 as amended by the Supplemental Security Trust Deed dated 26 June 2012 and the Supplemental Security Trust Deed dated 23 January 2014 (the “**Master Trust Deed**”) between MSBV, Morgan Stanley & Co. International plc and BNY Mellon Corporate Trustee Services Limited (the “**Security Trustee**”, which expression shall include any successor security trustee) as supplemented by a Supplemental Trust Deed (the “**Supplemental Trust Deed**”) dated the Issue Date specified in the applicable Final Terms between the Issuer and the Security Trustee and together constituting the security described below in respect of the W&C Securities (the Master Trust Deed and the Supplemental Trust Deed being hereinafter referred to as the “**Security Trust Deed**”).

In the event of a shortfall existing in respect of a W&C Holder's claim on the realisation of or the enforcement with respect to the security constituted by the Security Trust Deed by the Security Trustee, the payment of such shortfall has been guaranteed by Morgan Stanley (the "**Guarantor**") pursuant to a guarantee (the "**Guarantee**" which expression shall be construed as a reference to that agreement as the same may be amended, supplemented, novated or restated from time to time) dated 23 January 2014 and executed by the Guarantor. The original of the Guarantee is held by the Principal W&C Agent on behalf of the W&C Holders at its specified office.

The W&C Holders (as defined below) are entitled to the benefit of, and are bound by and are deemed to have notice of, all the provisions of the Agency Agreement, the Security Trust Deed, these Conditions and the Final Terms relating to the relevant W&C Securities.

Each Series of W&C Securities may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of W&C Securities. Each Tranche will be the subject of a set of Final Terms (each, a "**Final Terms**"), which complete these Conditions. The terms and conditions applicable to any particular Tranche of W&C Securities are these Conditions as completed by the applicable Final Terms. In the event of any inconsistency between these Conditions and the applicable Final Terms, the applicable Final Terms shall prevail.

A copy of the applicable Final Terms will, in the case of a Tranche in relation to which application has been made to the Irish Stock Exchange for admission to the Official List and to trading on its regulated market, be lodged with the Irish Stock Exchange, and copies of which may be obtained free of charge from the specified office of the Principal W&C Agent. In the case of a Tranche in relation to which application has not been made for admission to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the applicable Final Terms will only be available for inspection by a holder of W&C Securities of that Tranche.

In relation to a Series of W&C Securities, the expression "W&C Securities" shall, unless the context otherwise requires, include any further Warrants or Certificates, as the case may be, issued pursuant to Condition 24 (*Further Issues*) of these Conditions and forming a single series with such Series.

References in the Conditions to W&C Securities are to the W&C Securities of the relevant Series and references to the Issuer, the Guarantor, the Principal W&C Agent, the Registrar, the Transfer Agent, the Determination Agent, any holder or the W&C Holders are to those persons in relation to the W&C Securities of the relevant Series. Capitalised terms used but not defined in these Conditions will have the meanings given to them in the applicable Final Terms, the absence of any such meaning indicating that such term is not applicable to the W&C Securities of the relevant Series.

## 1. **DEFINITIONS**

As used in these Conditions, the following expressions shall have the following meanings in respect of any W&C Securities or Series of W&C Securities:

"**Additional Agreement**" means any agreements entered into by the Issuer other than the Security Trust Deed, the Agency Agreement, the Charged Agreement(s) and any Additional Charging Document in each case in respect of such Series;

"**Additional Charging Document**" means any non-English law governed security document entered into by the Issuer for the purposes of granting security over or in respect of any part of the Mortgaged Property for such Series;

"**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 (c) an entity directly or indirectly under common control with the Issuer;

"**Business Day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close in London;

“**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**” means that the relevant date will be 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 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 Currency Business Day, the next succeeding Currency Business Day;

“**CEA**” means the United States Commodity Exchange Act, as amended;

“**Charged Agreement(s)**” means the Fully Funded Swap Agreement and, if specified as applicable in the applicable Final Terms, the CSD and/or if Collateral Management Terms are specified as applicable in the applicable Final Terms, the relevant Collateral Management Agreement in each case in respect of such Series;

“**Clearance System**” means Euroclear, Clearstream, Luxembourg and/or any other clearance system located outside the United States specified in the applicable Final Terms in which W&C Securities of the relevant Series are for the time being held, or, in relation to an Underlying Security, in which that Underlying Security is, 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;

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*;

“**Collateral Assets**” means the Initial Collateral Assets and any Eligible Collateral delivered to the Custodian as additional Collateral Assets in accordance with the Charged Agreement(s) but shall not include any Collateral Assets released in accordance with the Charged Agreement(s);

“**Commencement Date**” means the date specified as such in the applicable Final Terms, or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day;

“**Counterparty**” means the entity or entities designated as the counterparty or counterparties in the applicable Final Terms;

“**Counterparty Priority Basis**” means first, in meeting the claims of the Counterparty (or if more than one Counterparty, the claims of all such Counterparties shall be met on the basis as specified in the applicable

Final Terms) under the Charged Agreement(s) and, thereafter, in meeting the claims of the W&C Holders on a *pari passu* and *pro rata* basis;

“**CSA Fully Funded Swap Agreement**” means the agreement entered into between the Issuer and the Counterparty evidenced by a 1992 ISDA Master Agreement (Multicurrency – Cross Border) and schedule thereto entered into by the Issuer and the Counterparty by the execution of the Security Trust Deed and into which the terms of the Swap Schedule Terms are incorporated by reference, as the same may be modified and supplemented by the Supplemental Trust Deed, as supplemented by the ISDA 1995 Credit Support Annex (Bilateral Form-Transfer), and together with the confirmation entered into by the Issuer and the Counterparty, dated the Issue Date, the purpose of which is to allow the Issuer to perform its scheduled obligations under the terms of the W&C Securities and collateralise the Counterparty’s obligations under the agreement, and accordingly, it provides that:

- (A) initially, the Issuer shall pay to the Counterparty the proceeds of issue of the W&C Securities;
- (B) over the term of the W&C Securities and at scheduled settlement thereof (and in certain circumstances on the early termination of the W&C Securities) the Counterparty shall pay to the Issuer payments and/or deliveries which correspond to those which the Issuer is scheduled to make to W&C Holders under the Conditions; and
- (C) as collateral for the Counterparty’s obligations under the agreement over the term of the W&C Securities the Counterparty shall deliver the Initial Collateral Assets and from time to time additional Collateral Assets to the Issuer and, as applicable, the Issuer shall re deliver Collateral Assets to the Counterparty, in each case (a) on the basis of the valuation period and timing of valuation specified in the applicable Final Terms and the fair market valuation of the existing Collateral Assets and the W&C Securities and (b) as soon as practicable following such valuation;

“**CSD**” means the ISDA 1995 Credit Support Deed (Bilateral Form – Security Interest) between the Issuer and the Counterparty dated the Issue Date which provides that over the term of the W&C Securities the Counterparty will grant a security interest over the Initial Collateral Assets and from time to time additional Collateral Assets in favour of the Issuer and, as applicable, release such security interest (in whole or in part, as applicable), in each case (a) on the basis of the valuation period and timing of valuation specified in the applicable Final terms and the fair market valuation of the existing Collateral Assets and the W&C Securities and (b) as soon as practicable following such valuation;

“**Currency Business Day**” means, for the purpose of the definition of Cash-Settlement Payment Date in respect of any Series of W&C Securities, any day (1) that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close (x) in The City of New York or London, or (y) in relation to sums payable in currencies other than U.S. dollars, euro or Australian dollars, in the principal financial centre of the country of the relevant currency, (z) in relation to sums payable in Australian dollars, in Sydney and (2) in relation to sums payable in euro, a day that is also a TARGET2 Settlement Day;

“**Custodian**” means the entity (if any) appointed as such under (i) the Agency Agreement or (ii) if Collateral Management Terms are specified as applicable in the applicable Final Terms, the relevant Collateral Management Agreement and as specified in the applicable Final Terms and, if applicable, any subcustodian of, or any other entity appointed by, the Custodian;

“**Determination Agent**” means Morgan Stanley & Co. International plc or, in respect of any Series of W&C Securities, such other determination agent as may be specified in the applicable Final Terms and any successor or substitute determination agent appointed by the Issuer from time to time. Any change of determination agent shall be notified by the Issuer to the W&C Holders in accordance with Condition 21 as soon as practicable following such change. The Determination Agent shall act as an expert and not as an

agent for the Issuer or the W&C Holders. 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;

“**Disrupted Day**” has the meaning ascribed thereto in Condition 11.1.2;

“**Distribution Amount**” means, in relation to a W&C Security and if applicable a Distribution Period, the amount specified in the applicable Final Terms in respect of that W&C Security if applicable for that Distribution Period;

“**Distribution Commencement Date**” means the Issue Date of the W&C 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 the applicable Final Terms;

“**Distribution Period**” means each period beginning on (and including), initially, the Distribution Commencement Date, and thereafter, any Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date;

“**Distribution Record Date**” means the date or dates specified as such in, the applicable Final; Terms;

“**Distribution Valuation Date**” has the meaning given in the applicable Final Terms, subject to the provisions of Condition 11;

“**Early Termination Amount**” means, in the case of termination of the W&C Securities, an amount determined by the Determination Agent as representing the fair value of such a W&C Security on such day as is selected by the Determination Agent acting in good faith and in a commercially reasonable manner and (where an Event of Default has occurred and is subsisting, will not take into account the creditworthiness of the Issuer and/or the Guarantor) less the cost to the Issuer and/or any Affiliate of, and/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 Collateral**” means cash, securities, which may comprise bonds or notes listed on a regulated market, shares listed on a regulated market, shares, units or other interests in a UCITS Fund;

“**Euro**”, “**euro**”, “**€**” and “**EUR**” each means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended;

“**Euroclear**” means Euroclear Bank S.A./N.V.;

“**European Economic and Monetary Union**” means economic and monetary union pursuant to the EC Treaty;

“**Ex-Dividend Date**” means, with respect to a relevant dividend or Extraordinary 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 Date**” means, in respect of any W&C Security, the day on which such W&C Security is deemed to have been exercised in accordance with Condition 9.6 (*Deemed Exercise*), if applicable, or on which an Exercise Notice relating to that W&C Security is delivered in accordance with the provisions of Condition 9.1.1 (*Exercise Notice*);

**“Exercise Notice”** means any notice in the form scheduled to the Agency Agreement (or such other form as may from time to time be agreed by the Issuer and the Principal W&C Agent (in the case of Bearer W&C Securities) or the Registrar (in the case of Registered W&C Securities)) which is delivered by a W&C Holder in accordance with Condition 9.1.1 (*Exercise Notice*);

**“Exercise Period”** means the period beginning on (and including) the Commencement Date and ending on (and including) the Expiration Date;

**“Expiration Date”** means, in respect of any Share W&C Security, Share Basket W&C Security, Index W&C Security or Index Basket W&C Security, the date specified as such in the applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), unless such date is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Latest Exercise Time on such date. If such date is a Disrupted Day due to the occurrence of such an event, then the Expiration Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Expiration Date is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Expiration Date, notwithstanding the fact that such day is a Disrupted Day. Notwithstanding the foregoing, if a W&C Security is exercised on a Scheduled Trading Day that would have been an Expiration Date but for the occurrence of an event giving rise to a Disrupted Day, such Scheduled Trading Day shall be deemed to be the Expiration Date for the purpose of determining whether an Exercise Date has occurred during the Exercise Period;

**“Fully Funded Swap Agreement”** means the agreement entered into between the Issuer and the Counterparty evidenced by a 1992 ISDA Master Agreement (Multicurrency – Cross Border) and schedule thereto entered into by the Issuer and the Counterparty by the execution of the Security Trust Deed and into which the terms of the Swap Schedule Terms are incorporated by reference, as the same may be modified and supplemented by the Supplemental Trust Deed, together with the confirmation entered into by the Issuer and the Counterparty dated the Issue Date, the purpose of which is to allow the Issuer to perform its scheduled obligations under the terms of the W&C Securities, and accordingly, it provides that:

(A) initially, the Issuer shall pay to the Counterparty the proceeds of issue of the W&C Securities; and

(B) over the term of the W&C Securities and at scheduled settlement thereof (and in certain circumstances on the early termination of the W&C Securities) the Counterparty shall make payments and/or deliveries to the Issuer equal to the payments and/or deliveries which the Issuer is scheduled to make to W&C Holders under the Conditions;

**“Fully Funded Swap Agreement Termination Date”** means the date specified as such in the applicable Final Terms;

**“Hedging Realisation Price”** means, in respect of a Share the volume weighted average of the prices per Share on the Valuation Date or Averaging Date, as the case may be net of any applicable costs or taxes as determined by the Determination Agent which the Issuer or its agent, after using reasonable endeavours, obtains in any actual disposal or realisation of any hedge position entered into by the Issuer or its agent in respect of the W&C Securities;

**“Implementation of Financial Transaction Tax”** means that, on or after the Trade Date of any W&C Securities due to the adoption of or any change in any applicable law or regulation (including without limitation any law or regulation implementing a system of financial transaction taxes in any jurisdiction, including the European Union relating to any tax, payable in respect of the transfer of, or issue or modification or redemption of, any financial instruments), the Issuer determines (acting in good faith and in a commercially reasonable manner) that either it or any of its Affiliates would incur or has incurred a materially increased amount of tax, transfer tax, duty, stamp duty, stamp duty reserve tax, expense or fee

(other than brokerage commissions) to (A) enter into, modify or unwind the W&C Securities or any part thereof, or perform its obligations under such W&C Securities, including for the avoidance of doubt any obligation or exercise of any right to deliver Shares or any other asset or (B) 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 relevant W&C Securities or (C) realize, recover or remit the proceeds of any such transaction(s) or asset(s), provided that the Issuer has determined that the nature of the adoption of or any change in law or regulation is such that it is applicable to investors generally when carrying out similar trading or hedging activities in the relevant jurisdiction.

**“Increased Cost of Collateral Assets Event”** means that the Counterparty and/or any of its Affiliates or agents would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of taxes, duties, expenses or fees (other than brokerage commissions) to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to perform its obligations with respect to the Charged Agreement(s), as determined by the Determination Agent in its sole and absolute discretion, and provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Counterparty and/or any of its Affiliates or agents shall not be deemed an Increased Cost of Collateral Assets Event.

**“Index”** means, in respect of any Index W&C Security or Index Basket W&C Security, each index specified as such in the applicable Final Terms;

**“Index Basket W&C Securities”** means W&C Securities relating to a basket of Indices;

**“Index W&C Securities”** means W&C Securities relating to a single Index;

**“Initial Collateral Assets”** means any Eligible Collateral delivered to the Custodian on the Issue Date as Collateral Assets in accordance with the Charged Agreement(s);

**“Initial Date”** means the date specified as such in the applicable Final Terms;

**“Instructing Creditor”** means:

- (a) if the applicable Security Ranking Basis is W&C Holder Priority Basis, W&C Holders holding not less than 25 per cent. in number of the W&C Securities of the relevant Series; or
- (b) if the applicable Security Ranking Basis is Counterparty Priority Basis, the Counterparty; or
- (c) if the applicable Security Ranking Basis is *Pari passu* Basis each of (i) the Counterparty and (ii) W&C Holders holding not less than 25 per cent. in number of the W&C Securities of the relevant Series;

Provided That, if the Counterparty is the Defaulting Party (as defined in the Charged Agreement(s)) under the Charged Agreement(s), the Instructing Creditor shall be W&C Holders holding not less than 25 per cent. in number of the W&C Securities of the relevant Series;

**“Latest Exercise Time”** means 10:00 a.m. (local time in the place where the Clearance System through which the relevant W&C Security being exercised is located), unless specified otherwise in the applicable Final Terms;

**“Mortgaged Property”** means the assets over which the Security is created by the Issuer from time to time in relation to such Series, including, as applicable, the Collateral Assets and the Rights under the Transaction Documents;

**“Net Yield”** means an amount, as determined by the Determination Agent, equal to the sum of (i) the product of the Net Yield Weighting and the aggregate of all declared dividend payments (or any part thereof) (other than any Extraordinary Dividend) in respect of one Share for which the Ex-Dividend Date falls during the Reference Period (an **“Eligible Dividend”**) and (ii) if “Extraordinary Dividend” is specified to be

applicable in the applicable Final Terms the product of the Net Yield Weighting and the aggregate of all Extraordinary Dividends (or any part hereof) in respect of one Share for which the Ex-Dividend Date falls during the Reference Period. If “**Relevant Deduction**” is specified to be applicable, the Net Yield shall be equal to the amount determined in accordance with the immediately preceding sentence less the aggregate amount of any Relevant Deductions. 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 or any Extraordinary Dividend (if applicable) for which the relevant payment date has passed, the Net Yield shall equal zero regardless of the declaration of an Eligible Dividend or an Extraordinary Dividend;

“**Net Yield Weighting**” has the meaning given to it in the applicable Final Terms;

“**Optional Settlement Amount (Call)**” means, in respect of any W&C Security, such amount as may be specified in the applicable Final Terms;

“**Optional Settlement Date (Call)**” has the meaning given in the applicable Final Terms;

“**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;

“**Payment Option 3 Outperformance**” means an amount as determined by the Determination Agent equal to:

$$\text{Rate} \times \text{Average Price} \times n/360$$

where:

“**Rate**” means the rate specified as such in the applicable Final Terms;

“**Average Price**” means the Settlement Value determined on the basis that each Scheduled Trading Day in the Observation Period is an Averaging Date and the relevant consequence in the case of Averaging Date Disruption will be the consequence specified as such in the applicable Final Terms, being one of Omission, Postponement or Modified Postponement;

“**n**” means the number of calendar days in the Observation Period;

“**Observation Period**” is the period from and including the Issue Date to but excluding the Scheduled Valuation Date;

“**Pari passu Basis**” means, in meeting the claims of the W&C Holders and the Counterparty (or if more than one Counterparty, the claims of all such Counterparties shall be met on the basis as specified in the applicable Final Terms) under the Charged Agreement(s), on a *pari passu* and *pro rata* basis;

“**Physical-Settlement Date**” means, in relation to Underlying Securities to be delivered following exercise of a W&C Security on an Exercise Date, the first day on which settlement of a sale of such Underlying Securities on that Exercise Date customarily would take place through the relevant Clearance System, unless a Settlement Disruption Event prevents delivery of such Underlying Securities on that day;

“**Potential Exercise Date**” means, in respect of any Share W&C Security, Share Basket W&C Security, Index W&C Security or Index Basket W&C Security, each date specified as such in the applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), unless

such date is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Latest Exercise Time on such date. If such date is a Disrupted Day due to the occurrence of such an event, then the Potential Exercise Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Potential Exercise Date is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Potential Exercise Date. Notwithstanding the fact that such day is a Disrupted Day. Notwithstanding the foregoing, if a W&C Security is exercised on a Scheduled Trading Day that would have been a Potential Exercise Date prior to the occurrence of an event giving rise to a Disrupted Day, such Scheduled Trading Day shall be deemed to be the Potential Exercise Date for the purpose of determining whether an Exercise Date has occurred during the Exercise Period;

**“Principal Financial Centre”** means, in respect of any Series of W&C Securities and any currency, the financial centre(s) for that currency specified as such in the applicable Final Terms, or, if none is specified, the financial centre or centres determined by the Determination Agent in its sole and absolute discretion;

**“Realisation Amount”** means the net proceeds of realisation of, or enforcement with respect to, the Mortgaged Property (following payment of (i) all amounts due to the Security Trustee and/or any appointee, including any costs, expenses and taxes incurred in connection with such realisation or enforcement and (ii) all amounts due and unpaid under clause 14.1 of the Agency Agreement to the Principal W&C Agent where the Principal W&C Agent has paid out such amounts under clause 14.8 of the Agency Agreement);

**“Reference Dealers”** means, in respect of any Series of W&C Securities, the dealers specified as such in the applicable Final Terms;

**“Reference Period”** means, in respect of a W&C Security, unless otherwise specified in the applicable Final Terms, the period from but including the Initial Date to and excluding the Exercise Date for that Security;

**“Reference Value”** means, on any day:

- (i) in respect of a Share to which a Share W&C Security or a Share Basket W&C Security relates, save where (iii) below applies, 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 W&C Security or an Index Basket W&C 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; and
- (iii) in respect of a Share to which a Share Security or a Share Basket Security relates where "Hedging Realisation Price" is specified to be applicable in the applicable Final Terms, the relevant Hedging Realisation Price or, if the Determination Agent determines that no Hedging Realisation Price can be determined at the relevant time for any reason other than the occurrence of a Disrupted Day (and such

reason may include the absence of hedging activities as described in the definition of “**Hedging Realisation Prices**”), the provision of (i)(a) above shall apply.

“**Registered W&C Securities**” has the meaning ascribed thereto in Condition 2 (*Form, Title and Transfer*);

“**Regulatory Event**” means that, at any time on or after the Trade Date, as a result of:

- (a) an implementation or adoption of, or change in, any applicable law, regulation, interpretation, action or response of a regulatory authority;
- (b) the promulgation of, or any interpretation by any court, tribunal, government or regulatory authority with competent jurisdiction (a “**Relevant Authority**”) of, any relevant law or regulation (including any action taken by a taxing authority); or
- (c) the public or private statement or action by, or response of, any Relevant Authority or any official or representative of any Relevant Authority acting in an official capacity,

there is a reasonable likelihood of it becoming:

- (i) unlawful, impossible or impracticable, for the Issuer and/or the Guarantor to maintain the W&C Securities and/or to maintain other instruments issued under the Program and/or to perform its obligations under the W&C Securities; and/or
- (ii) necessary for the Issuer and/or the Guarantor to obtain a licence, authorisation or other approval for the continuation or maintenance of the business relating to or supporting the W&C Securities or their hedging activities in relation to such W&C Securities.

“**Relevant Deduction**” means, in relation to an Eligible Dividend or an Extraordinary Dividend, each amount of applicable costs and/or taxes which the Determination Agent determines are or would be incurred or suffered by a recipient of such dividend or Extraordinary Dividend, in any such jurisdiction as the Determination Agent may determine to be relevant to the Issuer or its agent(s) or Affiliate(s) for hedging purposes in respect of the W&C Securities;

“**Right to Termination**” has the meaning given to it in Condition 26.

“**Right to Termination Notice**” means a notice which must be delivered to a Paying Agent by any W&C Holder wanting to exercise a right to redeem a W&C Security at the option of the W&C Holder under Condition 26.

“**Right to Termination Receipt**” means a receipt issued by a Paying Agent to a depositing W&C Holder upon deposit of a W&C Security and a Right to Termination Notice with such Paying Agent by any W&C Holder wanting to exercise a right to redeem a W&C Security at the option of the W&C Holder.

“**Rights**” means, in relation to any agreement or asset, all rights, title and interest of the relevant person in, to and under such agreement or asset including, without limitation:

- (a) in the case of the Issuer’s rights under the Agency Agreement, all its rights in respect of all funds and/or assets held from time to time by any of the W&C Agents or the Registrar, as the case may be, and/or the Custodian for payment in respect of the W&C Securities or otherwise in relation to the W&C Securities;
- (b) if the applicable Final Terms specify that Collateral Management Terms are applicable, in the case of the Issuer’s rights under the relevant Collateral Management Agreement, all the Issuer’s rights, title and interest under the relevant Collateral Management Agreement, including but not limited to all its rights to the Collateral Assets and/or in respect of all funds and/or assets held from time to time by the Custodian in relation to the W&C Securities; and
- (c) in the case of the Issuer’s rights under the Collateral Assets:
  - (i) if the Fully Funded Swap Agreement is specified as a CSA Fully Funded Swap Agreement in the applicable Final Terms, the Issuer’s rights to the Collateral Assets, including all its rights in respect thereof or relating thereto and any sums or assets

derived therefrom whether or not against third parties, including, without limitation, the Issuer's rights against the Custodian to redelivery of equivalent Collateral Assets and any proceeds of the sale of the Collateral Assets; or

- (ii) if the applicable Final Terms specify that the Fully Funded Swap Agreement is entered into together with a CSD, the Issuer's rights in relation to the Collateral Assets, including all its rights in respect thereof or relating thereto including, without limitation its rights in respect of the Security Interests granted by the Counterparty to the Issuer over the Collateral Assets pursuant to the CSD;

**"Securities Act"** means the United States Securities Act of 1933, as amended;

**"Security"** means the Security Interests created, or intended to be created at any time, in favour of the Security Trustee under the Security Documents in respect of such Series;

**"Security Documents"** means the Security Trust Deed and any Additional Charging Documents in respect of such Series;

**"Security Interest"** means any mortgage, sub-mortgage, standard security, charge, sub-charge, assignment, assignation in security, pledge, lien, right of set-off or other encumbrance or security interest;

**"Settlement Currency"** means, in respect of any Series of W&C Securities, the currency specified as such in the applicable Final Terms;

**"Settlement Cycle"** means, in respect of an Underlying Security or Index, the period of Settlement Cycle Days following a trade in such Underlying Security or the securities or other property underlying such Index, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period) and for this purpose **"Settlement Cycle Day"** means a day on which the relevant Clearance System at the relevant time is (or, but for the occurrence of a Settlement Disruption Event would have been) open for the acceptance and execution of settlement instructions or, if none, a day selected by the Determination Agent;

**"Settlement Election Date"** means, in respect of any Series of W&C Securities, the date specified in the applicable Final Terms or, if such date is not a Business Day and a Clearance System Business Day, the next following day that is a Business Day and a Clearance System Business Day;

**"Settlement Value"** means:

- (i) in respect of an Index W&C Security or a Share W&C 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 W&C 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 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 W&C 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 W&C Security or Share Basket W&C Security and subject to Condition 11, a share of the Share Issuer (with a Bloomberg ticker and ISIN, where applicable, as specified in the applicable Final Terms) and “**Shares**” shall be interpreted accordingly;

“**Share Basket W&C Securities**” means W&C Securities relating to a basket of Underlying Securities that are shares;

“**Share Issuer**” has the meaning given to it in the applicable Final Terms subject to adjustment as provided in the Conditions;

“**Share W&C Securities**” means W&C Securities relating to a single Underlying Security that is a share;

“**Specified Office**” means, in respect of any Series of W&C Securities, any office or branch of the Reference Dealer located in the city specified for such purpose in the applicable Final Terms. If a city is not so specified, the Specified Office will be deemed to be an office or branch of such Reference Dealer located in the Principal Financial Centre of the Reference Currency unless no quotations are available from the relevant office or branch of such Reference Dealer in which case, the Specified Office of the relevant Reference Dealer shall be the office or branch of such Reference Dealer located in any major financial market for the purchase and sale of the Reference Currency and the Settlement Currency outside the country where the Reference Currency is the lawful currency, as selected by the Determination Agent;

“**Spot Rate**” means the currency exchange rate for conversion of the relevant Share or dividend currency into the Specified Currency at such time and date as is specified in the applicable Final Terms determined by the Determination Agent by reference to such source(s) as it determines appropriate;

“**Strike Price**” means, in respect of any Series of W&C Securities, the price, level or amount specified as such or otherwise determined as provided in the applicable Final Terms;

“**Strike Price Payment Date**” has the meaning ascribed thereto in the applicable Final Terms;

“**Substitution Date**” has the meaning given to it in Condition 26.

“**Substitution Termination Date**” has the meaning given to it in Condition 26.

“**TARGET2**” means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**Taxes**” has the meaning ascribed thereto in Condition 8.5.1 (*Physical-Settlement W&C Securities*);

“**Termination Amount**” means, in respect of a W&C Security, an amount in the Settlement Currency determined by the Determination Agent equal to (i) the fair market value of such W&C Security (taking into account all factors which the Determination Agent determines relevant) immediately prior to the termination of such W&C Security, provided that no account shall be taken of the financial condition of (a) the Issuer which shall be presumed to be able to perform fully its obligations in respect of the W&C Securities or (b) the Guarantor which shall be presumed to be able to perform fully its obligations in respect of the Guarantee less (ii) such W&C Security’s pro rata share of the cost to the Counterparty of, or the loss realised by the Counterparty on, unwinding any hedging arrangements hedging the Counterparty’s obligations under the Fully Funded Swap Agreement, the amount of such cost or loss being determined by the Determination Agent in its sole and absolute discretion plus (iii) if already paid by or on behalf of a W&C Holder, the Strike Price.

“**Transaction Documents**” means the Security Trust Deed, the Agency Agreement, the Charged Agreement(s), the Additional Agreements and any Additional Charging Document, in each case entered into in relation to such Series and all agreements incidental to the issue of the W&C Securities of such Series;

“**UCITS Fund**” means an investment fund that qualifies as an undertaking for collective investment in transferable securities within the scope of Council Directive 85/611/EEC of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), as such directive is amended, superseded and replaced from time to time;

“**Underlying Securities**” means shares, bonds, other debt securities, other securities or other property specified as such in the applicable Final Terms, and “**Underlying Security**” shall be construed accordingly; and

“**Underlying Security Issuer**” means, in respect of Underlying Securities, the issuer of the relevant Underlying Securities.

“**Weighting**” means, in the case of a Basket and where applicable, the relevant Weighting for an Index or Underlying Security specified in the applicable Final Terms; and

“**W&C Holder**” has the meaning ascribed thereto in Condition 2.2 (*Title*).

## 2. **FORM, TITLE AND TRANSFER**

2.1. *Form:* MSBV will issue W&C Securities in bearer form (“**Bearer W&C Securities**”) or in registered form (“**Registered W&C Securities**”).

2.2. *Bearer W&C Securities:*

2.2.1. *Form:* Each Tranche of Bearer W&C Securities will (unless so specified in the applicable Final Terms) at all times be represented by a Global Bearer Warrant or a Global Bearer Certificate (each a “**Global Bearer W&C Security**”). The Global Bearer W&C Security will be deposited on the issue date (the “**Issue Date**”) specified in the applicable Final Terms with a common depository (the “**Common Depository**”) for the relevant Clearance System(s). Bearer W&C Securities in definitive bearer form will be issued only if so specified in the applicable Final Terms.

2.2.2. *Title:* The person for the time being appearing in the books of the relevant Clearance System as the holder of a Bearer W&C Security shall be treated for all purposes by the Issuer, the W&C Agents, the relevant Clearance System and all other persons dealing with such person as the holder thereof (a “**W&C Holder**” or a “**W&C holder**”) and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary, except that (i) Euroclear shall not be treated as the W&C holder of any Bearer W&C Security held in an account with Clearstream, Luxembourg on behalf of Euroclear’s accountholders and (ii) Clearstream, Luxembourg shall not be treated as the W&C holder of any Bearer W&C Security held in an account with Euroclear on behalf of Clearstream, Luxembourg’s accountholders.

2.2.3. *Transfer:* All transactions in (including transfers of) Bearer W&C Securities, in the open market or otherwise, must be effected through an account at the Clearance System(s) in which the Bearer W&C Securities to be transferred are held. Interests in the Global W&C Security will be transferable in a minimum amount of such number of Bearer W&C Securities (the “**Minimum Transfer Amount**”) as is specified in the applicable Final Terms and in accordance with the rules and procedures for the time being of the relevant Clearance System.

2.2.4. The Bearer W&C Securities may not be offered, sold, delivered or otherwise transferred within the United States or to or for the account or benefit of U.S. persons (as such terms are used in Regulation S under the Securities Act and the CEA) and will bear a legend to such effect.

2.3. *Registered W&C Securities:*

2.3.1. *Form:* Registered W&C Securities may be in either individual certificate form (“**Individual W&C Certificates**”) or represented by a global registered warrant or a global registered certificate (each a “**Global Registered W&C Security**”).

2.3.2. *Title:* Title to the Registered W&C Securities passes by registration in the Register which is kept by the Registrar in accordance with the provisions of the Agency Agreement.

If Registered W&C Securities are to be cleared through a Clearance System the Registered W&C Securities will be represented by a Global Registered W&C Security deposited with a common depositary for the relevant Clearance System and registered in the name of a nominee for such common depositary. The person for the time being appearing in the books of the relevant Clearance System as the holder of such Registered W&C Securities shall be treated for all purposes by the Issuer, the Registrar, the relevant Clearance System and all other persons dealing with such person as the holder thereof (a “**W&C Holder**” or a “**W&C holder**”) and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary, except that (i) Euroclear shall not be treated as the W&C holder of any W&C Security held in an account with Clearstream, Luxembourg on behalf of Euroclear’s accountholders and (ii) Clearstream, Luxembourg shall not be treated as the W&C holder of any W&C Security held in account with Euroclear on behalf of Clearstream, Luxembourg’s accountholders.

In the case of Registered W&C Securities not held through a Clearance System, an Individual W&C Certificate will be issued to each holder of Registered W&C Securities in respect of its registered holding. Each Individual W&C Certificate will be numbered serially with an identifying number which will be recorded in the Register. “**W&C holder**” means, in the case of Registered W&C Securities, the person in whose name such Individual W&C Certificate is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**W&C Holder**” shall be construed accordingly.

2.3.3. *Ownership:* The holder of any Registered W&C Security shall (except as otherwise required by law) 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 other interest therein, any writing thereon or on the Individual W&C Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

2.3.4. *Transfers:* In the case of W&C Securities held through a Clearance System, all transactions in (including transfers of) Registered W&C Securities, in the open market or otherwise, must be effected through an account at the Clearance System(s) in which the Registered W&C Securities to be transferred are held. Interests in the Global Registered W&C Security will be transferable in a minimum amount of such number of Registered W&C Securities (the “**Minimum Transfer Amount**”) as is specified in the applicable Final Terms and in accordance with the rules and procedures for the time being of the relevant Clearance System.

In the case of Registered W&C Securities not held through a Clearance System, subject to Conditions 2.3.7 (*Closed Periods*) and 2.3.8 (*Regulations concerning transfers and registration*) below, a Registered W&C Security may be transferred upon surrender of the relevant Individual W&C Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Registered W&C Securities represented by the surrendered Individual W&C Certificate are the subject of the transfer, a new Individual W&C Certificate in respect of the balance of the Registered W&C Securities will be issued to the transferor.

- 2.3.5. *Registration and Delivery*: In the case of Registered W&C Securities not held through a Clearance System, within five business days of the surrender of an Individual W&C Certificate in accordance with Condition 2.3.4 (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Individual W&C Certificate of a like amount to the Registered W&C Securities transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 2.3.5, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- 2.3.6. *No charge*: In the case of Registered W&C Securities not held through a Clearance System, the transfer of a Registered W&C Security will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- 2.3.7. *Closed Periods*: In the case of Registered W&C Securities not held through a Clearance System, holders of Registered W&C Securities may not require transfers to be registered during the period of 15 days ending on the due date for any payment in respect of the Registered W&C Securities.
- 2.3.8. *Regulations concerning transfers and registration*: All transfers of Registered W&C Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Registered W&C Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any holder of Registered W&C Securities who requests in writing a copy of such regulations.

### 3. STATUS OF W&C SECURITIES

#### 3.1. *Status of W&C Securities*:

The W&C Securities of each Series constitute secured, direct and general obligations of the Issuer secured in the manner described in Condition 4 (*Security*). The W&C Securities rank *pari passu* among themselves.

#### 3.2. *Status of Guarantee*:

The Guarantor’s obligations in respect of the W&C Securities constitute direct, unconditional and unsecured obligations of the Guarantor which rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of Morgan Stanley, present and future, but, in the event of insolvency, only to the extent permitted by laws affecting creditors' rights.

*The Issuer is not obliged to purchase or hold Underlying Securities:*

By exercising a W&C Security, the W&C holder thereof shall be deemed to have agreed to such form of settlement as the Issuer may elect in accordance with Conditions 8.6 (*Optional Physical-Settlement*) and 8.7 (*Optional Cash-Settlement*), if applicable.

### 4. SECURITY

#### 4.1. *Security*: Pursuant to the Security Trust Deed the Issuer’s obligations under the W&C Securities and the Charged Agreement(s) will be secured by the following security:

- (a) a first ranking assignment by way of security of all of the Issuer’s Rights under the Agency Agreement in respect of such W&C Securities;

- (b) a first ranking assignment by way of security of all of the Issuer's Rights in, to and under the Initial Collateral Assets;
  - (c) a first ranking assignment by way of security of all of the Issuer's Rights in, to and under the Eligible Collateral delivered or transferred to the Custodian pursuant to the provisions of the Charged Agreement(s); and
  - (d) a first ranking assignment by way of security of the Issuer's Rights under the Charged Agreement(s) (other than in respect of the Issuer's obligations under the Charged Agreement(s)) and the Issuer's Rights under any Additional Agreement.
- 4.2. The applicable Final Terms will specify whether (i) the Charged Agreement(s) will include (a) a CSA Fully Funded Swap Agreement or a Fully Funded Swap Agreement entered into together with a CSD and (b) the BONYM Collateral Management Agreement or such other Collateral Management Agreement specified therein and (ii) any other security interest will be created under the Security Trust Deed and/or under an Additional Charging Document.
- 4.3. *Realisation of Mortgaged Property:* If the Security in relation to any of the Mortgaged Property become enforceable following a mandatory termination of the W&C Securities pursuant to Condition 18 or if the W&C Securities are declared immediately due and payable pursuant to Condition 19, the Security Trustee may in its discretion and, if requested by an Instructing Creditor, shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction) realise such Mortgaged Property and/or take such action as may be permitted under applicable laws against any obligor in respect of such Mortgaged Property. The Security Trustee will not have any liability as to the consequence of such action and will not have regard to the effect of such action on individual W&C Holders or the Counterparty. On the occurrence of any such event, the Charged Agreement(s) will terminate in accordance with its or their terms.

## 5. **DISTRIBUTION PROVISIONS**

- 5.1. *Application:* This Condition 5 (*Distribution Provisions*) is applicable to the W&C 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 W&C Security on each Distribution Payment Date, subject as provided in Condition 5.9 and this Condition 5.2. The Distribution Amount(s) shall equal such amount(s) or be calculated in such manner as is specified in the applicable Final Terms less any amount in respect of Taxes. The payment of Distribution Amounts in respect of each W&C Security shall be subject to any other terms specified in the applicable Final Terms, including any Distribution Record Date which may apply in respect of any payment.
- 5.3. *Share Issuer Shortfall:* If a Distribution Amount is paid to the W&C Holders and 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 W&C Security even though such deduction(s) may mean no subsequent amounts are payable under the W&C 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 at or as soon as reasonably practicable after the relevant time or times in respect of which any such amount is to be determined.

- 5.6. *Publication:* The Determination Agent will cause each Distribution Amount determined by it, together with the relevant Distribution Payment Date, Distribution Record Date (if applicable), and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the relevant W&C Agent and, if the relevant W&C Agent is not the Principal W&C Agent, the Principal W&C Agent and each listing authority and/or stock exchange (if any) on which the W&C Securities have been admitted to listing, trading and/or quotation as soon as practicable after such determination. 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. *Accrual:* Distribution Amounts will be deemed only to have accrued as of the due date for payment.
- 5.8. *Determination Agent:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the 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.
- 5.9. *No Further Distribution after Exercise or Termination:* If the applicable Final Terms specify that the Distribution Provisions are applicable, on the exercise or redemption of any W&C Security, or termination of such W&C Security pursuant to the Conditions, no Distribution Amount shall be payable in respect thereof.

## 6. APPLICATION OF PROCEEDS

The Security Trust Deed provides for the application of the Realisation Amount in accordance with the relevant Security Ranking Basis (following payment of (i) all amounts due to the Security Trustee and/or any appointee under or pursuant to the Security Trust Deed, including any costs, expenses and taxes incurred in connection with enforcement or realisation in accordance with the Security Trust Deed and (ii) all amounts due and unpaid under clause 14.1 of the Agency Agreement to the Principal W&C Agent where the Principal W&C Agent has paid out such amounts under clause 14.8 of the Agency Agreement).

The applicable Final Terms will specify the “**Security Ranking Basis**” in accordance with which the Realisation Amount will be applied, being one of the following:

- (a) “**W&C Holder Priority Basis**” meaning, first, in meeting claims of the W&C Holders under the W&C Securities on a *pari passu* and *pro rata* basis and, thereafter, in meeting the claims of the Counterparty (or if more than one Counterparty, the claims of all such Counterparties shall be met on the basis as specified in the applicable Final Terms) under the Charged Agreement(s); or
- (b) “**Pari passu Basis**” meaning in meeting the claims of the W&C Holders and the Counterparty (or if more than one Counterparty, the claims of all such Counterparties shall be met on the basis as specified in the applicable Final Terms) under the Charged Agreement(s) on a *pari passu* and *pro rata* basis; or
- (c) “**Counterparty Priority Basis**” meaning, first, in meeting the claims of the Counterparty (or, if more than one Counterparty, the claims of all such Counterparties shall be met on the basis as specified in the applicable Final Terms) under the Charged Agreement(s) and, thereafter, in meeting the claims of the W&C Holders on a *pari passu* and *pro rata* basis.

For the avoidance of doubt, the Counterparty shall not have any claim in respect of the Issuer’s Rights under the Charged Agreement(s).

## 7. **SHORTFALL AFTER APPLICATION OF PROCEEDS**

- 7.1. In the event that, following the application of the Realisation Amount in accordance with the applicable Security Ranking Basis, the amount payable to a W&C Holder in respect of each W&C Security held by him is less than the Termination Amount (the difference being referred to as a “**Shortfall**”), the Issuer shall remain liable for such Shortfall, but any such W&C Holder shall not have recourse to the Mortgaged Property secured in respect of any other Series of W&C Securities.
- 7.2. In the event that the Issuer fails to make payment of the Shortfall, the Guarantor will on demand (without requiring the W&C Holder, first to take steps against the Issuer or any other person) pay to each W&C Holder in respect of each W&C Security held by him, an amount equal to the Shortfall (as to which the certificate of the relevant W&C Holder shall in the absence of manifest error be conclusive) in the currency in which the Shortfall is payable by the Issuer.

## 8. **RIGHTS ON EXERCISE OF W&C SECURITIES**

### 8.1. *American Style W&C Securities:*

If the W&C Securities are specified in the applicable Final Terms as being “**American Style W&C Securities**”, then this Condition 8.1 is applicable and the W&C Securities are exercisable not later than the Latest Exercise Time on any day during the Exercise Period which is a Business Day, a Clearance System Business Day and, if so specified in the applicable Final Terms, a Scheduled Trading Day, an Exchange Business Day and/or a Currency Business Day, subject to Condition 8.9 (*W&C Securities void on expiry*) and to prior termination of the W&C Securities as provided in Conditions 11.3 (*Adjustments affecting Underlying Securities*) to 13 (*Provisions Relating to all W&C Securities*), 16 (*Force Majeure and Illegality*), 17 (*Optional Termination Following Increased Cost of Collateral Asset Event*), 18 (*Mandatory Termination Following Termination of the Fully Funded Swap Agreement or CSD*) and 19 (*Events of Default*).

### 8.2. *European Style W&C Securities:*

If the W&C Securities are specified in the applicable Final Terms as being “**European Style W&C Securities**”, then this Condition 8.2 is applicable and the W&C Securities are exercisable only not later than the Latest Exercise Time on the Expiration Date, subject to Condition 8.9 (*W&C Securities void on expiry*) and to prior termination of the W&C Securities as provided in Conditions 11.3 (*Adjustments affecting Underlying Securities*) to 13 (*Provisions Relating to all W&C Securities*), 16 (*Force Majeure and Illegality*), 17 (*Optional Termination Following Collateral Asset Default*), 18 (*Mandatory Termination Following Termination of the Fully Funded Swap Agreement or CSD*) and 19 (*Events of Default*).

### 8.3. *Bermudan Style W&C Securities:*

If the W&C Securities are specified in the applicable Final Terms as being “**Bermudan Style W&C Securities**”, then this Condition 8.3 is applicable and the W&C Securities are exercisable only not later than the Latest Exercise Time on each Potential Exercise Date, subject to Condition 8.9 (*W&C Securities void on expiry*) and to prior termination of the W&C Securities as provided in Conditions 11.3 (*Adjustments affecting Underlying Securities*) to 13 (*Provisions relating to all W&C Securities*), 16 (*Force Majeure and Illegality*), 17 (*Optional Termination Following Increased cost of Collateral Assets Event*), 18 (*Mandatory Termination Following Termination of the Fully Funded Swap Agreement or CSD*) and 19 (*Events of Default*).

### 8.4. *Cash-Settlement W&C Securities:*

If the W&C Securities are specified in the applicable Final Terms as being “**Cash-Settlement W&C Securities**”, then, subject to Condition 8.6 (*Optional Physical-Settlement*) if applicable, upon exercise each W&C Security entitles the W&C holder thereof to receive from the Issuer on the Cash-Settlement Payment Date an amount (the “**Cash-Settlement Amount**”) being one of the payout options set out below and

calculated in accordance with the applicable Final Terms in the currency (the “**Settlement Currency**”) specified in the applicable Final Terms (less any amount in respect of Taxes, as defined below):

*Payout option 1 and 5:*

An amount determined by the Determination Agent equal to, in respect of each Share comprised in the Basket the sum of (if applicable), (i) the Reference Value of the Underlying Security as of the Valuation Time on the Valuation Date plus (ii) the Net Yield plus (iii) the Outperformance. Relevant Deduction applies for these purposes.

*Payout option 2 and 6:*

An amount determined by the Determination Agent equal to the Reference Value of the Underlying Security as of the Valuation Time on the Valuation Date, multiplied by an amount if specified in the applicable Final Terms, and calculated in a currency specified in the applicable Final Terms and converted into the Specified Currency at the Spot Rate at or about a time specified in the applicable Final Terms on the Valuation Date.

*Payout option 3:*

An amount determined by the Determination Agent equal to (A) the Reference Value of the Underlying Security as of the Valuation Time on the Valuation Date calculated in a currency specified in the applicable Final Terms and, if specified in the applicable Final Terms, converted into the Specified Currency at the Spot Rate at or about a time specified in the applicable Final Terms on the Valuation Date, plus (B) Payment Option 3 Outperformance plus (C) the Net Yield. Relevant Deduction applies for these purposes.

*Payout option 4:*

The Reference Value as of the Valuation Time on the Valuation Date.

The Cash-Settlement Amount will be rounded down to the nearest minimum unit of the Settlement Currency, with W&C Securities exercised at the same time by the same W&C Holder being aggregated for the purpose of determining the aggregate Cash-Settlement Amount payable in respect of such W&C Securities.

8.5. *Physical-Settlement W&C Securities:*

8.5.1. *Full Physical-Settlement W&C Securities:* If the W&C Securities are specified in the applicable Final Terms as being “**Full Physical-Settlement W&C Securities**”, then, subject to Condition 8.7 (*Optional Cash-Settlement*) if applicable, upon the exercise of a W&C Security by a W&C Holder, the Issuer will deliver or procure the delivery of all the Underlying Securities in respect of such W&C Security on the Physical-Settlement Date to the account of the Clearance System specified, or as may otherwise be specified, for that purpose by such Holder in the relevant Exercise Notice, following payment by such W&C Holder to or to the order of the Issuer on or before the Strike Price Payment Date of the Strike Price (plus an amount equal to all applicable stamp tax, stamp duty reserve tax, estate, inheritance, gift, transfer, capital gains, corporation, income, property, withholding, other taxes, duties and charges (“**Taxes**”) due by reason of the exercise of such W&C Security and the purchase for, and credit to or to the order of such W&C Holder of such Underlying Securities), all as more fully described in Condition 9 (*Exercise*).

8.5.2. *Part Physical-Settlement W&C Securities:* If the W&C Securities are specified in the applicable Final Terms as being “**Part Physical-Settlement W&C Securities**”, then, subject to Condition 8.7 (*Optional Cash-Settlement*) if applicable, upon the exercise of a W&C Security by a W&C Holder, the Issuer will deliver or procure the delivery of all the Underlying Securities in respect of such W&C Security on the Physical-Settlement Date to the account of the Clearance System specified, or as may otherwise be specified, for that purpose by such W&C Holder in the relevant Exercise Notice. The number of

Underlying Securities to be so delivered shall be an amount of Underlying Securities, rounded down if not a whole number, whose market value (as determined by the Determination Agent in its sole and absolute discretion) on the Exercise Date (less any commissions which the Issuer may charge at such rate as it deems fit in its sole and absolute discretion and any applicable Taxes due by reason of the exercise of such W&C Security and the purchase for, and credit to or to the order of such W&C Holder of such Underlying Securities) is equal to the excess, if any, of the Settlement Price over the Strike Price. Where a W&C Holder becomes entitled to receive Underlying Securities in respect of more than one W&C Security, any rounding adjustment referred to in this Condition 8.5(b) shall be applied only to the aggregate number of Underlying Securities deliverable in respect of such W&C Securities.

8.5.3. *Other Physical-Settlement W&C Securities:* If the W&C Securities are specified in the applicable Final Terms as being “**Other Physical-Settlement W&C Securities**”, then, subject to Condition 8.7 (*Optional Cash-Settlement*) if applicable, upon the exercise of a W&C Security by a W&C Holder, the Issuer will deliver or procure the delivery of such amount of Underlying Securities, or the W&C Securities will be settled in any other manner, as may be specified in, or determined in accordance with, the applicable Final Terms.

8.5.4. In these Conditions, references to “Physical-Settlement W&C Securities” shall, where the context so admits, comprise Full Physical-Settlement W&C Securities, Part Physical-Settlement W&C Securities and Other Physical-Settlement W&C Securities.

8.6. *Optional Physical-Settlement:*

If this Condition 8.6 is specified in the applicable Final Terms as being applicable, then, upon the exercise of a W&C Security by a W&C Holder, the Issuer may elect not to pay the Cash-Settlement Amount to that Holder in accordance with Condition 8.4 (*Cash-Settlement W&C Securities*), but instead deliver or procure the delivery of Underlying Securities in accordance with Condition 8.5(a) (*Full Physical-Settlement W&C Securities*) or Condition 8.5.2 (*Part Physical-Settlement W&C Securities*).

8.7. *Optional Cash-Settlement:*

If this Condition 8.7 is specified in the applicable Final Terms as being applicable, then, upon the exercise of a W&C Security by a W&C Holder, the Issuer may elect not to deliver or procure the delivery of Underlying Securities in accordance with Condition 8.5(a) (*Full Physical-Settlement W&C Securities*) or Condition 8.5(b) (*Part Physical-Settlement W&C Securities*), but instead to pay the Cash-Settlement Amount to that W&C Holder in accordance with Condition 8.4 (*Cash-Settlement W&C Securities*).

8.8. *Notification of election:*

If Condition 8.6 (*Optional Physical-Settlement*) or Condition 8.7 (*Optional Cash-Settlement*) is specified in the applicable Final Terms as being applicable, the Issuer will, by the close of business (London time) on the Settlement Election Date, notify the relevant Clearance System(s), the Principal W&C Agent or the Registrar, as the case may be, the Determination Agent and the relevant W&C Holder whether it has elected to pay the Cash-Settlement Amount in accordance with Condition 8.4 (*Cash-Settlement W&C Securities*) or deliver or procure the delivery of Underlying Securities in accordance with Condition 8.5.1 (*Full Physical-Settlement W&C Securities*) or Condition 8.5.2 (*Part Physical-Settlement W&C Securities*). Notice to the relevant W&C Holder shall be given by facsimile or telex to the number specified in the relevant Exercise Notice, and any notice so given shall be deemed received by the relevant W&C Holder.

8.9. *W&C Securities void on expiry:*

Subject to Condition 9.6 (*Deemed Exercise*), W&C Securities with respect to which an Exercise Notice has not been duly completed and delivered to the relevant Clearance System and to the Principal W&C Agent or the Registrar, as the case may be, in the manner set out in Condition 9 (*Exercise*), before the Latest Exercise Time shall become void for all purposes and shall cease to be transferable.

8.10. *Delivery outside the United States:*

Notwithstanding the foregoing, no cash, securities or other property shall be delivered in the United States (as defined in Regulation S under the Securities Act, and in the CEA) in connection with the settlement of, or exercise of, W&C Securities.

9. **EXERCISE**

9.1. *Exercise Notice:*

9.1.1. Subject to Condition 8.9 (*W&C Securities void on expiry*) and to prior termination of the W&C Securities as provided in Conditions 11.3 (*Adjustments affecting Underlying Securities*) to 13 (*Provisions Relating to all W&C Securities*), 16 (*Force Majeure and Illegality*), 17 (*Optional Termination Following Collateral Asset Default*), 18 (*Mandatory Termination Following Termination of the Fully Funded Swap Agreement or CSD*) and 19 (*Events of Default*), W&C Securities may be exercised by a W&C Holder (at his own expense) at such time and on such day(s) as provided in Condition 8.1 (*American Style W&C Securities*), 8.2 (*European Style W&C Securities*) or 8.3 (*Bermudan Style W&C Securities*), as applicable, by delivery from a location outside the United States, or by the sending of a tested telex confirmed in writing from a location outside the United States, of a duly completed and signed Exercise Notice to (i) the relevant Clearance System, (ii) the W&C Agents and (iii) the Determination Agent (in the case of Bearer W&C Securities) or (i) the relevant Clearance System (if any), (ii) the Registrar and (iii) the Determination Agent (in the case of Registered W&C Securities).

9.1.2. Subject to Condition 8.9 (*W&C Securities void on expiry*), any Exercise Notice delivered after the Latest Exercise Time on any day shall: (a) in the case of Bermudan Style W&C Securities and European Style W&C Securities, be void and (b) in the case of American Style W&C Securities, be deemed to have been delivered on the next following day on which such W&C Securities are exercisable (unless no such day occurs on or prior to the Expiration Date, in which case that Exercise Notice shall be void).

9.2. *Form of Exercise Notice for Cash-Settlement W&C Securities:*

Each Exercise Notice shall be in the form (for the time being currently) available from each W&C Agent or the Registrar, as applicable, and must:

- (a) specify the name, address, telephone, facsimile and telex details of the W&C Holder in respect of the W&C Securities being exercised;
- (b) specify the number of W&C Securities of the relevant Series being exercised by the W&C Holder (which must not be less than the Minimum Exercise Number);
- (c) in the case of W&C Securities held in a Clearance System, specify the number of the W&C Holder's account at the relevant Clearance System to be debited with the W&C Securities being exercised and irrevocably instruct, or, as the case may be, confirm that the W&C Holder has irrevocably instructed, the relevant Clearance System to debit the W&C Holder's account with the W&C Securities being exercised and credit the same to the account of the Principal W&C Agent or the Registrar, as applicable;
- (d) specify the number of the W&C Holder's account (i) in the case of W&C Securities held in a Clearance System, at the relevant Clearance System or (ii) in the case of W&C Securities not held in a Clearance System, at a financial institution, to be credited with the Cash-Settlement Amount for the W&C Securities being exercised;
- (e) include an irrevocable undertaking to pay any applicable Taxes due by reason of exercise of the relevant W&C Securities and an authority to the Issuer and, in the case of W&C Securities held in a Clearance System, the relevant Clearance System, to deduct an amount in respect thereof from

any Cash-Settlement Amount due to such W&C Holder or otherwise (on, or at any time after, the Cash-Settlement Payment Date) and, in the case of W&C Securities held in a Clearance System, to debit a specified account of the W&C Holder at the relevant Clearance System with an amount or amounts in respect thereof; and

- (f) give a certification as to the non-U.S. beneficial ownership of the W&C Securities being exercised therewith.

9.3. *Form of Exercise Notice for Physical-Settlement W&C Securities:*

If the W&C Securities are specified in the applicable Final Terms as being Physical-Settlement W&C Securities or if Condition 8.6 (*Optional Physical-Settlement*) is specified in the applicable Final Terms as being applicable, the Exercise Notice shall also:

- (a) in the case of Full Physical-Settlement W&C Securities, irrevocably undertakes to pay the aggregate Strike Price in respect of the W&C Securities being exercised on the Strike Price Payment Date and, in the case of W&C Securities held in a Clearance System, irrevocably instruct the relevant Clearance System to debit on the Strike Price Payment Date a specified account of the W&C Holder with the aggregate Strike Price in respect of the W&C Securities being exercised (plus any applicable Taxes), and to transfer such amount to such account as shall have been specified by the Issuer to the relevant Clearance System for that purpose;
- (b) include an irrevocable undertaking to pay any applicable Taxes due by reason of the transfer (if any) of Underlying Securities to the account at the relevant Clearance System specified, or as otherwise specified, by the W&C Holder and, in the case of Warrants held in a Clearance System, an authority to the Issuer and the relevant Clearance System to debit a specified account of the W&C Holder with an amount in respect thereof;
- (c) specify the number of the W&C Holder's account with the relevant Clearance System to be credited with the relevant Underlying Securities or, as the case may be, the delivery details for such Underlying Securities.

9.4. *Verification of W&C Holder:*

9.4.1. To exercise W&C Securities, the W&C holder thereof must duly complete an Exercise Notice. In the case of W&C Securities held in a Clearance System, the relevant Clearance System shall, in accordance with its normal operating procedures, verify that each person exercising W&C Securities is the W&C Holder thereof according to its records and that such W&C Holder has an account at the relevant Clearance System which contains W&C Securities in an amount being exercised and funds equal to any applicable Taxes and the aggregate Strike Price (if any) in respect of the W&C Securities being exercised. In the case of Registered W&C Securities not held in a Clearance System, the Registrar shall verify that each person exercising W&C Securities is the W&C Holder thereof according to its records.

9.4.2. If, in the determination of the relevant Clearance System, the Principal W&C Agent or the Registrar, as the case may be:

- (a) the Exercise Notice is not complete or not in proper form;
- (b) the person submitting an Exercise Notice is not validly entitled to exercise the relevant W&C Securities or not validly entitled to deliver such Exercise Notice; or
- (c) in the case of W&C Securities held in a Clearance System, sufficient W&C Securities or sufficient funds equal to any applicable Taxes and the aggregate Strike Price (if any) 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 W&C Holder's W&C Securities is still desired.

9.4.3. Any determination by the relevant Clearance System, the Principal W&C Agent or the Registrar, as the case may be, as to any of the matters set out in Condition 9.4.29.4.2 above shall, in the absence of manifest error, be conclusive and binding upon the Issuer, the W&C Holder and the beneficial owner of the W&C Securities exercised.

9.5. *Notification to Principal W&C Agent, Common Depositary and/or Registrar:*

9.5.1. Subject to the verification set out in Condition 9.4.1 above, the relevant Clearance System will:

- (a) confirm to the Principal W&C Agent or the Registrar, as the case may be, (copied to the Issuer and the Determination Agent) the number of W&C Securities being exercised and the number of the account to be credited with the Cash-Settlement Amount or, as the case may be, with the Underlying Securities; and
- (b) in the case of Bearer W&C Securities promptly notify the Common Depositary of receipt of the Exercise Notice and the number of the W&C Securities to be exercised.

9.5.2. Upon exercise of part of the Global W&C Security, the Common Depositary or the Registrar, as the case may be, will note such exercise on the Schedule to the Global W&C Security and the number of W&C Securities so exercised as represented by the Global W&C Security shall be cancelled pro tanto.

9.6. *Deemed Exercise:*

If "**Deemed Exercise**" is specified in the applicable Final Terms to be applicable in relation to a Series of W&C 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 W&C Securities of such Series, each such W&C Security which is "in-the-money" 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 Conditions 11.3 (*Adjustments affecting Underlying Securities*) to 13 (*Provisions Relating to all W&C Securities*), 16 (*Force Majeure and Illegality*), 17 (*Optional Termination Following Collateral Asset Default*), Condition 18 (*Mandatory Termination Following Termination of the Fully Funded Swap Agreement or CSD*) and 19 (*Events of Default*). Notwithstanding such deemed exercise, the Issuer shall be under no obligation to settle any such W&C Security until the W&C holder has delivered an Exercise Notice in the prescribed form in accordance with Conditions 9.2 (*Form of Exercise Notice for Cash-Settlement W&C Securities*) and/or 9.3 (*Form of Exercise Notice for Physical-Settlement W&C Securities*) above, provided that where the W&C holder has not delivered an Exercise Notice within 30 Business Days and, in the case of W&C Securities held through a Clearance System, Clearance System Business Days of the day on which such W&C Securities were deemed to have been exercised, (i) if, in respect of Physical-Settlement W&C Securities only, "Assessed Value Payment Amount" is specified as applicable in the applicable Final Terms, the Issuer shall, as soon as reasonably practicable determine the Assessed Value Payment Amount in respect of the relevant W&C Securities and shall procure that the Assessed Value Payment Amount is credited to the relevant W&C Holder's account with the relevant Clearance System in the same manner as for a Cash Settlement Amount in accordance with Condition 9.8 (*Payment and delivery*) as soon as reasonably practicable following the determination of the Assessed Value Payment Amount. Upon payment of the Assessed Value Payment Amount as aforesaid, the Issuer's obligations in respect of such W&C Securities and Morgan Stanley's obligations in respect of such W&C Securities pursuant to the Guarantee shall be discharged, otherwise (ii) such W&C Securities shall become void for all purposes.

As used herein, "**Assessed Value Payment Amount**" means an amount determined by the Calculation Agent acting in good faith and in a commercially reasonable manner to be the fair market value of the relevant number of Underlying Securities in respect of the relevant W&C Securities.

9.7. *Debit of W&C Holder's Account:*

9.7.1. In the case of W&C Securities held through a Clearance System, the relevant Clearance System will on or before the Cash-Settlement Payment Date or the Physical-Settlement Date, as the case may be, debit the relevant account of the W&C Holder and credit the relevant account of the Principal W&C Agent or the Registrar, as the case may be, (in favour of the Issuer) with: (i) the W&C Securities being exercised, (ii) the aggregate Strike Price (if any) in respect of the W&C Securities being exercised (plus any applicable Taxes), and (iii) any other amounts and/or amounts of Underlying Securities as may be specified in the applicable Final Terms.

9.7.2. If any of the items set out in Condition 9.7.1 above are not so credited to the relevant account of the Principal W&C Agent or the Registrar, as applicable, (in favour of the Issuer), then the Issuer shall be under no obligation to transfer any Underlying Securities or make any delivery or make any payment of any nature to the relevant W&C Holder in respect of the W&C Securities being exercised, and the Exercise Notice delivered in respect of such W&C Securities shall thereafter be void for all purposes.

9.7.3. In the case of Registered W&C Securities not held through a Clearance System, the Registrar shall note the relevant exercise and settlement of the relevant W&C Securities on the Register.

9.8. *Payment and delivery:*

9.8.1. In the case of W&C Securities held through a Clearance System, in respect of such W&C Securities which have been exercised and which are specified in the applicable Final Terms as being Cash-Settlement W&C Securities or are specified in the applicable Final Terms as being Physical-Settlement W&C Securities but are exercised in accordance with Condition 9.6 (*Deemed Exercise*), or in respect of which the Issuer has elected Cash-Settlement in accordance with Condition 8.7 (*Optional Cash-Settlement*):

(a) the Determination Agent shall, on the date specified therefor (the “**Determination Date**”) in the applicable Final Terms, determine, in its sole and absolute discretion, the Cash-Settlement Amount (if any) (together with any accrued Distribution Amounts) to be paid on the relevant Cash-Settlement Payment Date in respect of the relevant W&C Securities and notify the Issuer and the Principal W&C Agent (in the case of Bearer W&C Securities) or the Registrar (in the case of Registered W&C Securities) of such Cash-Settlement Amount (and such accrued Distribution Amounts) on the Business Day immediately following the Determination Date, **provided that** the Determination Agent has received confirmation from the relevant Clearance System of the number of W&C Securities which have been exercised; and

(b) the Issuer will transfer to the Principal W&C Agent (in the case of Bearer W&C Securities) or the Registrar (in the case of Registered W&C Securities) the Cash-Settlement Amount (together with any accrued Distribution Amounts) in respect of the W&C Securities being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, for value on the Cash-Settlement Payment Date, and the Principal W&C Agent or the Registrar, as the case may be, will cause the W&C Holder's account with the relevant Clearance System to be credited with such amount for value on the Cash-Settlement Payment Date.

9.8.2. In the case of Registered W&C Securities not held through a Clearance System, in respect of such Registered W&C Securities which have been exercised and which are specified in the applicable Final Terms as being Cash-Settlement W&C Securities, or in respect of which the Issuer has elected Cash-Settlement in accordance with Condition 8.7 (*Optional Cash-Settlement*):

(a) the Determination Agent shall, on the date specified therefor (the “**Determination Date**”) in the applicable Final Terms, determine, in its sole and absolute discretion, the

Cash-Settlement Amount (if any) (together with any accrued Distribution Amounts) to be paid on the relevant Cash-Settlement Payment Date in respect of the relevant Registered W&C Securities and notify the Issuer, and the Registrar of such Cash-Settlement Amount (and such accrued Distribution Amounts) on the Business Day immediately following the Determination Date, **provided that** the Determination Agent has received confirmation from the relevant Clearance System of the number of Registered W&C Securities which have been exercised; and

- (b) the Issuer will transfer to the Registrar the Cash-Settlement Amount (together with any accrued Distribution Amounts) in respect of the Registered W&C Securities being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, for value on the Cash-Settlement Payment Date, and the Registrar will cause the holder of a Registered W&C Security's account with the relevant financial institution to be credited with such amount for value on the Cash-Settlement Payment Date.

9.8.3. In respect of W&C Securities which have been exercised and which are specified in the applicable Final Terms as being Physical-Settlement W&C Securities (other than Physical-Settlement W&C Securities in respect of which the proviso to Condition 9.6 (*Deemed Exercise*) applies), or in respect of which the Issuer has elected Physical-Settlement in accordance with Condition 8.6 (*Optional Physical-Settlement*), subject, in the case of Full Physical-Settlement W&C Securities, to payment of the Strike Price (plus any applicable Taxes) from the relevant account of the W&C Holder to the relevant account of the Principal W&C Agent or the Registrar, as the case may be, (in favour of the Issuer) as aforesaid, the Issuer shall, on the Physical-Settlement Date, deliver or procure the delivery of the relevant number of Underlying Securities in respect of each W&C Security for credit to the account specified, or as may otherwise be specified, in the relevant Exercise Notice. The Issuer shall be entitled, if it so elects, to divide any Underlying Securities to be transferred into such number of lots of such size as it desires to facilitate its delivery obligations.

9.9. *Exercise Payments and Deliveries Subject to Fiscal and Other Laws*

9.9.1. Exercise of the W&C Securities and payments and deliveries by the Issuer and the W&C Agents or the Registrar will be subject in all cases to all applicable fiscal and other laws, regulations and practices in force at the relevant time (including, without limitation, any relevant exchange control laws or regulations and the rules and procedures of the relevant Clearance System if applicable) and none of the Issuer, the Registrar or any W&C Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices. None of the Issuer, the Registrar or any W&C Agent shall under any circumstances be liable for any acts or defaults of any Clearance System in the performance of the Clearance System's duties in relation to the W&C Securities.

9.9.2. Payments will be subject in all cases to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

9.10. *Effect of Exercise Notice:*

9.10.1. Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the W&C Holder to exercise the W&C Securities specified therein, provided that, in the case of W&C Securities held through a Clearance System, the person exercising and delivering such Exercise Notice is the person then appearing in the records of the relevant Clearance System as the W&C holder of the relevant W&C 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.

9.10.2. After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 9.1.1 above) by a W&C Holder, such W&C Holder shall not be permitted to transfer either legal or beneficial ownership of the W&C Securities exercised thereby. Notwithstanding this, if any Holder does so transfer or attempt to transfer such W&C Securities, the W&C Holder 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 W&C Securities; or (ii) paying any amount on the subsequent exercise of such W&C Securities without having entered into any replacement hedging operations.

9.11. *Minimum Number of W&C Securities Exercisable:*

The W&C Securities are exercisable in the minimum number (the “**Minimum Exercise Number**”) specified in the applicable Final Terms (or, if a “**Permitted Multiple**” is specified in the applicable Final Terms, higher integral multiples of the Minimum Exercise Number) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the W&C Holders in accordance with Condition 21 (*Notices*).

Notwithstanding the foregoing, no cash, securities or other property shall be delivered in the United States (as defined in Regulation S under the Securities Act, in the CEA and in the Internal Revenue Code of 1986, as amended) in connection with the settlement of, or exercise of, W&C Securities.

10. **ISSUER CALL OPTION**

If the Call Option is specified in the applicable Final Terms as being applicable, the W&C Securities may be cancelled at the option of the Issuer in whole or, if so specified in the applicable Final Terms, in part on any Optional Settlement Date at the relevant Optional Settlement Amount (Call) on the Issuer’s giving not less than 5 Business Days’ notice to the W&C Holders (which notice shall be irrevocable and shall oblige the Issuer to cancel the W&C Securities specified in such notice on the relevant Optional Settlement Date (Call) at the Optional Settlement Amount (Call)).

11. **PROVISIONS RELATING TO SHARE W&C SECURITIES, SHARE BASKET W&C SECURITIES, INDEX W&C SECURITIES AND INDEX BASKET W&C SECURITIES**

This Condition 11 is applicable only in relation to W&C Securities specified in the applicable Final Terms as being Share W&C Securities, Share Basket W&C Securities, Index W&C Securities or Index Basket W&C Securities.

11.1. *Valuation, Market Disruption and Averaging Dates:*

11.1.1. “**Valuation Date**” means, unless otherwise specified in the applicable Final Terms, each Exercise Date (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 11.1.2. If any Valuation Date is a Disrupted Day, then:

- (a) in the case of an Index W&C Security or Share W&C Security, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine in its sole and absolute discretion:

- (i) in respect of an Index W&C 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
  - (ii) in respect of a Share W&C Security, its good faith estimate of the value for the Underlying Security as of the Valuation Time on that eighth Scheduled Trading Day;
- (b) in the case of an Index Basket W&C 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, in its sole and absolute discretion, 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); and
- (c) in the case of a Share Basket W&C Security, the Valuation Date for each Underlying Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Underlying Security 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 Underlying Security, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Underlying Security. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Underlying Security, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine, in its sole and absolute discretion, its good faith estimate of the value for that Underlying Security as of the Valuation Time on that eighth Scheduled Trading Day.

11.1.2. For the purposes hereof:

“**Disrupted Day**” means (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, and (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 W&C Security or Index Basket W&C 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 Determination Time on such Exchange Business Day;

**“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 in its sole and absolute discretion) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Underlying Securities on the Exchange (or, in the case of an Index W&C Security or Index Basket W&C 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 Underlying Security 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 an Underlying Security or 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 at the Determination Agent’s sole and absolute discretion), 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 Valuation Date**” means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date (ignoring for the purposes of this definition any postponement of the Potential Exercise Date or Expiration Date as a result of the occurrence of a Disrupted Day and assuming that the original Potential Exercise Date or original Expiration Date, as the case may be, would have been a Valuation Date); and

“**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 Underlying Security on the Exchange (or, in the case of an Index W&C Security or Index Basket W&C Security, on 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 (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.

11.1.3. If Averaging Dates are specified in the applicable Final Terms as being applicable, then, notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index, Underlying Security or Basket in relation to a Valuation Date:

- (a) “**Averaging Date**” means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).
- (b) For purposes of determining the Settlement Price in relation to a Valuation Date, the Settlement Price will be:
  - (i) in respect of an Index W&C Security or a Share W&C Security that is a Cash-Settlement W&C Security or a Part Physical-Settlement W&C Security, the arithmetic mean of the Relevant Prices of the Index or the Underlying Securities on each Averaging Date;
  - (ii) in respect of an Index Basket W&C Security, the arithmetic mean of the amounts for the Basket determined by the Determination Agent in its sole and absolute discretion 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 Relevant Prices 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 W&C Security that is a Cash-Settlement W&C Security or a Part Physical-Settlement W&C Security, the arithmetic mean of the amounts for the Basket determined by the Determination Agent in its sole and absolute discretion 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 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 Underlying Securities of each Underlying Security Issuer as the product of (1) the Relevant Price of such Underlying Security and (2) the number of such Underlying Securities comprised in the Basket.
- (c) 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 Price, **provided that**, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 11.1.1 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 11.1.1 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 W&C Security; or
  - (iii) “**Modified Postponement**”, then:
    - (1) in the case of an Index W&C Security or a Share W&C 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, in its sole and absolute discretion, the relevant level or price for that Averaging Date in accordance with (x) in the case of an Index W&C Security, Condition 11.1.1(a)(2)(i) and (y) in the case of a Share W&C Security, Condition 11.1.1(a)(2)(ii);
    - (2) in the case of an Index Basket W&C Security or a Share Basket W&C Security, the Averaging Date for each Underlying Security 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 an Underlying Security or Index affected by

the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Underlying Security or Index. If the first succeeding Valid Date in relation to such Underlying Security 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 Underlying Security or Index, and (B) the Determination Agent shall determine, in its sole and absolute discretion, the relevant level or amount for that Averaging Date in accordance with (x) in the case of an Index Basket W&C Security, Condition 11.1.1(b)(2) and (y) in the case of a Share Basket W&C Security, Condition 11.1.1(c)(2); 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.

(d) 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, as the case may be, the relevant Physical-Settlement Date or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

## 11.2. *Adjustments to Indices:*

This Condition 11.2 is applicable only in relation to W&C Securities specified in the applicable Final Terms as being Index W&C Securities or Index Basket W&C Securities.

### 11.2.1. *Successor Index:*

If a relevant Index is (a) not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor acceptable to the Determination Agent in its sole and absolute discretion or (b) replaced by a successor index using, in the determination of the Determination Agent (such determination to be at the Determination Agent’s sole and absolute discretion), 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.

### 11.2.2. *Index Adjustment Events:*

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 W&C Securities and, if so, shall calculate in its sole and absolute discretion the relevant Settlement Price or Final Price, as the case may be, 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 in its sole and absolute discretion 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 and in its sole and absolute discretion, determine that the W&C Securities shall be terminated as of any later date. If the Issuer so determines that the W&C Securities shall be terminated, then the W&C Securities shall cease to be exercisable (or, in the case of any W&C Securities which have been exercised, the entitlements of the respective exercising W&C Holders to receive the Underlying Securities or payment of the Cash-Settlement Amount, as the case may be, pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the W&C Holder of a W&C Security with terms that would preserve for the W&C Holder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the W&C Holder would have been entitled under the relevant W&C Security after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion. The Issuer's obligations under the W&C Securities shall be satisfied in full upon payment of such amount. If the Issuer determines that the relevant W&C Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the exercise, settlement, or payment terms of the relevant W&C 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.

11.2.3. *Correction of Index Levels:*

If the level of an Index published by the Index Sponsor and which is utilised by the Determination Agent for any calculation or determination (the “**Original Determination**”) under the W&C Securities is subsequently corrected and the correction (the “**Corrected Value**”) is published by the Index Sponsor by such time as may be specified in the applicable Final Terms (or, if none is so specified, within one Settlement Cycle after the original publication and prior to the final Valuation Date), then the Determination Agent will notify the Issuer and the Principal W&C Agent or the Registrar, as the case may be, 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.

11.3. *Adjustments affecting Underlying Securities:*

This Condition 11.3 is applicable only in relation to W&C Securities specified in the applicable Final Terms as being Share W&C Securities or Share Basket W&C Securities.

11.3.1. *Adjustments for Potential Adjustment Events:*

- (a) Following the declaration by the Underlying Security Issuer of the terms of a 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 relevant Underlying Securities and, if so, will (i) make such adjustment as it in its sole

and absolute discretion considers appropriate, if any, to the Strike Price, the formula for the Cash-Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the applicable Final Terms, the number of Underlying Securities to which each W&C Security relates, the number of Underlying Securities comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered in respect of such W&C Securities and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the relevant W&C Securities as the Determination Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and (ii) determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s).

(b) For the purposes hereof:

**“Extraordinary Dividend”** means the dividend per Underlying Security, or portion thereof, which the Determination Agent determines should be characterised as an Extraordinary Dividend.

**“Potential Adjustment Event”** means any of the following:

- (i) a subdivision, consolidation or reclassification of relevant Underlying Securities (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Securities to existing holders by way of bonus, capitalisation or similar issue; or
- (ii) a distribution, issue or dividend to existing holders of the relevant Underlying Securities of (A) such Underlying Securities, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Security Issuer equally or proportionately with such payments to holders of such Underlying Securities, or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Underlying Security 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 other consideration) at less than the prevailing market price as determined by the Determination Agent in its sole and absolute discretion; or
- (iii) an Extraordinary Dividend; or
- (iv) a call by the Underlying Security Issuer in respect of relevant Underlying Securities that are not fully paid; or
- (v) a repurchase by the Underlying Security Issuer or any of its subsidiaries of relevant Underlying Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (vi) in respect of the Underlying Security 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 Underlying Security 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, Securities, debt instruments or stock rights at a price below their market value, as determined by the Determination Agent in its sole and absolute discretion, **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 relevant Underlying Securities.

#### 11.3.2. *European currency related adjustments:*

If any relevant Underlying Securities were originally quoted, listed and/or dealt as of the Initial 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 time thereafter quoted, listed and/or dealt exclusively in euro on the Exchange or, where no Exchange is specified in the applicable Final Terms, the principal market on which such Underlying Securities are traded, then the Determination Agent will adjust any amount or quantity that is payable or deliverable in respect of the W&C Securities and/or any other settlement, payment or other terms of the W&C Securities as the Determination Agent determines appropriate to preserve the economic terms of the W&C Securities. The Determination Agent will make any conversion necessary for purposes of any 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 11.3.2 will affect the currency denomination of any payment obligations of the Issuer under the W&C Securities.

#### 11.3.3. *Correction of Underlying Security Prices:*

If any price published on the Exchange and which is utilised by the Determination Agent for any calculation or determination (the “**Original Determination**”) under the W&C Securities is subsequently corrected and the correction (the “**Corrected Value**”) is published by the Exchange by such time as may be specified in the applicable Final Terms (or, if none is so specified, within one Settlement Cycle after the original publication and prior to the final Valuation Date), then the Determination Agent will notify the Issuer and the Principal W&C Agent or the Registrar, as the case may be, 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.

#### 11.4. *Extraordinary Events:*

This Condition 11.4 is applicable only in relation to W&C Securities specified in the applicable Final Terms as being Share W&C Securities or Share Basket W&C Securities.

##### 11.4.1. *Merger Event or Tender Offer:*

- (a) Following the occurrence of any Merger Event or Tender Offer, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant W&C Securities shall continue.
- (b) If the Issuer determines that the relevant W&C Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the Strike Price, the formula for the Cash-Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the applicable Final Terms, the number of Underlying Securities to which each W&C Security relates, the number of Underlying Securities comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered under such W&C Securities and, in any case, any other variable relevant to

the exercise, settlement, or payment terms of the relevant W&C Securities and/or any other adjustment (including without limitation, in relation to Share Basket W&C Securities, the cancellation of terms applicable in respect of Underlying Securities affected by the relevant Merger Event or Tender Offer) which adjustment shall be effective on such date as the Determination Agent shall determine.

(c) If the Issuer determines that the relevant W&C Securities shall be terminated, then the relevant W&C Securities shall cease to be exercisable as of the Merger Date (in the case of a Merger Event) or Tender Offer Date (in the case of a Tender Offer) (or, in the case of any W&C Securities which have been exercised but remain unsettled, the entitlements of the respective exercising W&C Holders to receive Underlying Securities or the Cash-Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the W&C Securities shall be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below) (in the case of a Merger Event) or Tender Offer Settlement Amount (in the case of a Tender Offer).

(d) 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 in its sole and absolute discretion.

**"Merger Event"** means, in respect of any relevant Underlying Securities, as determined by the Determination Agent, acting in a commercially reasonable manner, any: (i) reclassification or change of such Underlying Securities that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Securities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Security Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Security Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Securities outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Securities of the Underlying Security Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Securities (other than such Underlying Securities owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Security Issuer or its subsidiaries with or into another entity in which the Underlying Security Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Securities outstanding but results in the outstanding Underlying Securities (other than Underlying Securities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Securities immediately following such event (a **"Reverse Merger"**), in each case if the Merger Date is on or before, (A) in respect of W&C Securities where settlement by delivery applies, the later to occur of the Expiration Date and the Physical-Settlement Date or, (B) in any other case, the final Valuation Date.

**"Merger Event Settlement Amount"** means an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Holder of a W&C Security with terms that would preserve for the Holder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition

precedent) to which the Holder would have been entitled under the relevant W&C Security after that date but for the occurrence of the Merger Event, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

“**Tender Offer**” means, in respect of any Underlying Securities, as determined by the Determination Agent, acting in a commercially reasonable manner, 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 per cent. and less than 100 per cent. of the outstanding voting shares of the Underlying Security 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 in its sole and absolute discretion.

“**Tender Offer Settlement Amount**” means an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the W&C Holder of a W&C Security with terms that would preserve for the W&C Holder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the W&C Holder would have been entitled under the relevant W&C Security after that date but for the occurrence of the Tender Offer, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

#### 11.4.2. *Nationalisation, Insolvency and Delisting:*

- (a) If in the determination of the Determination Agent, acting in a commercially reasonable manner:
- (1) all the Underlying Securities or all or substantially all the assets of the Underlying Security Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof (“**Nationalisation**”); or
  - (2) by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency, dissolution or winding-up of or any analogous proceeding affecting a Underlying Security Issuer, (1) all the Underlying Securities of that Underlying Security Issuer are required to be transferred to a trustee, liquidator or other similar official or (2) holders of the Underlying Securities of that Underlying Security Issuer become legally prohibited from transferring them (“**Insolvency**”); or
  - (3) the Exchange announces that pursuant to the rules of such Exchange, the Underlying Securities 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, in its sole and absolute discretion, determine whether or not the W&C Securities shall continue.

- (b) If the Issuer determines that the relevant W&C Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the Strike Price, the formula for the Cash-Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the applicable Final Terms, the number of Underlying Securities to which each W&C Security relates, the number of Underlying Securities comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered under such W&C Securities and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant W&C Securities and/or any other adjustment (including without limitation, in relation to Share Basket W&C Securities or Index Basket W&C Securities, the cancellation of terms applicable in respect of Underlying Securities or any 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.
- (c) If the Issuer determines that the relevant W&C Securities shall be terminated, then the relevant W&C Securities shall cease to be exercisable (or, in the case of any W&C Securities which have been exercised but remain unsettled, the entitlements of the respective exercising W&C Holders to receive Underlying Securities or the Cash-Settlement Amount, as the case may be, pursuant to such exercise shall cease) as of the Announcement Date and the Issuer’s obligations under the W&C Securities shall be satisfied in full upon payment of an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the W&C Holder of a W&C Security with terms that would preserve for the W&C Holder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the W&C Holder would have been entitled under the relevant W&C Security after that date but for the occurrence of such Nationalisation, Insolvency or Delisting, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.
- (d) For the purposes hereof, “**Announcement Date**” means, as determined by the Determination Agent in its sole and absolute discretion: (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 Underlying Securities will cease to be listed, traded or publicly quoted in the manner described in (a)(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.

11.5. *Additional Disruption Events:*

- (a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant W&C Securities shall continue.
- (b) If the Issuer determines that the relevant W&C Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the Strike Price, the formula for the Cash-Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the applicable Final Terms, the number of Underlying Securities to which each W&C Security relates, the number of Underlying Securities comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered under such W&C Securities and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant W&C Securities and/or any other adjustment (including without limitation, in relation to Share Basket W&C Securities or Index Basket W&C Securities, the cancellation of terms applicable in respect of any Underlying Securities 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.
- (c) If the Issuer determines that the relevant W&C Securities shall be terminated, then the relevant W&C Securities shall cease to be exercisable (or, in the case of any W&C Securities which have been exercised but remain unsettled, the entitlements of the respective exercising W&C Holders to receive Underlying Securities or the Cash-Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the W&C Securities shall be satisfied in full upon payment of an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the W&C Holder of a W&C Security with terms that would preserve for the W&C Holder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the W&C Holder would have been entitled under the relevant W&C Security after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.
- (d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Principal W&C Agent or the Registrar, as the case may be, and the Determination Agent of the occurrence of an Additional Disruption Event.

11.6. In relation to Share W&C Securities, Share Basket W&C Securities, Index W&C Securities or Index Basket W&C Securities, the following expressions have the meanings set out below:

**“Additional Disruption Event”** means, with respect to a series of Share W&C Securities or Share Basket W&C Securities (unless otherwise specified in the applicable Final Terms), a Change of Law, Hedging Disruption, Increased Cost of Hedging or Loss of Stock Borrow (as defined below).

**“Basket”** means:

- (i) in respect of an Index Basket W&C Security, a basket composed of each Index specified in the applicable Final Terms in the relative proportions specified in such Final Terms; and
- (ii) in respect of a Share Basket W&C Security, a basket composed of Underlying Securities of each Underlying Security Issuer specified in the applicable Final Terms in the relative proportions or number of Underlying Securities of each Underlying Security Issuer specified in such Final Terms;

**“Change in Law”** means that, on or after the Initial 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 Underlying Securities, or (Y) it will incur a materially increased cost in performing its obligations with respect to the W&C Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

**“Component”** means, in respect of an Index, any securities comprising such Index;

**“Exchange”** means, (1) in respect of an Underlying Security relating to a Share W&C Security or Share Basket W&C Security or an Index relating to an Index W&C Security or Index Basket W&C Security other than a Multi-exchange Index, each exchange or quotation system specified as such for the relevant Underlying Security 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 Underlying Security (in the case of a Share W&C Security or Share Basket W&C Security) or the securities comprised in the relevant Index (in the case of an Index W&C Security or Index Basket W&C Security) has temporarily relocated (**provided that** the Determination Agent has determined that there is comparable liquidity relative to such Underlying Security 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 Underlying Security 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;

**“Exchange Business Day”** means, (1) in respect of an Underlying Security relating to a Share W&C Security or Share Basket W&C Security or an Index relating to an Index W&C Security or Index Basket W&C 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 W&C Security or Index Basket W&C 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 is open for trading during its regular trading session, notwithstanding that any Exchange or Related Exchange closing prior to its Scheduled Closing Time;

**“Hedging Disruption”** means that the Issuer 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 W&C Securities, or (B) realise, 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 Initial 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 W&C Securities or (B) realise, 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;

**“Index”** means, in respect of any Index W&C Security or Index Basket W&C Security and subject to Condition 11.2 (*Adjustments to Indices*), each index specified as such in the applicable Final Terms;

**“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;

**“Loss of Stock Borrow”** means that the Issuer is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) Underlying Securities with respect to the relevant W&C Securities in an amount which the Issuer deems necessary to hedge the risk of entering into and performing its obligations with respect to the W&C Securities (not to exceed the number of Underlying Securities) at a rate as determined by the Issuer;

**“Multi-exchange Index”** means any Index specified as such in the applicable Final Terms;

**“Related Exchange”** means, subject to the proviso below, in respect of an Underlying Security relating to a Share W&C Security or Share Basket W&C Security or an Index relating to an Index W&C Security or Index Basket W&C Security, each exchange or quotation system specified as such for such Underlying Security 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 Underlying Security 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 Underlying Security 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 Underlying Security or such Index;

**“Relevant Price”** on any day means:

- (i) in respect of an Underlying Security to which a Share W&C Security or a Share Basket W&C Security relates, the price per Underlying Security 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 Relevant Price are so provided: (a) in respect of any Underlying Security 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 Relevant Price shall be the price per Underlying Security 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 Underlying Security for which the Exchange is a dealer exchange or dealer quotation system, the Relevant Price 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 W&C Security or an Index Basket W&C Security relates, the level of such Index 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 Relevant Price 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;

**“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 any other trading outside of the regular trading session hours;

“**Scheduled Trading Day**” means (1) except with respect to a Multi-exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions and (2) with respect to a Multi-exchange Index, any day on which (a) the Index Sponsor is scheduled to publish the level of the Index and (b) the Related Exchange is scheduled to be open for trading for its regular trading session;

“**Settlement Price**” means, in respect of a Share W&C Security, a Share Basket W&C Security, an Index W&C Security or an Index Basket W&C Security, the price, level or amount as determined by the Determination Agent, in its sole and absolute discretion, in accordance with the applicable Final Terms; and

“**Valuation Time**” means, in respect of Share W&C Securities, Share Basket W&C Securities, Index W&C Securities or Index Basket W&C Securities, 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 Underlying Security or Index to be valued. 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.

## 12. **PROVISIONS RELATING TO PHYSICAL-SETTLEMENT W&C SECURITIES**

This Condition 12 is applicable only in relation to W&C Securities specified in the applicable Final Terms as being Physical-Settlement W&C Securities.

### 12.1. *Settlement Disruption:*

12.1.1. The Determination Agent shall determine, acting in a commercially reasonable manner, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Underlying Securities on the original day that but for such Settlement Disruption Event would have been the Physical-Settlement Date, then the Physical-Settlement Date will be the first succeeding day on which delivery of such Underlying Securities can take place through the relevant Clearance System unless a Settlement Disruption Event prevents settlement on each of the 10 relevant Clearance System Business Days immediately following the original date that, but for the Settlement Disruption Event, would have been the Physical-Settlement Date. In that case, if the Underlying Securities are bonds or other debt securities, the Issuer shall use reasonable efforts to deliver such Underlying Securities promptly thereafter in a commercially reasonable manner outside the Clearance System on a delivery versus payment basis, and in all other cases: (a) if such Underlying Securities can be delivered in any other commercially reasonable manner, then the Physical-Settlement Date will be the first day on which settlement of a sale of Underlying Securities executed on that 10th relevant Clearance System Business Day customarily would take place using such other commercially reasonable manner of delivery (which other manner of delivery will be deemed the relevant Clearance System for the purposes of delivery of the relevant Underlying Securities), and (b) if such Underlying Securities cannot be delivered in any other commercially reasonable manner, then the Physical-Settlement Date will be postponed until delivery can be effected through the relevant Clearance System or in any other commercially reasonable manner, as determined by the Determination Agent.

12.1.2. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Underlying Securities comprised in a Basket, the Physical-Settlement Date for Underlying Securities not affected by the Settlement Disruption Event will be the first day on which settlement of a sale of such Underlying Securities executed on that Exercise Date customarily would take place through the relevant Clearance System. In the event that a Settlement Disruption Event will result in the delivery on a Physical-Settlement Date of some but not all of the Underlying Securities comprised in a Basket, the Determination Agent shall determine in its sole and absolute discretion the appropriate pro rata portion of the Strike Price (if any) to be paid by the relevant party in respect of that partial settlement.

12.1.3. For the purposes hereof, “**Settlement Disruption Event**” in relation to an Underlying Security means an event beyond the control of the Issuer as a result of which or following which the relevant Clearance System cannot clear the transfer of such Underlying Security.

12.2. *Delivery Disruption:*

12.2.1. If the Determination Agent determines, acting in a commercially reasonable manner, that a Delivery Disruption Event has occurred and the Determination Agent has notified the Issuer, the Principal W&C Agent or the Registrar, as the *case* may be, and the relevant W&C Holder(s) within one Clearance System Business Day of the relevant Exercise Date to that effect, then the Issuer may:

- (a) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Underlying Securities will be terminated and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the W&C Holder of a W&C Security with terms that would preserve for the W&C Holder the economic equivalent of the relevant delivery (assuming satisfaction of each applicable condition precedent) to which the W&C Holder would have been entitled under the relevant W&C Security after that date but for the occurrence of such Delivery Disruption Event, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion, in which event the entitlements of the respective exercising W&C Holders to receive Underlying Securities pursuant to such exercise shall cease and the Issuer’s obligations under the W&C Securities shall be satisfied in full upon payment of such amount; or
- (b) deliver on the Physical-Settlement Date such number of Underlying Securities (if any) as it can deliver on that date and pay an amount, as determined by the Determination Agent in its sole and absolute discretion, which shall seek to preserve for the W&C Holder the economic equivalent of the delivery of the remainder of Underlying Securities (assuming satisfaction of each applicable condition precedent) to which the W&C Holder would have been entitled under the relevant W&C Security after that date but for the occurrence of such Delivery Disruption Event, in which event the entitlements of the respective exercising W&C Holders to receive Underlying Securities pursuant to such exercise shall cease and the Issuer’s obligations under the W&C Securities shall be satisfied in full upon delivery of such number of Underlying Securities and payment of such amount.

12.2.2. For the purposes hereof, “**Delivery Disruption Event**” means the failure by the Issuer or the Principal W&C Agent or the Registrar, as the *case* may be, to deliver on the relevant Physical-Settlement Date the requisite number of relevant Underlying Securities under the relevant W&C Security which is due to illiquidity in the market for such Underlying Securities.

13. **PROVISIONS RELATING TO ALL W&C SECURITIES**

13.1. *Performance Disruption and Inconvertibility Events:*

13.1.1. If the Determination Agent determines, acting in a commercially reasonable manner, that Performance Disruption has occurred, then the Issuer may determine, in its sole and absolute discretion, that the relevant W&C Securities shall be terminated on the date specified in a notice to the W&C Holders and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the W&C Holder of a W&C Security with terms that would preserve for the W&C Holder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the W&C Holder would have been entitled under the relevant W&C Security after that date but for the occurrence of such

Performance Disruption, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion, in which event the W&C Security shall cease to be exercisable (or, in the case of any W&C Securities which have been exercised, the entitlements of the respective exercising W&C Holders 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 W&C Securities shall be satisfied in full upon payment of such amount.

- 13.1.2. For the purposes hereof, "**Performance Disruption**" means, in relation to any W&C 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 W&C 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 W&C Securities or any of them; or (iii) the availability of hedging transactions in the market. If the Determination Agent determines that both a Performance Disruption and an Additional Disruption Event have occurred and are subsisting, then the Issuer may elect to terminate the W&C Securities for either such Performance Disruption or an Additional Disruption Event at its option.
- 13.1.3. If, in respect of any Series of W&C Securities, the applicable Final Terms specifies that "Inconvertibility Event Provisions" are applicable, this Condition 13.1.3 shall apply in respect of such W&C Securities, but otherwise it shall not apply.

If, at any time, the Determination Agent determines that an Inconvertibility Event has occurred, it will inform the Issuer of such event. Following the determination of an Inconvertibility Event, the Issuer may, in its sole and absolute discretion, provide a notice to the holders of the W&C Securities in accordance with Condition 21 electing either:

- (a) If "**Converted Payment**" is specified in the applicable Final Terms: to continue making any payments due under such W&C Securities until the Expiration Date, in which case, any amount due under such W&C Securities shall be converted from the Relevant Currency into the Inconvertibility Specified Currency at the Fallback FX Spot Rate determined by the Determination Agent in its sole and absolute discretion; or
- (b) If "**Early Termination**" is specified in the applicable Final Terms: to early terminate the W&C Securities on a date specified in such notice (such date, the "**Inconvertibility Early Termination Date**"), in which case the W&C Securities shall early terminate at the Inconvertibility Early Termination Amount on such Inconvertibility Early Termination Date. The Issuer's obligations under the W&C Securities shall be satisfied in full upon payment of such amount; or
- (c) If "**Suspended Payment**" is specified in the applicable Final Terms, to suspend any payment which would otherwise be due under the W&C Securities until a number of Business Days specified in the notice following the date on which the Inconvertibility Event has ceased and no additional amount will be payable in respect of any such delay,

provided that the Issuer may, at any time, subsequent to the despatch of a notice electing the "**Converted Payment**" or the "**Suspended Payment**" option, despatch a second notice electing "**Early Termination**", provided that "**Early Termination**" is specified as applicable in the relevant Final Terms, in which case the W&C Securities will be terminated in accordance with the terms of "**Early Termination**" above and the date specified in such notice will be the Inconvertibility Early Termination Date.

For the avoidance of doubt (a) failure to deliver such notice or the failure of the recipient to receive such notice will not affect the Issuer's ability to make payments according to the option it selected and (b) the provisions of this Condition 13.1.3 may be applied on more than one occasion.

13.1.4. For the purposes of Condition 13.1.3:

"**Fallback FX Spot Rate**" has the meaning given in the applicable Final Terms.

"**Inconvertibility Early Termination Amount**" means either:

- (a) an amount specified as such in the applicable Final Terms;
- (b) if "**Early Termination Amount**" is specified in the Final Terms, an amount equal to (i), the Early Termination Relevant Currency Amount specified in the Final Terms, (ii) converted from the relevant currency in which it is expressed into the Inconvertibility Specified Currency at an exchange rate (expressed as a number of the relevant currency per one unit of the Inconvertibility Specified Currency) determined by the Determination Agent in its sole and absolute discretion for settlement on or about the relevant Inconvertibility Early Termination Date and (iii) less the proportion attributable to that W&C Security of the reasonable cost to and/or the loss realised by the Issuer and/or any Affiliate on unwinding any related hedging arrangements and/or in respect of break funding costs for the Issuer's term financing associated with such early termination of the W&C Securities, in each case as calculated by the Determination Agent in its sole and absolute discretion; or
- (c) if "**Fair market value**" is specified in the Final Terms, in respect of a W&C Security, an amount, in the Inconvertibility Specified Currency, equal to the fair market value of the relevant W&C Security, on such day as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the Inconvertibility Early Termination Date), less the proportion attributable to that W&C Security of the reasonable cost to and/or the loss realised by the Issuer and/or any Affiliate on unwinding any related hedging arrangements and/or in respect of break funding costs for the Issuer's term financing associated with such early termination of the W&C Securities, in each case as calculated by the Determination Agent in its sole and absolute discretion.

An "**Inconvertibility Event**" shall be deemed to have occurred if in the period from (and including) the Trade Date to (and including) the final possible Cash-Settlement Payment Date or Expiration Date, as applicable, any event or circumstance occurs that generally makes it, in the sole and absolute discretion of the Determination Agent, impossible, unlawful or impracticable for the Issuer, the Determination Agent or any of their respective Affiliates for any reason beyond their reasonable control:

- (i) to convert a Relevant Currency into the Inconvertibility Specified Currency or the Inconvertibility Specified Currency into a Relevant Currency (whether directly or through a cross exchange rate) through customary legal channels; or
- (ii) to determine the rate of conversion of the Inconvertibility Specified Currency into a Relevant Currency or a Relevant Currency into the Inconvertibility Specified Currency; or
- (iii) to transfer, or make a payment in, or deliver the Relevant Currency from or to or within a Relevant Jurisdiction in any amount the Determination Agent determines is or could be relevant for hedging purposes in connection with the Securities; or

- (iv) to determine a rate at which any Relevant Currency can be lawfully exchanged for U.S. dollars; or
- (v) to convert any Relevant Currency into U.S. dollars; or
- (vi) to exchange or repatriate any funds outside of any Relevant Jurisdiction or any jurisdiction in which any issuer of Shares or securities comprised in an Index is incorporated or with which such Shares or securities are otherwise associated; or
- (vii) to hold, purchase, sell or otherwise deal in any Shares or securities comprised in an Index, or any other property in order for the Issuer or any of its Affiliates to perform any hedging arrangements related to the W&C Securities for the purposes of meeting the Issuer's obligations in respect of the W&C Securities;

"**Inconvertibility Specified Currency**" means the currency specified as such in the Final Terms and, if none is indicated, the Specified Currency.

"**Relevant Currency**" means the currency specified as such in the Final Terms, and, if none is specified, each currency in which any of the securities comprised in an Index is denominated or traded or settled, or the currency in which any Share is denominated or traded or settled.

"**Relevant Jurisdiction**" means the jurisdiction specified as such in the Final Terms.

### 13.2. *Effects of European Economic and Monetary Union:*

- 13.2.1. Following the occurrence of an EMU Event, the Determination Agent may make such adjustment (and determine the effective date of such adjustment) as it, in its sole and absolute discretion, determines appropriate, if any, to the Strike Price (if any), the formula for the Cash-Settlement Amount, the Settlement Price, the Settlement Rate, the Relevant Price, the Spot Rate, the number of Underlying Securities to which each W&C Security relates, the number of Underlying Securities comprised in a Basket, the amount, the number of or type of shares, bonds, other securities or other property which may be delivered in respect of such W&C Securities and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the relevant W&C Securities which in the sole and absolute discretion of the Determination Agent have been or may be affected by such EMU Event.
- 13.2.2. Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to: (i) make such conversions between amounts denominated in the national currency units (the "**National Currency Units**") of the member states of the European Union that have adopted the single currency in accordance with the EC Treaty and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversion rates and rounding rules established by the Council of the European Union pursuant to the EC Treaty as it, in its sole and absolute discretion, considers appropriate; (ii) make all payments in respect of the W&C Securities solely in euro as though references in the W&C Securities to the relevant National Currency Units were to euro and (iii) make such adjustments as it, in its sole and absolute discretion considers necessary to the Strike Price (if any), the formula for the Cash-Settlement Amount, Settlement Rate, Settlement Price, Relevant Price, Spot Rate and any other amount as it determines, in its sole and absolute discretion, to be appropriate.
- 13.2.3. None of the Issuer, the Principal W&C Agent or the Registrar the as the case may be, or the Determination Agent will be liable to any W&C Holder or other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.
- 13.2.4. For the purposes hereof, "**EMU Event**" means the occurrence of any of the following, as determined by the Determination Agent, acting in a commercially reasonable manner:

- (a) the withdrawal from legal tender of any currency that, before the introduction of the euro, was lawful currency in one of the member states;
- (b) the redenomination of any Underlying Security into euro;
- (c) any change in the currency of denomination of any Index;
- (d) any change in the currency in which some or all the securities or other property contained in any Index is denominated;
- (e) the disappearance or replacement of a relevant rate option or other price source for the national currency of any member state, or the failure of the agreed sponsor (or successor sponsor) to publish or display a relevant rate, index, price, page or screen; or
- (f) the change by any organised market, exchange or clearance, payment or settlement system in the unit of account of its operating procedures to the euro.

#### 14. **W&C AGENTS, REGISTRAR, TRANSFER AGENTS AND DETERMINATION AGENT**

14.1. *Appointment of Agents:* The Issuer reserves the right at any time to vary or terminate the appointment of any W&C Agent, Registrar, Transfer Agent or the Determination Agent and to appoint a substitute or additional W&C Agents, a substitute Registrar, substitute or additional Transfer Agents or a substitute or additional Determination Agent, **provided that** (i) so long as any W&C Security is outstanding, it will maintain a Principal W&C Agent, (ii) so long as any Registered W&C Security is outstanding, it will maintain a Registrar and a Transfer Agent and (iii) so long as the W&C Securities are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, there will be a W&C Agent or, in the case of Registered W&C Securities, the Registrar, with a specified office in such place as may be required by the rules of such listing agent, stock exchange and/or quotation system. Notice of any termination of appointment and of any change in the specified office of a W&C Agent, Registrar, Transfer Agent or a Determination Agent and of any appointment of a W&C Agent, Registrar, Transfer Agent or a Determination Agent will be given to W&C Holders in accordance with Condition 21 (*Notices*).

#### 14.2. *Role of Agents:*

14.2.1. In acting under the Agency Agreement, each W&C Agent, the Registrar, each Transfer Agent, each Determination Agent and unless Collateral Management Terms are specified as applying in the applicable Final Terms, the Custodian acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the W&C Holders. All calculation and determination functions required of the Determination Agent or the Principal W&C Agent or the Registrar under these Conditions may be delegated to any such person as the Determination Agent or the Principal W&C Agent or the Registrar, as the case may be, in its absolute discretion, may decide.

14.2.2. None of the Issuer, the Guarantor (if applicable), the Principal W&C Agent, the Registrar, any Transfer Agent or the Determination Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables used in any calculation made pursuant to these Conditions or in the determination of any Cash-Settlement Amount or of any entitlement to a delivery of any Underlying Securities arising from such errors or omissions.

14.3. *Notifications:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the W&C Securities by the Principal W&C Agent, the Registrar, any Transfer Agent, the Determination Agent or the Issuer shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer and the W&C Holders and (subject as aforesaid) no liability to the W&C Holders (or any of them) shall attach to the Principal W&C Agent, the Registrar, any Transfer Agent, the Determination Agent or the Issuer in connection with the exercise or non-exercise by any of them of their powers, duties and discretions for such purposes.

15. **TAXES**

- 15.1.1. A W&C Holder subscribing, purchasing or exercising a W&C Security shall pay all Taxes and securities transfer taxes and any other charges, if any payable in connection with the subscription, issue, purchase or exercise of such W&C Security and the payment of the Cash-Settlement Amount and/or the delivery of any Underlying Securities as a result of such exercise. The Issuer shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to a W&C Holder such amount as is necessary for the payment of any such taxes, duties or charges or for effecting reimbursement in accordance with Condition 15.1.2 below
- 15.1.2. In any case where the Issuer is obliged to pay any such tax, duty or charge referred to in Condition 15.1.1 above, the relevant W&C Holder shall promptly reimburse the Issuer therefor.
- 15.1.3. Neither the Issuer nor the Guarantor shall be liable for or otherwise be obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, issue, transfer, exercise, settlement or enforcement of any W&C Securities and subject as provided in Condition 15.1.215.1.2 above, all payments made by the Issuer or the Guarantor, as the case may be, shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.
- 15.1.4. *Implementation of Financial Transaction Tax.* If "Implementation of Financial Transaction Tax" is specified in the applicable Final Terms to be applicable to any Series of W&C Securities, then upon the occurrence of an Implementation of Financial Transaction Tax, the Issuer may (i) in its sole discretion, with immediate effect amend the Conditions of the W&C Securities by adjusting downward any amount payable and/or any other value or term of the Conditions to account for the economic impact of the Implementation of Financial Transaction Tax on the Issuer and its Affiliates in relation to the W&C Securities, and (ii) to the extent that at any time thereafter the Issuer determines (acting in good faith and in a commercially reasonable manner) that it (including its Affiliates) has incurred additional loss as a result of the Implementation of Financial Transaction Tax that has not been accounted for through the adjustment made pursuant to sub-paragraph (i) (such amount, "**Additional Increased Tax**"), it may reduce the amount otherwise payable on the W&C Securities on the next payment date (and any payment date thereafter) by an amount up to the Additional Increased Tax amount. Any such adjustments shall be notified to W&C Holders as soon as reasonably practicable. If an event or circumstance which would otherwise constitute a Change in Law, Increased Cost of Hedging or Increased Cost of Collateral Assets Event (where applicable) also constitutes an Implementation of Financial Transaction Tax, it will be treated as an Implementation of Financial Transaction Tax. In the event of an Implementation of Financial Transaction Tax occurring or if the Issuer will reduce the amount otherwise payable on the W&C Securities by an amount up to the Additional Increased Tax, upon receipt of notification of such event from the Issuer, the Agent shall enter into an amendment to the Agency Agreement in form and substance satisfactory to the Agent (provided that the Agent is not required to enter into it if, in the Agent's opinion, it would impose more onerous obligations or require the Agent to incur any liability).

16. **ILLEGALITY AND REGULATORY EVENT**

- 16.1. The Issuer shall have the right to terminate the W&C Securities early (at the amount specified in the applicable Final Terms), if it shall have determined, in its sole and absolute discretion, that:
- 16.1.1. its performance thereunder, or, if applicable, the Guarantor's performance of its obligation under the Guarantee, shall have become or will be unlawful in whole or in part as a result of compliance in good faith by the Issuer, or if applicable, the Guarantor, 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**") (an "**Illegality Event**"); or

16.1.2. a Regulatory Event has occurred.

- 16.2. If the Issuer determines that the W&C Securities shall be terminated early in accordance with this Condition 16, the Issuer shall give not less than five Business Days' notice to the W&C Holders informing them that either an Illegality Event or a Regulatory Event, as applicable, has occurred, as a result of which the W&C Securities shall be terminated early on the date specified for termination in such notice. In such circumstances the Issuer will, if and to the extent permitted by applicable law, pay to each W&C Holder in respect of each W&C Security held by such W&C Holder an amount determined by the Determination Agent, in its sole and absolute discretion, as representing either: (i) the fair market value of such W&C Security immediately prior to such termination (ignoring such Illegality Event or Regulatory Event) less the cost to the Issuer (or its Affiliates) of, or the loss realised by the Issuer (or its Affiliates) on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion, if "Early Termination Amount (Illegality and Regulatory Event) – Fair Value Less Costs" is specified in the Final Terms; or (ii) the fair market value of such W&C Security immediately prior to such termination (ignoring such Illegality Event or Regulatory Event), if "Early Termination Amount (Illegality and Regulatory Event) – Fair Value" is specified in the Final Terms. The Issuer's obligations under the W&C Securities shall be satisfied in full upon payment in respect of each W&C Security of the amount determined by the Determination Agent to be payable in accordance with the provisions above, based on the elections made in the applicable Final Terms. Payment will be made in such manner as shall be notified to the W&C Holders in accordance with Condition 21 (Notices).
- 16.3. The Issuer shall also, as soon as reasonably practicable under the circumstances, notify the Fiscal Agent and the Determination Agent of the occurrence of an Illegality Event or a Regulatory Event, as applicable.

17. **OPTIONAL TERMINATION FOLLOWING INCREASED COST OF COLLATERAL ASSETS EVENT**

If Increased Cost of Collateral Assets Event is specified as applicable in the applicable Final Terms, and an Increased Cost of Collateral Assets Event occurs, the Issuer may at its option elect to terminate the W&C Securities. In order to exercise its option to terminate the W&C Securities the Issuer shall forthwith give not more than 30 nor less than 15 days' notice to the Security Trustee, the W&C Holders and the Counterparty and upon expiry of such notice the W&C Securities shall be terminated and the Issuer shall pay to each W&C Holder in respect of each W&C Security held by him an amount equal to the Termination Amount. Payment will be made in such manner as shall be notified to the W&C Holders in accordance with Condition 21 (Notices).

18. **MANDATORY TERMINATION FOLLOWING TERMINATION OF THE FULLY FUNDED SWAP AGREEMENT OR CSD**

If the Fully Funded Swap Agreement or the CSD, if applicable, is terminated for any reason in accordance with its terms prior to the Fully Funded Swap Agreement Termination Date, then the Issuer shall forthwith give not more than 30 nor less than 15 days' notice to the Security Trustee, the W&C Holders and the Counterparty, and upon expiry of such notice the W&C Securities shall be terminated and the Issuer shall pay to each W&C Holder in respect of each W&C Security held by him an amount equal to the Termination Amount. Payment will be made in such manner as shall be notified to the W&C Holders in accordance with Condition 21 (Notices).

In addition to the provisions set out above if the Fully Funded Swap Agreement or the CSD, if applicable, is terminated as a result of an Event of Default (as defined in the Fully Funded Swap Agreement) or Relevant Event (as defined in the CSD), the Security shall become enforceable (if the same shall not already have become enforceable in accordance with these Conditions).

In the event of such termination and the Security becoming enforceable, the Security Trustee may take such action as is provided in Condition 4.3 and Condition 20 and shall do so if so requested or directed in

accordance with the provisions of such Conditions (subject in each case to its being indemnified and/or secured and/or prefunded in accordance with such Conditions and provided that the Security Trustee shall not be required to do anything which is contrary to applicable law).

## 19. EVENTS OF DEFAULT

19.1. If any of the following events (each, an “**Event of Default**”) occurs and is continuing:

19.1.1. *Non payment and/or delivery*: the Issuer fails to make any payment and/or delivery in respect of the W&C Securities within ten days of the due date for payment or delivery thereof; or

19.1.2. *Breach of Other Obligations*: the Issuer except for reason of insolvency defaults in the performance or observance of any of its other obligations under or in respect of the W&C Securities or the Security Trust Deed including its obligations to execute and do all such assurances, acts and things as the Security Trustee may require for creating, perfecting or protecting the Security, and such default remains unremedied for ten days after written notice thereof, addressed to the Issuer by W&C Holders holding not less than 25 per cent. in number of the W&C Securities then outstanding of the relevant Series, has been delivered to the Issuer and to the specified office of the Principal W&C Agent or the Registrar, as the case may be; or

19.1.3. *Insolvency, etc.*: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), (iii) the Issuer takes any action for a composition with or for the benefit of its creditors generally, or (iv) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) and such order or effective resolution has remained in force and has not been rescinded, revoked or set aside for sixty days after the date on which such order is made or effective resolution is passed,

Holders holding not less than 25 per cent. in number of the W&C Securities may by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Principal W&C Agent or the Registrar, as the case may be, declare the W&C Securities to be immediately terminated, whereupon the Termination Amount shall become due and payable without further action or formality and the Security shall become enforceable (as provided in the Security Trust Deed). Notice of any such declaration shall promptly be given to the W&C Holders. Payment will be made in such manner as shall be notified to the W&C Holders in accordance with Condition 21 (*Notices*).

Nothing herein contained shall be deemed to authorise any W&C Holder to exercise any remedy against the Issuer or the Guarantor solely as a result of, or because it is related directly or indirectly to, the insolvency of the Guarantor or the commencement of any proceedings relative to the Guarantor under Title 11 of the United States Code, or the appointment of a receiver for the Guarantor under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or the commencement of any other applicable federal or state bankruptcy, insolvency, resolution or other similar law, or solely as a result of, or because it is related directly or indirectly to, a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official having been appointed for or having taken possession of the Guarantor or its property, or solely as a result of, or because it is related directly or indirectly to, the institution of any other comparable judicial or regulatory proceedings relative to the Guarantor, or to the creditors or property of the Guarantor. Notwithstanding the foregoing, W&C Holders are authorised to exercise any remedy against the relevant Issuer as a result of an Event of Default described in Section 19.1.3.

19.2. *Annulment of Acceleration and Waiver of Defaults*. In some circumstances, if any or all Events of Default, other than non-payment and/or delivery in respect of the W&C Securities of a Series where the Termination Amount has become due and payable as a result of an acceleration, have been cured, waived or otherwise

remedied, then the W&C holders of a majority in number of W&C Securities then outstanding of such Series of W&C Securities (voting as one class) may annul past declarations of acceleration of or waive past defaults of the W&C Securities. However, any continuing default in payment and/or delivery in respect of those W&C Securities may not be waived.

## 20. ENFORCEMENT

The Security Trustee may, at any time, at its discretion and without notice, take such action under or in connection with any of the Security Documents as it may think fit (including, without limitation, enforcing the Security upon the Security becoming enforceable), provided that it shall not be bound to take any such action unless:

- (a) it shall have been so directed in writing by the Instructing Creditor; and
- (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No W&C Holder shall be entitled to enforce the Security or to proceed directly against the Issuer to enforce the other provisions of the Security Document(s) unless the Security Trustee, having become bound so to enforce or to proceed, fails so to do within a reasonable time and such failure is continuing.

**In the event that the Realisation Amount is insufficient to pay all amounts due to the W&C Holders, the Issuer shall remain liable for the Shortfall and, in the event that the Issuer fails to make payment of the Shortfall as and when it becomes due, the Guarantor will be liable for such Shortfall pursuant to the terms of the Guarantee. No W&C Holders shall be entitled to have recourse to the Mortgaged Property secured in respect of any other Series of W&C Securities.**

## 21. NOTICES

21.1. All notices to the W&C Holders, save where another means of communication has been specified in the applicable Final Terms, will be deemed to have been duly given if:

21.1.1. in the case of W&C Securities held through a Clearance System and as long as the relevant Clearance System has procedures for transmitting copies, or the contents of notices to W&C Holders to its account holders, notified to such relevant Clearance System;

21.1.2. in the case of Registered W&C Securities not held through a Clearance System, notices to holders of such Registered W&C Securities shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing; and

21.1.3. in the case of W&C Securities admitted to the Official List and to trading on the Irish Stock Exchange (or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system), published in one daily newspaper of general circulation in Europe and the Republic of Ireland (which is expected to be the Irish Times) (or such other publication required by the rules of such other listing authority, stock exchange and/or quotation system).

21.2. If publication in such a newspaper is not practicable, notice will be given in such other manner as the Principal W&C Agent or the Registrar, as the case may be, on behalf of the Issuer shall determine in its sole and absolute discretion. Such notices shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper in which publication is required.

## 22. LOSSES

In no event shall the Issuer have any liability for indirect, incidental, consequential or other damages (whether or not it may have been advised of the possibility of such damages) other than interest until the date of payment on sums not paid when due in respect of any W&C Securities or assets not delivered when due.

W&C Holders are entitled to damages only and are not entitled to the remedy of specific performance in respect of a W&C Security.

23. **SEVERANCE, MODIFICATION OF CONDITIONS AND MEETINGS OF W&C HOLDERS**

23.1. Should any of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way.

23.2. The Issuer may modify the Conditions (subject as provided below in respect of Security Trustee Conditions) without the consent of the W&C Holders for the purposes of curing any ambiguity or correcting or supplementing any provision contained herein in any manner which the Issuer may deem necessary or desirable, **provided that** such modification is not materially prejudicial to the interests of the W&C Holders. Notice of any such modification will be given to the W&C Holders in accordance with Condition 21 (*Notices*) but failure to give, or non-receipt of, such notice will not affect the validity of such modification. Pursuant to the terms of the Agency Agreement, the Security Trustee is obliged to agree to any such amendment made by the Issuer to the Conditions (other than the Security Trustee Conditions). The Security Trustee may agree, without the consent of the W&C Holders or the Counterparty, to any modification of any of the Security Trustee Conditions that is not in the opinion of the Security Trustee materially prejudicial to the interests of the W&C Holders or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Security Trustee, proven. For the purposes of this Condition, “**Security Trustee Conditions**” means the Conditions and the provisions of the applicable Final Terms relating to (i) the Security, including the enforcement of the Security and the application of the proceeds of the Mortgaged Property and (ii) the rights, duties, powers, obligations and protections of the Security Trustee.

In addition, the Security Trustee may without the consent or sanction of the W&C Holders or the Counterparty at any time and from time to time concur with the Issuer in making any modification (1) to the Security Trust Deed, the relevant Supplemental Trust Deed(s), any relevant Additional Charging Documents, the Agency Agreement and any other Transaction Document to which it is a party which in the opinion of the Security Trustee it may be proper to make PROVIDED THAT the Security Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the W&C Holders or (2) to the Security Trust Deed, the relevant Supplemental Trust Deed(s), any relevant Additional Charging Documents, the Agency Agreement and any other Transaction Document to which it is a party if in the opinion of the Security Trustee such modification is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Security Trustee, proven. Any such modification may be made on such terms and subject to such conditions (if any) as the Security Trustee may determine, shall be binding upon the W&C Holders and the Counterparty and, unless the Security Trustee agrees otherwise, shall be notified by the Issuer to the W&C Holders in accordance with Condition 21 as soon as practicable thereafter.

23.3. In connection with the exercise by it of any of its trusts, powers, authorities and discretions under the Security Documents (including, without limitation, any modification), the Security Trustee shall have regard to the interests of the W&C Holders as a class and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual W&C Holders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Security Trustee shall not be entitled to require, nor shall any W&C Holder be entitled to claim, from the Issuer, the Counterparty, the Security Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual W&C Holders.

23.4. The Agency Agreement contains provisions for convening meetings of W&C Holders to consider matters relating to the W&C Securities, including the modification of any provision of these 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 W&C Holders holding not less than

one-tenth (by number) of the W&C Securities for the time being unexercised. 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 W&C Securities (by number) or, at any adjourned meeting, two or more Persons being or representing W&C Holders whatever the number of W&C Securities held or represented, **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of W&C Holders at which two or more Persons holding or representing not less than three quarters (by number) or, at any adjourned meeting, one quarter (by number) of the W&C Securities for the time being unexercised form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the W&C Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all W&C Holders who for the time being are entitled to receive notice of a meeting of W&C Holders 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 W&C Holders.

#### 24. **FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the W&C Holders (but subject to the consent of the Counterparty (if any) in the case of (a) below to create and issue further W&C Securities of any particular Series:

- (1) having the same terms and conditions as the W&C Securities in all respects (or in all respects except for the first payment of any Distribution Amount) so as to be consolidated and form a single Series with the W&C Securities (such further W&C Securities, the “**Further Fungible W&C Securities**”), provided that the Counterparty delivers or transfers, as the case may be, additional Collateral Assets to the Custodian pursuant to the Charged Agreement(s) and enters into an additional or supplemental Charged Agreement(s) (if applicable) (and references to “**W&C Securities**”, “**Collateral Assets**” and “**Charged Agreement(s)**” shall thereafter be deemed to be references to such terms as amended to take into account the further issue); or
- (2) to form a separate Series from the W&C Securities upon such terms as to security, exercise, cancellation and otherwise as the Issuer may, in its absolute discretion, at the time of the issue thereof determine.

In addition, such Further Fungible W&C Securities, when issued, shall preserve the economic equivalence of the existing W&C Securities and the Determination Agent shall, without the consent of any other person, make such amendments as are necessary.

#### 25. **PURCHASE OF W&C SECURITIES BY ISSUER OR AFFILIATE**

The Issuer or an Affiliate may at any time and from time to time purchase W&C Securities at any price in the open market or otherwise. Such W&C Securities may, at the option of the Issuer or, as the case may be, the relevant Affiliate, be held, resold, reissued or cancelled or otherwise dealt with. No W&C Security which has been exercised, or purchased and cancelled, may be re-issued.

#### 26. **SUBSTITUTION**

##### 26.1. *Substitution of Issuer with Morgan Stanley Group entities*

Subject to the conditions set out in this Condition 26 (Substitution), but without the consent of W&C Holders, the Issuer may substitute Morgan Stanley or a subsidiary of Morgan Stanley in place of MSBV as principal debtor under the W&C Securities, provided that, unless Morgan Stanley is the substitute Issuer, any W&C Securities in respect of which such a substitution is effected will be fully, unconditionally and irrevocably guaranteed pursuant to a guarantee of Morgan Stanley as to the payment of principal of, premium, interest and supplemental amounts, if any, on those W&C Securities when and as the same will become due and payable, whether at maturity or otherwise, and provided further that under the terms of the guarantee, W&C Holders will not be required to exercise their remedies against the substitute prior to proceeding directly against Morgan Stanley (as guarantor).

26.2. *Substitution of Issuer or Guarantor with non Morgan Stanley Group entities*

Subject to the conditions set out in this Condition 26, including the rights of W&C Holders under Condition 26.6, but without the consent of W&C Holders, the Issuer or the Guarantor may, in the event that the Issuer or the Guarantor (as the case may be) has determined that any of the following events has occurred in respect of the Issuer or the Guarantor (as the case may be): an insolvency, receivership, resolution or equivalent event under a relevant jurisdiction; a divestment mandated for regulatory reasons; any action being required to satisfy licensing requirements; or a change of control, substitute for itself any entity which is not a Morgan Stanley Group entity, provided that such entity has a long term credit rating from at least one rating agency of standard application on the international capital markets (including but not limited to S&P, Moody's and Fitch) which is at least as high as the Issuer or Guarantor (as the case may be) being substituted).

26.3. *Conditions to substitution*

*Substitution* of the Issuer or Guarantor for another entity (the "**Substitute**") as provided in Condition 26.1 (*Substitution of Issuer with Morgan Stanley Group entities*) or 26.2 (*Substitution of Issuer or Guarantor with non Morgan Stanley Group entities*) above (as applicable) are subject to the following conditions:

- 26.3.1. the Substitute becoming party to the Agency Agreement with any appropriate consequential amendments, as if it had been an original party to it in place of the Issuer or the Guarantor (as the case may be);
- 26.3.2. the amendment of the Deed of Covenant and such other conditions as the Issuer may agree with the Fiscal Agent and that such substitution is acceptable to the Security Trustee and, in the opinion of the Security Trustee does not have any adverse effect on the security constituted pursuant to the Security Trust Deed;
- 26.3.3. the Substitute is validly existing under the laws under which it is established or incorporated, has capacity to assume all rights, obligations and liabilities under the W&C Securities, receipts, coupons and Guarantee, as applicable, and has obtained all necessary corporate authorisations to assume all such rights, obligations and liabilities under the W&C Securities or Guarantee (as applicable);
- 26.3.4. the Substitute has obtained all necessary governmental or regulatory approvals and consents for the performance by it of its obligations in connection with the W&C Securities or Guarantee (as applicable) and that all such approvals and consents are in full force and effect;
- 26.3.5. in the case of substitution of the Issuer or Guarantor pursuant to Condition 26.2 (*Substitution of Issuer or Guarantor with non Morgan Stanley Group entities*) above only:
  - (i) the Substitute and the Issuer having obtained (a) legal opinions from independent legal advisers of recognised standing in the country of incorporation of the Substitute and in England that the obligations of the Substitute, in the case of a substitution of the Issuer, under the W&C Securities and the relevant Deed of Covenant, or, in New York in the case of a substitution of the Guarantor under the Guarantee, are legal, valid and binding obligations of the Substitute and (b) a legal opinion from an independent legal adviser in New York, that the Guarantee will apply to the Substitute *mutatis mutandis* as it applies to the Issuer prior to the substitution and will constitute legal, valid and binding obligations of the Guarantor, in respect of the Substitute (provided that no opinion as referred to in this sub paragraph (e) shall be required where the Substitute is the Guarantor); and
  - (ii) if the W&C Securities are rated at the relevant time, the Substitute has obtained, prior to the substitution date, a written confirmation from the relevant rating agencies that the substitution will not result in whole or in part in a withdrawal, downgrading, placement in creditwatch or negative outlook of the W&C Securities;

- 26.3.6. all consents and approvals as required have been obtained and that the Substitute and the W&C Securities comply with all applicable requirements of the Securities Act;
- 26.3.7. the Fiscal Agent has confirmed to the Issuer or Guarantor (as the case may be) that it has completed its relevant “know your customer” requirements on the proposed Substitute;
- 26.3.8. such substitution being permitted by the rules of any stock exchange on which the W&C Securities are listed and each such stock exchange confirming that, following the proposed substitution of the Substitute, the W&C Securities will continue to be listed on such stock exchange;
- 26.3.9. no payment in respect of the W&C Securities, receipts and coupons is overdue at the relevant time;
- 26.3.10. at the time of any such substitution, the Substitute is in a position to fulfil all payment obligations arising from or in connection with the W&C Securities in freely convertible and transferable lawful money without the necessity of any taxes or duties to be withheld at source, and to transfer all amounts which are required therefor to the Fiscal Agent without any restrictions; and
- 26.3.11. if appropriate, the Substitute appointing a process agent as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the W&C Securities.

26.4. *Reference in the Conditions to the Issuer or the Guarantor (as the case may be)*

In the event of a substitution pursuant to this Condition 26, any reference in the Conditions to the Issuer or the Guarantor (as the case may be) shall be construed as a reference to the entity substituted.

26.5. *Notification to W&C Holders*

The Issuer or the Guarantor (as the case may be) shall as soon as reasonably practicable notify W&C Holders of the substitution in accordance with Condition 21 (*Notices*).

26.6. *Right to Termination in respect of substitutions with non Morgan Stanley Group entities*

26.6.1. With respect to the right of substitution referred to in Condition 26.2, the Issuer shall provide at least 60 calendar days’ notice of any substitution under such Condition to W&C Holders in accordance with Condition 21 (*Notices*). W&C Holders who object to the substitution will have the right to require the Issuer to terminate their W&C Securities at a price determined in accordance with the provisions of this Condition 26, by providing notice of their intention to exercise such right in the manner set out in this Condition 26 (the “**Right to Termination**”).

26.6.2. The termination of any W&C Securities in respect of which the Right to Termination has been exercised by W&C Holders shall take place one Business Day prior to the relevant substitution becoming effective (the “**Substitution Termination Date**”). The Issuer shall terminate any W&C Securities in respect of which the Right to Termination has been exercised at the fair market value of such W&C Securities on the day on which the relevant Right to Termination Notice is deposited, in accordance with the provisions of this Condition 26.6, as determined by the Determination Agent in its sole and absolute discretion.

26.6.3. In order to exercise the option contained in this Condition 26.6 the holder of a W&C Security must, not less than 10 Business Days before the date on which the substitution is due to take place (the “**Substitution Date**”), deposit such W&C Security with the Registrar, and a duly completed Right to Termination Notice in the form obtainable from any Paying Agent. The Paying Agent with which a W&C Security is so deposited shall deliver a duly completed Right to Termination Receipt to the depositing W&C Holder. No W&C Security, once deposited with a duly completed Right to

Termination Notice in accordance with this Condition 26.6, may be withdrawn; provided, however, that if, prior to the relevant Substitution Termination Date, any such W&C Security becomes immediately due and payable or, upon due presentation of any such W&C Security on the relevant Substitution Termination Date, payment of the termination moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing W&C Holder at such address as may have been given by such W&C Holder in the relevant Right to Termination Notice and shall hold such W&C Security at its Specified Office for collection by the depositing W&C Holder against surrender of the relevant Right to Termination Receipt. For so long as any outstanding W&C Security is held by a Paying Agent in accordance with this Condition 26 the depositor of such W&C Security and not such Paying Agent shall be deemed to be the holder of such W&C Security for all purposes.

26.6.4. Any payments made to W&C Holders in accordance with this Condition 26 shall be made in accordance with the provisions of Condition 9.8 (*Payment and delivery*).

27. **RIGHTS OF THIRD PARTIES**

No person shall have any right to enforce any term or condition of the W&C Securities under the Contracts (Rights of Third Parties) Act 1999.

28. **REPRESENTATIONS AND ACKNOWLEDGEMENTS BY W&C HOLDERS**

Each W&C Holder shall be deemed to represent and acknowledge to the Issuer on acquiring any W&C Securities that:

- (a) neither the Issuer nor any Affiliate or any of their agents is acting as a fiduciary for it or provides investment, tax, accounting, legal or other advice in respect of the W&C Securities and that such W&C Holder and its advisors are not relying on any communication (written or oral and including, without limitation, opinions of third party advisors) of the Issuer or any Affiliate as (i) legal, regulatory, tax, business, investment, financial, accounting or other advice, (ii) a recommendation to invest in any W&C Securities or (iii) an assurance or guarantee as to the expected results of an investment in the W&C Securities (it being understood that information and explanations related to the terms and conditions of the W&C Securities shall not be considered to be any such advice, recommendation, assurance or guarantee and should be independently confirmed by the recipient and its advisors prior to making any such investment);
- (b) such W&C Holder (i) has consulted with its own legal, regulatory, tax, business, investments, financial and accounting advisors to the extent that it has deemed necessary, and has made its own investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or any Affiliate or any of their agents and (ii) is acquiring W&C Securities with a full understanding of the terms, conditions and risks thereof and it is capable of and willing to assume those risks; and
- (c) the Issuer and/or any Affiliates may have banking or other commercial relationships with issuers of any securities to which the W&C Securities relate and may engage in proprietary trading in any securities or indices to which the W&C Securities relate or options, futures, derivatives or other instruments relating thereto (including such trading as the Issuer and/or any Affiliate deem appropriate in their sole discretion to hedge the market risk on the W&C Securities and other transactions between the Issuer and/or any Affiliates and any third parties), and that such trading (i) may affect the price or level thereof and consequently the amounts payable under the W&C Securities and (ii) may be effected at any time, including on or near any Valuation or Averaging Date.

29. **GOVERNING LAW AND PROCEEDINGS**

- 29.1. The W&C Securities and any non-contractual obligations arising out of or in connection with the W&C Securities shall be governed by English law.
- 29.2. Each of the Issuer and the Guarantor agrees for the benefit of each W&C Holder 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 W&C Securities (including a dispute relating to any non-contractual obligations arising out of or in connection with the W&C Securities) (respectively, “**Proceedings**” and “**Disputes**”) and, for such purposes, irrevocably submits to the jurisdiction of such courts.
- 29.3. Each of the Issuer and the Guarantor 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.
- 29.4. Each of the Issuer and the Guarantor agrees that process in connection with Proceedings in the courts of England will be validly served on it if served upon Morgan Stanley & Co. International plc, 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 the Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. 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 W&C Holder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal W&C Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any W&C Holder 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 Principal W&C Agent. Nothing in this Condition shall affect the right of any W&C Holder to serve process in any other manner permitted by law.
- 29.5. 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 W&C Holder 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.

## **BENEFIT PLAN INVESTORS**

The Securities may not be acquired or held by, or acquired with the assets of, (A) any employee benefit plan (as defined in section 3(3) of ERISA), which is subject to Title I of ERISA, (B) any plan subject to section 4975 of the U.S. Internal Revenue Code, or (C) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity (within the meaning of the U.S. Department of Labor Regulations section 2510.3-101, as modified by Section 3(42) of ERISA).

The term "**ERISA**" means the U.S. Employee Retirement Income Security Act of 1974, as amended.

## UNITED KINGDOM TAXATION

*The following applies only to persons who are the beneficial owners of Securities and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs (HMRC) practice relating only to United Kingdom withholding tax treatment of payments in respect of Securities and stamp duty on the issue, exercise and transfer of W&C Securities. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Securities. Some aspects do not apply to certain classes of persons (such as persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Securityholders depends on their individual circumstances and may be subject to change in the future. Prospective Securityholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

### (a) NOTES

#### **Withholding Tax**

Payments of interest by the Issuer on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange. The Notes will satisfy this requirement if they are officially listed in the Republic of Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Irish Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable by the Issuer without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid by without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Notes may also be paid by the Issuer without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, where the interest has a United Kingdom source, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to pay interest without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

### (b) W&C SECURITIES

#### **Withholding Tax**

#### **Payments of Distribution Amounts on the W&C Securities**

Distribution Amounts may be paid in respect of these W&C Securities without withholding or deduction for or on account of United Kingdom income tax unless such Distribution Amount is regarded as an annual payment and as arising in the United Kingdom for United Kingdom tax purposes. This will depend on the terms of the relevant W&C Securities and prospective W&C Holders should therefore take legal advice on the question of whether any particular Distribution Amount payable under the W&C Securities may be regarded as such.

Even if Distribution Amounts are regarded as an annual payment and as arising in the United Kingdom for United Kingdom tax purposes, such payments may generally be made without withholding or deduction for or on account of United Kingdom income tax where the Distribution Amount is paid by a company and, at the time the payment is made, the company reasonably believes (and any person by or through whom the Distribution Amount is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards that payment; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment at the time the payment is made) that the payment should be paid under deduction of tax.

In all other cases, where Distribution Amounts are regarded as an annual payment and as arising in the United Kingdom for United Kingdom tax purposes, an amount must generally be withheld from such payments on account of United Kingdom income tax at the basic rate (currently 20%), subject to any direction to the contrary given by HMRC under an applicable double taxation treaty.

#### **Payments made on exercise of the W&C Securities**

Payments made on the exercise of W&C Securities may be made without deduction or withholding on account of United Kingdom income tax where such payments are not regarded as interest arising in the United Kingdom for United Kingdom tax purposes.

#### **Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

References in this part to “W&C Securities” include any Global Bearer W&C Security and any Global Registered W&C Security.

##### *(i) Issue of W&C Securities*

A W&C Security or any instrument granting a W&C Security may be subject to United Kingdom stamp duty if it is executed in the United Kingdom or if it relates to any property situate, or to any matter or thing done or to be done, in the United Kingdom. However, in the context of retail covered warrants listed on the London Stock Exchange, HMRC 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 HMRC would be prepared to take such a view in relation to a W&C Security or any instrument granting a W&C Security.

If any United Kingdom stamp duty is required to be paid on the issue of W&C Securities, it would be payable at a rate of 0.5 per cent. by reference to the amount of consideration given for issue of the W&C Securities (in the case of a Global Bearer W&C Security or a Global Registered W&C Security, the amount of the consideration given for the W&C Securities represented by the Global Bearer W&C Security or the Global Registered W&C Security).

No SDRT is payable on the issue, into Euroclear or Clearstream, Luxembourg, or any other clearing system of a W&C Security.

##### *(ii) Transfer within a clearing system*

No United Kingdom stamp duty should be required to be paid on the transfer of any W&C Securities within Euroclear or Clearstream, Luxembourg or any other clearing system provided no instrument is used to complete the transfer.

No United Kingdom SDRT should be payable on the transfer of any W&C Securities within Euroclear or Clearstream, Luxembourg or any other clearing system provided that no election has been made under which the alternative system of charge (as provided for in section 97A Finance Act 1986) applies to the W&C Securities.

##### *(iii) Transfers of Individual W&C Certificates outside of a clearing system*

Whether or not transfers of Individual W&C Certificates would be subject to United Kingdom stamp duty or SDRT would depend on the terms and conditions of, and the rights carried by, the relevant Individual W&C Certificate. Prospective holders of Individual W&C Certificates should seek their own professional advice in relation to the United Kingdom stamp duty and SDRT treatment of their Individual W&C Certificates.

(iv) *Exercise*

No United Kingdom stamp duty or SDRT should be payable on the exercise of Cash-Settlement W&C Securities. However, United Kingdom stamp duty and SDRT may be payable in relation to the exercise of a Physical-Settlement W&C Security.

**(c) REPORTING OF INFORMATION**

HMRC has powers, in certain circumstances, to obtain information about: payments derived from securities (whether income or capital); certain payments of interest (including the amount payable on the redemption of a deeply discounted security); and securities transactions.

The persons from whom HMRC can obtain information include: a person who receives (or is entitled to receive) a payment derived from securities; a person who makes such a payment (received from, or paid on behalf of another person); a person by or through whom interest is paid or credited; a person who effects or is a party to securities transactions (which includes an issue of securities) on behalf of others; registrars or administrators in respect of securities transactions; and each registered or inscribed holder of securities.

The information HMRC can obtain includes: details of the beneficial owner of securities; details of the person for whom the securities are held, or the person to whom the payment is to be made (and, if more than one, their respective interests); information and documents relating to securities transactions; and, in relation to interest paid or credited on money received or retained in the United Kingdom, the identity of the security under which interest is paid. HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

HMRC has indicated that it will not use its information-gathering power on interest to obtain information about amounts payable on the redemption of deeply discounted securities which are paid before 6 April 2016.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

## NETHERLANDS TAXATION

*The following disclosure applies only in respect of Securities issued by MSBV and not in respect of Securities issued by any substitute issuer. References in this section on Netherlands taxation to “Securities” refer only to Securities issued by MSBV and references to holders of Securities should be construed accordingly.*

### General

The following summary outlines 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 in relation thereto. 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 tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Base Prospectus, and 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*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer that is considered to be a resident of the Netherlands for Netherlands tax purposes (a “**Netherlands Issuer**”) and holders of Securities of whom a certain related person holds a substantial interest in the Netherlands Issuer. Generally speaking, a substantial interest in the Netherlands Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, as (deemed) settlor, grantor or similar originator (the “**Settlor**”) or upon the death of the Settlor, his/her beneficiaries (the “**Beneficiaries**”) in proportion to their entitlement to the estate of the Settlor of a trust, foundation or similar arrangement (the “**Trust**”) holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Netherlands Issuer or of 5% or more of the issued capital of a certain class of shares of the Netherlands Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Netherlands Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*);
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax; and
- (iv) holders of Securities that are a resident or deemed to be a resident of, or have a permanent establishment or permanent representative in, Bonaire, Sint-Eustatius or Saba.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

### Withholding Tax

All payments made by the Issuer under the Securities may be made free of withholding or deduction for 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 (i) have a maturity – legally or *de facto* – of not more than 50 years, and (ii) will not represent, be linked to (the performance of) or be convertible (in part or in whole) into, (rights to purchase) (a) shares, (b) profit certificates (*winstbewijzen*), and/or (c) debt instruments having a maturity – legally or *de facto* – of more than 50 years, issued by the Issuer, the Guarantor or any other entity related to the Issuer and/or the Guarantor.

### Corporate and Individual Income Tax

- (a) Residents of the Netherlands

If a holder is a resident or deemed to be a 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 an 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 (at up to a maximum rate of 25%).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes, income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which 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. This deemed return on income from savings and investments has been fixed at a rate of 4%<sup>6</sup> of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the individual's yield basis exceeds a certain threshold. 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. 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 is taxed at a rate of 30%.

- (b) Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes, 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 is not an individual and such holder has an enterprise that is, in whole or in part, which is either effectively managed in or carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Securities are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%.

- (ii) the holder is an individual and such holder (1) 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 permanent representative the Securities are attributable, or (2) realises income or gains with respect to the Securities that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Securities which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

Income derived from the Securities as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%.

## **Gift and Inheritance Tax**

- (a) Residents of the Netherlands

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of the Securities by way of a gift by, or on behalf of, 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 gift made under a

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<sup>6</sup> A bill has been passed pursuant to which per 1 January 2017 the 4% deemed return on income from savings and investments will be replaced by annually revised percentages which may differ depending on the amount of an individual's yield basis. The definitive percentages applicable for 2017 have not yet been published at the date of the Base Prospectus.

condition precedent is deemed to be made at the time the condition precedent is fulfilled and is subject to Dutch gift and inheritance tax if the donor is, or is deemed to be, a resident of the Netherlands at that time.

A holder of Dutch 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 and dies or makes a gift within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a gift within a twelve months period after leaving the Netherlands. 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 a 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 Netherlands gift and inheritance tax, unless in the case of a gift of the Securities by, or on behalf of, a holder who 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, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands. A gift made under a condition precedent is deemed to be made at the time the condition precedent is fulfilled.

(c) Certain special situations

For gift and inheritance tax purposes, (i) a gift by a third party such as a trustee, foundation or similar entity or arrangement, will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule, his/her Beneficiaries, will be deemed to have inherited directly from the Settlor. Subsequently, the Beneficiaries will be deemed the settlor, grantor or similar originator of the Trust for purposes of the Netherlands gift and inheritance tax in case of subsequent gifts or inheritances.

**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 a 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.

## IRELAND TAXATION

The following is a summary based on the laws and practices currently in force in Ireland of certain matters regarding the tax position of investors who are the absolute beneficial owners of the Securities. Particular rules not discussed below may apply to certain classes of taxpayers holding the Securities, including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Securities. Prospective investors in the Securities should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Securities and the receipt of payments thereon under the laws of their country of residence, citizenship or domicile.

### **Withholding Tax**

Tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Securities so long as such payments do not constitute Irish source income. Interest paid on the Securities may be treated as having an Irish source if:

- (a) the Issuer is resident in Ireland for tax purposes; or
- (b) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which are used to fund the payments on the Securities; or
- (c) the Issuer is not resident in Ireland for tax purposes but the register for the Securities is maintained in Ireland or (if the Securities are in bearer form) the Securities are physically held in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer does not and will not have a branch or permanent establishment in Ireland; and (iii) bearer Securities will not be physically located in Ireland and the Issuer will not maintain a register of any registered Securities in Ireland.

### **Encashment Tax**

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) on any interest, dividends or annual payments payable out of or in respect of the stocks, funds, shares or securities of a company not resident in Ireland, where such interest, dividends or annual payments are collected or realised by a bank or encashment agent in Ireland for payment to any person who is Irish resident.

Encashment tax will not apply where the holder of the Securities is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

### **Taxation of Receipts**

Notwithstanding that a Securityholder may receive payments of interest, premium or discount on the Securities free of Irish withholding tax, the Securityholder may still be liable to pay Irish income or corporation tax (and in the case of individuals, the universal social charge) on such interest if (i) such interest has an Irish source, (ii) the Securityholder is resident or (in the case of a person other than a body corporate) ordinarily resident in Ireland for tax purposes (in which case there may also be a social insurance (PRSI) liability for an individual in receipt of interest on the Securities), or (iii) the Securities are attributed to a branch or agency of the Securityholder in Ireland. Ireland operates a self-assessment system in respect of income and corporation tax, and each person must assess its own liability to Irish tax.

Relief from Irish income tax may be available under the specific provisions of a double taxation agreement between Ireland and the country of residence of the recipient.

### **Capital Gains Tax**

A Securityholder will be subject to Irish tax on capital gains realised on a disposal of Securities unless such holder is neither resident nor ordinarily resident in Ireland and the Securities were not used in or for the purposes of a trade carried on by the Securityholder in Ireland through a branch or agency and were not used or held or acquired for the purposes of such a branch or agency.

## **Capital Acquisitions Tax**

A gift or inheritance comprising of Securities will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs is currently levied at 33 per cent.) if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Securities are regarded as property situate in Ireland. A foreign domiciled individual will not be regarded as being resident or ordinarily resident in Ireland at the date of the gift or inheritance unless that individual (i) has been resident in Ireland for the five consecutive tax years immediately preceding the tax year in which the gift or inheritance is taken, and (ii) is either resident or ordinarily resident in Ireland on that date.

Bearer notes are generally regarded as situated where they are physically located at any particular time. Securities in registered form are regarded as property situate in Ireland if the register of the Securities is in Ireland. The Securities may, however, be regarded as situated in Ireland regardless of their physical location if they secure a debt due by an Irish resident debtor and/or are secured over Irish property. Accordingly, if Irish situate Securities are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponent or the donee/successor.

## **Stamp Duty On Transfer Of Securities**

As the Issuer is not registered in Ireland, stamp duty will not arise on a document effecting a transfer of the Securities so long as the instrument of transfer of the Securities does not relate to:

- (a) any immovable property situated in Ireland or any right over or interest in such property; or
- (b) any stocks or marketable securities of a company which is registered in Ireland (other than a company which is (a) an investment undertaking within the meaning of section 739B of the Taxes Consolidation Act, 1997 (“TCA”) or (b) a qualifying company within the meaning of section 110 of the TCA).

## EUROPEAN UNION SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “EU Savings Directive”), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into 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 or certain limited types of entity established in one of those territories.

On 9 December 2014, the Council of the European Union adopted a Directive (EC Council Directive 2014/107/EU amending EU Council Directive 2011/16/EU) on the mandatory automatic exchange of information to implement the OECD measures known as the “**Common Reporting Standard**”. Member States are required to implement this Directive in respect of taxable periods from 1 January 2016 and to begin exchanging information pursuant to such Directive no later than 30 September 2017 (subject to deferral under transitional rules in the case of Austria). The Common Reporting Standard is generally broader than the EU Savings Directive, although it does not impose withholding taxes.

On 10 November 2015, the Council of the European Union adopted a Directive (EU Council Directive 2015/2060/EU) repealing the EU Savings Directive with effect from 1 January 2016 (or 1 January 2017 in the case of Austria), subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates. The repeal of the EU Savings Directive is intended to prevent overlap between the EU Savings Directive and the Common Reporting Standard.

## UNITED STATES FEDERAL TAXATION

### **Withholding on Dividend Equivalent Payments**

Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) imposes a withholding tax of 30 per cent. (or lower treaty rate applicable to dividends) on certain “dividend equivalents” paid or deemed paid with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities. Under recently promulgated Treasury regulations issued under Section 871(m), a Security linked to U.S. equities or indices that include U.S. equities (a “U.S. equity linked Security”) will be subject to the Section 871(m) withholding regime if at issuance it (i) has a “delta” of 0.80 or higher with respect to the underlying U.S. stock or (ii) substantially replicates the economic performance of the underlying U.S. stock, as determined by a “substantial equivalence” test that, among other factors, takes into account the initial number of shares of the underlying U.S. stock needed to hedge the transaction fully. The tests described above are set forth in the regulations, and the applicable test will depend on the terms of the relevant U.S. equity linked Security. Under these rules, withholding may apply even where the relevant U.S. equity linked Security does not provide for any payment that is explicitly linked to a dividend. The regulations provide for certain exceptions to the withholding requirements, in particular for instruments linked to certain broad-based indices that meet standards set forth in the regulations.

Section 871(m) could apply to a U.S. equity linked Security that is issued on or after January 1, 2017. If the terms of a U.S. equity linked Security are subject to a "significant modification," the U.S. equity linked Security will generally be treated as reissued at the time of the significant modification.

If Section 871(m) applies, withholding in respect of dividend equivalents will generally be required when cash payments are made on the relevant U.S. equity linked Security or upon the date of maturity, lapse or other disposition thereof by a Non-U.S. investor. The dividend equivalent amount will include the amount of any actual or, under certain circumstances, estimated dividend.

The Issuer will determine whether a U.S. equity linked Security is subject to withholding under Section 871(m) by performing the calculations described above. If withholding is required, the Issuer will not be required to pay any additional amounts with respect to the amounts so withheld.

The regulations provide that Non-U.S. investors of a potential Section 871(m) transaction are entitled to receive certain information in respect thereof. The applicable Final Terms will provide further guidance on how Non-U.S. investors may obtain such information.

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

#### **U.S. Foreign Account Tax Compliance Withholding**

The Issuers and other financial institutions through which payments on the Securities are made may be required to report certain information pursuant to an information reporting regime and withhold at a rate of 30% on all, or a portion of, payments made on or with respect to Securities pursuant to Sections 1471 through 1474 of the Code, the regulations thereunder and pursuant to agreements with the United States regarding these rules (commonly referred to as "FATCA"). Other than with respect to payments discussed under "Withholding on Dividend Equivalent Payments" above, this withholding is scheduled to begin no earlier than January 1, 2019.

FATCA withholding should not apply to Securities that are considered to be "grandfathered obligations" under FATCA. Securities that are not classified as obligations for purposes of FATCA will not be classified as grandfathered obligations. Securities that are classified as obligations for purposes of FATCA will generally be grandfathered obligations so long as they are issued before (and not materially modified on or after) the date that is six months after final regulations clarifying how FATCA applies to "foreign passthru payments" are published. Special rules apply to Securities that are subject to withholding under Section 871(m).

For Securities that are not grandfathered obligations, withholding may be triggered if: (i) an investor does not provide information sufficient for the relevant withholding agent to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" under FATCA, (ii) an investor does not consent, where necessary, to have its information disclosed to the IRS or (iii) any "foreign financial institution (or "FFI") that is an investor, or through which payment on the Securities is made, is not exempt from being withheld upon under FATCA.

The United States and a number of jurisdictions, including the Netherlands and the United Kingdom, have entered into intergovernmental agreements to facilitate the implementation of FATCA ("IGAs"). Generally, FFIs in an IGA jurisdiction are not subject to FATCA withholding, and payments made by FFIs in certain IGA jurisdictions would not be treated as foreign passthru payments.

If an amount in respect of FATCA were to be deducted or withheld from payments on or with respect to the Securities, none of Morgan Stanley, the Issuers, or any intermediary, the Issuers shall be required to pay any additional amounts or otherwise indemnify any person with respect to amounts so withheld.

FATCA is complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and IGAs, all of which are subject to change or may be implemented in a materially different form.

Each potential purchaser of Securities should consult its own tax adviser to determine how FATCA may affect such investor in its particular circumstance.

## SUBSCRIPTION AND SALE

The Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International plc of 25 Cabot Square, Canary Wharf, London E14 4QA (the “**Distribution Agent**”), who has 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 Agent 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 Agent, in connection with sales of the Securities resulting from a solicitation the Distribution Agent made or an offer to purchase received by the Distribution Agent, a commission, which may be in the form of a discount from the purchase price if the Distribution Agent is purchasing the Securities for its 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 Agent may resell any Securities it purchases as principal at prevailing market prices, or at other prices, as the Distribution Agent determines.

The arrangements for the offer and sale of the Securities from time to time are set out in the Distribution Agreement dated 23 January 2014 as amended by a deed of amendment dated 12 December 2016 (as amended and restated from time to time, the “**Distribution Agreement**”) among, *inter alios*, MSBV, Morgan Stanley and the Distribution Agent. Pursuant to the Distribution Agreement, MSBV, Morgan Stanley and the Distribution Agent have agreed to indemnify each other against certain liabilities, or to contribute payments made in respect thereof. MSBV and Morgan Stanley have also agreed to reimburse the Distribution Agent for certain expenses. The Distribution Agreement makes provision for the appointment of additional Distribution Agents who may agree to become bound by its terms (either in relation to the Programme generally or in relation to a particular Series of Securities) in an accession letter provided by such additional Distribution Agent to the Issuer.

In respect of Notes only, in order to facilitate the offering of the Notes, the Distribution Agent may engage in transactions that stabilise, maintain or otherwise affect the price of the Notes or any other securities the prices of which may be used to determine payments on those Notes. Specifically, the Distribution Agent may overallocate in connection with any offering of the Notes, creating a short position in the Notes for their own accounts. In addition, to cover overallocations or to stabilise the price of the Notes or of any other securities, the Distribution Agent may bid for and purchase, Notes or any other securities in the open market. Finally, in any offering of the Notes through a syndicate of underwriters, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Notes in the offering if the syndicate repurchases previously distributed Notes in transactions to cover syndicate short positions, in stabilisation transactions or otherwise. Any of these activities may stabilise or maintain the market price of the Notes above independent market levels. The Distribution Agent is not required to engage in these activities and may end any of these activities at any time.

### **United States of America**

The Securities have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The Securities and may not be offered, sold, pledged, assigned, delivered or otherwise transferred, exercised or redeemed, *at any time*, directly or indirectly, within the United States, which term includes the territories, the possessions and all other areas subject to the jurisdiction of the United States, or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act (“**Regulation S**”). The Distribution Agent (1) has acknowledged that the Securities have not been and will not be registered under the Securities Act, or any securities laws of any state or other jurisdiction in the United States and the Securities are not being offered, sold or delivered and may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the Securities Act); (2) has represented, as a condition to acquiring any interest in the Securities, that neither it nor any persons on whose behalf or for whose account or benefit the Securities are being acquired is a U.S. Person, that it is not located in the United States, and was not solicited to purchase Securities while present in the United States; (3) has agreed not to offer, sell or deliver any of the Securities, directly or indirectly, in the United States or to, or for the account or benefit

of, any U.S. Person; and (4) has agreed that, at or prior to confirmation of sale of any Securities (whether upon original issuance or in any secondary transaction), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities from it a written notice containing language substantially the same as the foregoing. As used herein, “**United States**” means the United States of America (including the states and the District of Columbia), its territories and possessions.

In addition, the Distribution Agent has represented and agreed that it has not offered or sold Securities and will not offer or sell Securities at any time except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, the Distribution Agent has represented and agreed that neither it, its affiliates (if any) nor any person acting on its behalf has engaged or will engage in any directed selling efforts with respect to Securities, and it has complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

#### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Distribution Agent has represented and agreed, and each further Distribution Agent appointed under the Programme will be required to represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Securities to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Distribution Agent nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (a) to (c) above shall require the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Securities to the public**” in relation to any Securities in any Relevant 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 amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

#### **United Kingdom**

In relation to each Tranche of Securities, the 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) in relation to any Securities which have a maturity of less than one year and 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 (i) 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 (ii) 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 as 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;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 apply to the Issuer or Guarantor; and
- (c) 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.

### **Japan**

The Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, the Distribution Agent has undertaken that it will not offer or sell any Securities directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **Ireland**

In relation to each Tranche of Securities, the 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) it will not underwrite the issue of, or place the Securities, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended) (MiFID Regulations), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Securities, otherwise than in conformity with the provisions of the Companies Act 2014, the Central Bank Acts 1942 – 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Securities otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 1363 of the Companies Act 2014; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Securities, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under Section 1370 of the Companies Act 2014.

### **Spain**

Neither the Securities nor this Base Prospectus have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Securities may not be offered, sold or re-sold in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of Article 30-bis of the Spanish Securities Market Law of July 28, 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) as amended and restated (the “**Spanish Securities Market Law**”) and Royal Decree 1310/2005 of 4 November (*Real Decreto 1310/2005 de 4 de noviembre*), and supplemental rules enacted thereunder or in substitution thereof from time to time, but the Securities may be offered or sold in Spain in compliance with the requirements of the Spanish Securities Market Law as amended and restated and any regulations developing it or in substitution thereof which may be in force from time to time.

## Republic of Italy

The offering of the Securities has not been registered pursuant to Italian securities legislation and, accordingly, the Distribution Agent has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Securities in the Republic of Italy in a solicitation to the public and that sales of the Securities in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, the Distribution Agent has represented and agreed that it will not offer, sell or deliver any Securities or distribute copies of this Base Prospectus and any other document relating to the Securities in the Republic of Italy except:

- (1) to “qualified investors”, as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Decree No. 58**”), which includes natural persons and small and medium-sized enterprises, as defined by Directive 2003/71/EC of 4 November 2003 (the “**Prospectus Directive**”).
- (2) that it may offer, sell or deliver Securities or distribute copies of any prospectus relating to such Securities in a solicitation to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree 58 and CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**Regulation No. 11971**”), and ending on the date which is 12 months after the date of publication of such prospectus; and
- (3) in any other circumstances where an express exemption from compliance with the solicitation restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Securities or distribution of copies of the Base Prospectus or any other document relating to the Securities in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### *Provisions relating to the secondary market in Italy*

Investors should also note that, in any subsequent distribution of the Securities in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Securities are placed solely with “qualified investors” and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Securities who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Securities were purchased, unless an exemption provided for under Decree No. 58 applies.

## The Netherlands

For selling restrictions in respect of The Netherlands, see “Public Offer Selling Restriction under the Prospectus Directive” above and in addition:

- (a) *Specific Dutch selling restriction for exempt offers:* Each Distribution Agent has represented and agreed and each further Distribution Agent appointed under the Programme will be required to represent and agree that it will not make an offer of Securities which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:

- (i) such offer is made exclusively to legal entities which are qualified investors (as defined in the Prospectus Directive and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or
- (ii) standard exemption logo and wording are disclosed as required by article 5:20(5) of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the “FSA”); or
- (iii) such offer is otherwise made in circumstances in which article 5:20(5) of the FSA is not applicable,

provided that no such offer of Securities shall require any Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

- (b) *Regulatory capacity to offer Program Securities in The Netherlands:* Each Distribution Agent under the Program, and each further Distribution Agent appointed under the Program, which did and does not have the requisite Dutch regulatory capacity to make offers or sales of financial instruments in The Netherlands has represented and agreed respectively will be required to represent and agree with the Issuers that it has not offered or sold and will not offer or sell any of the Securities of the relevant Issuer in The Netherlands, other than through one or more investment firms acting as principals and having the Dutch regulatory capacity to make such offers or sales.
- (c) *Compliance with Dutch Savings Certificates Act:* Bearer Zero Coupon Notes in definitive form and other bearer Securities that constitute a claim for a fixed sum against the Issuer, 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 transfer and acceptance of rights representing an interest in a zero coupon note in global form, (ii) the initial issue of such securities to the first holders thereof, (iii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business and (iv) the transfer and acceptance of a particular series of such securities within, from or into The Netherlands if they are physically issued outside The Netherlands and are not, in the course of initial distribution or immediately thereafter, distributed in The Netherlands. In the event that the SCA applies, certain identification requirements in relation to the issue and transfer of and payments on zero coupon notes have to be complied with and, in addition thereto, if such zero coupon notes in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987 attached to the Royal Decree of 11 March 1987 (*Staatscourant 129*) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each part to the transaction and the details and serial numbers of such notes.

## Switzerland

The Securities shall not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and neither this Base Prospectus as completed by the final terms nor any other solicitation for investments in the Securities may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations (the “CO”) or of Article 3 of the Swiss Federal Act on Collective Investment Schemes (the “CISA”) unless the legal and regulatory conditions imposed on a public offering under the CO or CISA are satisfied. This Base Prospectus as completed by the final terms does not constitute a public offering within the meaning of Articles 652a, respectively 1156, of the CO and of Article 5 of the CISA and may not comply with the information standards required thereunder, and in particular with the Guidelines on informing investors about structured products as published in July 2007 by the

Swiss Bankers Association, as applicable. The Issuer has not applied for a listing of the Securities on the SWX Swiss Exchange or any other regulated securities market in Switzerland, and therefore, the information contained in this Base Prospectus as completed by the final terms does not necessarily comply with the information standards set out in the listing rules of the SWX Swiss Exchange.

The Securities do not constitute collective investments within the meaning of the CISA. Accordingly, holders of the Securities do not benefit from protection under the CISA or from the supervision of the Swiss Federal Banking Commission. Investors are exposed to the default risk of the Issuer and/or the Guarantor.

### **Hong Kong**

This document will not be delivered for registration to the Registrar of Companies in Hong Kong, its contents will not be reviewed by any regulatory authority in Hong Kong, nor authorised by the Securities and Futures Commission of Hong Kong. Accordingly, this document and the Securities must not be issued, circulated or distributed in Hong Kong other than (1) in circumstances which do not constitute this document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) or which do not constitute an offer to the public within the meaning of that Ordinance, or (2) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and the Securities and Futures (Professional Investor) Rules. Unless permitted by the securities laws of Hong Kong, no person has issued or had in its possession for the purpose of issue, or will issue or have in its possession for issue, whether in Hong Kong or elsewhere, this document or the Securities or any other advertisement, invitation or document relating to the Securities which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) and the Securities and Futures (Professional Investor) Rules.

### **Singapore**

The Distribution Agent represents, warrants and agrees that it has not offered or sold any Securities or caused such Securities to be the subject of an invitation for subscription or purchase, and will not offer or sell any Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor will it circulate or distribute the Base Prospectus or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to persons in Singapore other than:

- (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or
- (ii) to an accredited investor or other relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or
- (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law.

#### **Taiwan**

The Securities shall not be offered or sold in Taiwan, and may only be sold to investors resident in Taiwan from outside Taiwan in a manner that would not constitute an offering of securities in Taiwan and would otherwise be in accordance with the Securities and Exchange Law of Taiwan.

#### **Brazil**

The Securities have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither the Issuer of the Securities nor the issuance of the Securities have been or will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*). Therefore, each of the Dealers has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Securities in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the Securities within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

#### **Mexico**

The Securities have not been registered with the Mexican Securities Registry (*Registro Nacional de Valores*) maintained by the National Banking and Securities Commission (*Comisión Nacional Bancaria de Valores*) or CNBV, and therefore, may not be publicly offered or sold in Mexico. The offering materials are the responsibility of the issuer and may not be publicly distributed in Mexico.

## **NO OWNERSHIP BY U.S. PERSONS**

**The Securities may not be legally or beneficially owned by U.S. Persons at any time. Each holder and each beneficial owner of a Security hereby represents, as a condition to purchasing or owning the Security or any beneficial interest therein, that neither it nor any person on whose behalf or for whose account or benefit the Securities are being purchased is located in the United States, that it is not a U.S. Person and was not solicited to purchase the Securities while present in the United States. Each holder and each beneficial owner of a Security hereby agrees not to offer, sell or deliver any of the Securities, at any time, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person. The term “U.S. Person” will have the meaning ascribed to it in Regulation S under the Securities Act.**

## GENERAL INFORMATION

### 1 AUTHORISATION

#### *MSBV*

The Programme establishment and role of MSBV as Issuer under the Programme was authorised by resolutions of the Board of Directors of MSBV passed on 13 July 2009.

#### *Morgan Stanley*

The giving of the Guarantee is considered to be in the ordinary course of Morgan Stanley's business and therefore was not authorised by specific board resolutions.

### 2 No material adverse change in prospects

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

- (a) Morgan Stanley since 31 December 2015, the date of the latest published annual audited financial statements of Morgan Stanley; and
- (b) MSBV since 31 December 2015, the date of the latest published annual audited financial statements of MSBV.

### 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 30 September 2016, the date of the last published (unaudited) interim financial statements of Morgan Stanley; and
- (b) MSBV since 30 June 2016, the date of the latest published interim (unaudited) financial statements of MSBV.

### 4 Legal and arbitration proceedings

(a) Save as disclosed in:

- (i) the section entitled "Legal Proceedings" in Part I – Item 3 at pages 24-32 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 202-205 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2015 (the "Form 10-K");
- (ii) the section entitled "Legal Settlement" under the heading "24. Subsequent Events" in "Notes to the Consolidated Financial Statements" in Part II – Item 8 at page 250 of the Form 10-K;
- (iii) the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Guarantees and Contingencies" in "Notes to Condensed Consolidated Financial Statements" in Part I – Item 1 at pages 47-50 and the section entitled "Legal Proceedings" in Part II – Item 1 at page 126 of the Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2016;
- (iv) the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Guarantees and Contingencies" in "Notes to Condensed Consolidated Financial Statements" in Part I – Item 1 at pages 50-53 and the section entitled "Legal Proceedings" in Part II – Item 1 at page 128 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 June 2016;

- (v) the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Guarantees and Contingencies" in "Notes to Condensed Consolidated Financial Statements" in Part I – Item 1 at pages 39-43 and the section entitled "Legal Proceedings" in Part II – Item 1 at page 101 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2016; and
- (vi) 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,

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.

## **5 Documents Available**

For the period of 12 months following the date of the Base Prospectus, copies of the following documents will, save as otherwise indicated below, when published, be available during usual business hours on any week day for inspection in physical or electronic form at the principal executive offices of Morgan Stanley, the registered offices of the Issuer, the Fiscal Agent and the Principal W&C Agent:

- (i) copies of the Agency Agreement, the Master Trust Deed, the Charged Agreement(s), the Guarantee and the Deed of Covenant, each as amended and/or supplemented from time to time;
- (ii) the Deed of Incorporation of MSBV;
- (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) Annual Report of Morgan Stanley on Form 10-K for the year ended 31 December 2015;
- (vi) Quarterly Report of Morgan Stanley on Form 10-Q for the quarterly period ended 31 March 2016;
- (vii) Quarterly Report of Morgan Stanley on Form 10-Q for the quarterly period ended 30 June 2016;
- (viii) Quarterly Report of Morgan Stanley on Form 10-Q for the quarterly period ended 30 September 2016;
- (ix) the financial information of the Issuer and the Guarantor incorporated by reference on pages 27-34 of this Base Prospectus; and
- (x) Registration Document dated 10 June 2016, as supplemented by the First Supplement to the Registration Document dated 19 October 2016.

A copy of this Base Prospectus and any Final Terms that are listed on the Irish Stock Exchange will be published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

## **6 Material Contracts**

In the usual course of its business, Morgan Stanley enters into numerous contracts with various other entities. Morgan Stanley has not, however, entered into any material contracts outside the ordinary course of its business which could result in Morgan Stanley being under an obligation or entitlement that is material to Morgan Stanley's ability to meet its obligation to Securityholders in respect of the Securities being issued.

MSBV has not entered into any material contracts outside the ordinary course of its business.

**7 Post-issuance Information**

The Issuer will not provide any post-issuance information except as specified in the applicable Final Terms or if required by any applicable laws and regulations.

**8 Clearing Systems**

The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate code for the issue allocated by Euroclear and Clearstream, Luxembourg 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.

**9 Miscellaneous**

The obligation of a prospective purchaser, including the Distribution Agent, 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.

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