

DATED 20 DECEMBER 2012

MORGAN STANLEY & CO. INTERNATIONAL PLC
AS ISSUER, COLLATERAL ADMINISTRATOR, EM COLLATERAL VERIFICATION
AGENT AND ABS COLLATERAL VERIFICATION AGENT

BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED
AS TRUSTEE

THE BANK OF NEW YORK MELLON, LONDON BRANCH
AS COLLATERAL REPORTING AGENT AND CUSTODIAN

COLLATERAL ADMINISTRATION AND REPORTING
AGREEMENT

IN RESPECT OF

MORGAN STANLEY & CO. INTERNATIONAL PLC
UP TO U.S.\$5,000,000,000 SECURED NOTE
PROGRAMME

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THIS COLLATERAL ADMINISTRATION AND REPORTING AGREEMENT is made on 20 December 2012

BETWEEN:

- (1) **MORGAN STANLEY & CO. INTERNATIONAL PLC**, a company incorporated in England and Wales with limited liability, whose registered office is at 25 Cabot Square, Canary Wharf, London E14 4QA in its capacities as issuer, collateral administrator, EM collateral verification agent and ABS collateral verification agent (the "**Issuer**", the "**Collateral Administrator**", the "**EM Collateral Verification Agent**" and the "**ABS Collateral Verification Agent**", respectively);
- (2) **BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED**, a limited liability company organised under the laws of England and Wales with company number 02631386, having its registered office at One Canada Square, London E14 5AL (the "**Trustee**"); and
- (3) **THE BANK OF NEW YORK MELLON, LONDON BRANCH**, a banking corporation organised under the laws of the State of New York and operating through its branch in London at One Canada Square, London E14 5AL, United Kingdom in its capacities as collateral reporting agent and custodian (the "**Collateral Reporting Agent**" and the "**Custodian**" respectively).

each, a "**Party**" and together, the "**Parties**".

WHEREAS:

- (A) The Issuer has duly authorised the issue of notes under the Programme up to a maximum aggregate principal amount outstanding at any one time of U.S.\$5,000,000,000 (the "**Programme Limit**"). Each issue will be represented by Notes in bearer or registered form.
- (B) Each Series of Notes will be constituted by, be subject to, and have the benefit of a principal trust deed dated on or about 20 December 2012 between the Issuer and the Trustee, as amended and restated from time to time (the "**Principal Trust Deed**") and the applicable Supplemental Trust Deed.
- (C) In respect of each Series of Notes, the Collateral Administrator, the EM Collateral Verification Agent, the ABS Collateral Verification Agent and Collateral Reporting Agent have agreed to provide certain services in relation to the Posted Collateral, to the Issuer, the Custodian and Trustee pursuant to the terms of this Agreement.

THE PARTIES AGREE as follows:

1. **DEFINITIONS**

- 1.1 Words and expressions used in this Collateral Administration and Reporting Agreement, unless otherwise defined herein, shall have the meaning given to them in the master schedule of definitions signed for identification purposes on or about 20 December 2012 by, among others, the Issuer, the Trustee and the Collateral Reporting Agent, as amended and restated from time to time (the "**Master Schedule of**

Definitions"). If there is an inconsistency between the definitions herein and the Master Schedule of Definitions, the definitions used herein shall apply.

For the purposes of this Agreement, "**Collateral Agent**" means each of the Collateral Administrator, the ABS Collateral Verification Agent, the EM Collateral Verification Agent and the Collateral Reporting Agent (together, the "**Collateral Agents**") and "**Collateral Verification Agent**" means the ABS Collateral Verification Agent and the EM Collateral Verification Agent.

2. **APPOINTMENT OF COLLATERAL AGENTS**

2.1 **Appointment of the Collateral Administrator**

The Custodian, and for the purposes of Clause 2.6 (*Collateral Agents to act for the Trustee*) and sections 1.4 and 7.2 of the Custody Agreement only, the Trustee, and further for the purposes of Clause 3.2 of this Agreement only, the Issuer, each appoints the Collateral Administrator as its agent in respect of each Series of Notes for which it is named as Collateral Administrator in the applicable Issue Terms for the purposes specified in this Agreement, the Custody Agreement, the Collateral Service Agreement and the Conditions and all matters incidental thereto.

2.2 **Appointment of the Collateral Verification Agents**

The Issuer, and for the purposes of Clause 2.6 (*Collateral Agents to act for the Trustee*) of this Agreement only, the Trustee each appoint the Collateral Verification Agents as their agent in relation to each Series of Notes for the purposes specified in this Agreement and the Conditions and all matters incidental thereto.

2.3 **Appointment of the Collateral Reporting Agent**

The Issuer, and for the purposes of Clause 2.6 (*Collateral Agents to act for the Trustee*) of this Agreement only, the Trustee each appoint the Collateral Reporting Agent as their agent in relation to each Series of Notes for the purposes specified in this Agreement and the Conditions and all matters incidental thereto.

2.4 **Acceptance of appointment**

2.4.1 The Collateral Administrator accepts its appointment as agent of the Custodian, and for the purposes of Clause 2.6 (*Collateral Agents to act for the Trustee*) and sections 1.4 and 7.2 of the Custody Agreement only, the Trustee, and further for the purposes of Clause 3.2 of this Agreement only, the Issuer in relation to each Series of Notes for which it is named as Collateral Administrator and shall perform all matters expressed to be performed by it in, and otherwise comply with, the Conditions and the provisions of this Agreement and the Custody Agreement and, in connection therewith, shall take all such action as may be incidental thereto.

2.4.2 Each of the Collateral Verification Agents accepts its appointment as agent of the Issuer, and for the purposes of Clause 2.6 (*Collateral Agents to act for the Trustee*) only, the Trustee, in relation to each Series of Notes for which it is named as EM Collateral Verification Agent (in the case of the EM Collateral Verification Agent) or ABS Collateral Verification Agent (in the case of the

ABS Collateral Verification Agent) and shall perform all matters expressed to be performed by it in, and otherwise comply with, the Conditions and the provisions of this Agreement and, in connection therewith, shall take all such action as may be incidental thereto.

2.4.3 The Collateral Reporting Agent accepts its appointment as agent of the Issuer, and for the purposes of Clause 2.6 (*Collateral Agents to act for the Trustee*) only, the Trustee in relation to each Series of Notes and shall perform all matters expressed to be performed by it in, and otherwise comply with, the Conditions and the provisions of this Agreement and, in connection therewith, shall take all such action as may be incidental thereto.

2.5 **Obligations Several**

The obligations of the Collateral Agents are several and not joint.

2.6 **Collateral Agents to act for the Trustee**

If any Event of Default occurs, the Collateral Agents shall, if so required by notice given by the Trustee to the Issuer and the Collateral Agents (or such of them as are specified by the Trustee) act thereafter, until otherwise instructed by the Trustee, as the agents of the Trustee in relation to the administration, verification and valuation and reporting with respect to the Posted Collateral with respect to such Series of Notes under the Trust Deed and the Conditions (save that the Trustee's liability for indemnification, remuneration and/or payment of out-of-pocket expenses of any of the Collateral Agents shall be limited to the amounts for the time being held by the Trustee on the trusts of the Trust Deed and the Conditions relating to the relevant Series of Notes and available to the Trustee for such purpose) and thereafter to hold all documents and records held by them in respect of the relevant Series of Notes on behalf of the Trustee.

This Clause 2.6 shall only apply to any Collateral Agent that is not MSI plc.

3. **ADMINISTRATION OF THE POSTED COLLATERAL**

3.1 **Collateral Administrator to act for Custodian**

3.1.1 In relation to each Series of Notes, the Custodian shall grant a Euroclear Power of Attorney in favour of the Collateral Administrator in order for the Collateral Administrator to perform the tasks set out in sub-clause 3.1.2 below on or prior to the Issue Date.

3.1.2 The Collateral Administrator shall, on behalf of the Custodian and in respect of the Posted Euroclear Collateral and the Collateral Service Agreement relating to each Series of Notes, give instructions or otherwise do any acts necessary to:

- (a) close any Transactions;
- (b) cure, remedy or correct any settlement failures;
- (c) amend or adjust the size of a Transaction; and

- (d) perform any other tasks as may be agreed between the Custodian, the Issuer and the Collateral Administrator, from time to time.

3.1.3 The Collateral Administrator agrees that, notwithstanding the terms of a Euroclear Power of Attorney, that it shall act only in accordance with the terms of this Agreement when acting as the Custodian's agent in respect of the Posted Euroclear Collateral relating to a Series of Notes.

3.2 **Verification of Eligibility Criteria and Minimum Collateralisation Value**

3.2.1 On or prior to the Issue Date in respect of a Series of Notes, the Issuer shall deliver an executed copy of the applicable Issue Terms, Supplemental Trust Deed and the Collateral Service Agreement, or procure that the applicable Issue Terms, Supplemental Trust Deed and the Collateral Service Agreement are delivered, to the Collateral Administrator.

3.2.2 In relation to each Series of Notes then outstanding, no later than 5:00 p.m., London time, on each Business Day, the Collateral Administrator shall:

- (a) verify, for such Series, the compliance of the Posted Collateral with any applicable Eligibility Criteria for such Series; and
- (b) verify, for such Series, the compliance of the Posted Collateral with the Minimum Collateralisation Value for such Series (the verification services set out in paragraphs (a) and (b) of this sub-clause 3.2.2, the "**Verification Services**").

3.2.3 To the extent the Collateral Administrator requires information not set forth in the applicable Issue Terms, the Supplemental Trust Deed and the Collateral Service Agreement to perform its duties under sub-clause 3.2.2(b) with respect to any Series, the Collateral Administrator shall be entitled to make supplemental requests in writing or by Electronic Transmission to the Issuer for such information. Upon its receipt of any such request, the Issuer shall use commercially reasonable efforts to obtain and deliver such information in writing or by Electronic Transmission to the Collateral Administrator. Until such time as the Collateral Administrator has received the information requested pursuant to this sub-clause 3.2.3 or it is conclusively determined by the parties hereto that such information is not so required, the Collateral Administrator shall not be required to perform any of its duties under sub-clause 3.2.2 above in respect of such Series.

3.2.4 Promptly following its performance of the Verification Services in accordance with sub-clause 3.2.2 of this Agreement with respect to any Series of Notes then outstanding, the Collateral Administrator will deliver via Electronic Transmission the results of such Verification Services to the Issuer and the Trustee.

4. VALUATION OF THE POSTED COLLATERAL

4.1 Valuation of the Posted EM Collateral

- 4.1.1 On or prior to the Issue Date in respect of a Series of Notes, the Issuer shall deliver an executed copy of the applicable Issue Terms, or procure that the applicable Issue Terms is delivered, to the EM Collateral Verification Agent.
- 4.1.2 In the event that upon receiving the applicable Issue Terms for any Series of Notes, the EM Collateral Verification Agent requires clarification of, or has any questions regarding its duties in respect of, the valuations to be performed by it specific to such Series, the EM Collateral Verification Agent shall promptly request via Electronic Transmission such information or clarification and the Issuer shall respond via Electronic Transmission to such request within a reasonable period of time, and prior to the receipt by the EM Collateral Verification Agent of the information or clarification so requested, the EM Collateral Verification Agent shall not be required to perform the valuation services with respect to such Series of Notes.
- 4.1.3 If the Issuer has not delivered, or has not procured the delivery of, the applicable Issue Terms to the EM Collateral Verification Agent on or prior to the Issue Date in respect of a Series of Notes, the EM Collateral Verification Agent shall not be required to perform the valuation services with respect to such Series of Notes until such Issue Terms are provided to it by the Issuer.
- 4.1.4 On each Collateral Valuation Date in respect of a Series of Notes, the Issuer shall, or shall procure that the Collateral Administrator shall, provide the EM Collateral Verification Agent with following information (in writing) in relation to each subset of Posted EM Collateral on or prior to 4:00 p.m. London time on such Collateral Valuation Date:
- (a) the issuer of the relevant Posted EM Collateral;
 - (b) whether the relevant Posted EM Collateral is an Equity Security, a Debt Security or an Asset Backed Security;
 - (c) the relevant securities identifying number or ticker; and
 - (d) the applicable Valuation Percentage(s) relating to such Posted EM Collateral.
- 4.1.5 Subject to sub-clause 4.1.4 above, on each Collateral Valuation Date in respect of a Series of Notes, the EM Collateral Verification Agent shall value each item of Posted EM Collateral and provide the following information in relation to each subset of Posted EM Collateral in writing to the Collateral Reporting Agent (copied to the Issuer, the Trustee and the Collateral Administrator) on or prior to the Collateral Valuation Time:
- (a) market value of each item of Posted EM Collateral as of the EM Collateral Pricing Time;

- (b) the Value of each item of Posted EM Collateral as of the relevant EM Collateral Pricing Time;
 - (c) if applicable, the Collateral Exchange Rate relating to each applicable item of Posted EM Collateral as of the relevant EM Collateral Pricing Time; and
 - (d) if applicable, the date and time at which the unit value of the relevant item of Posted EM Collateral was obtained (if such time was not the EM Collateral Pricing Time).
- 4.1.6 If the EM Collateral Verification Agent is not provided with the information set out in sub-clause 4.1.4 above the EM Collateral Verification Agent shall not be required to perform the valuation services with respect to such Series of Notes relating to such Collateral Valuation Date until the Issuer provides such information.
- 4.1.7 If the EM Collateral Verification Agent is unable to provide any of the information set out in sub-clauses 4.1.5(a) to 4.1.5(d) above, the EM Collateral Verification Agent shall, as soon as reasonably practicable, and in any case prior to 9:00 a.m. London time on the Collateral Reporting Date relating to such Collateral Valuation Date notify the Issuer and the Collateral Reporting Agent via Electronic Transmission of the relevant information it is unable to provide.

4.2 Valuation of the Posted ABS Collateral

- 4.2.1 On or prior to the Issue Date in respect of a Series of Notes, the Issuer shall deliver an executed copy of the applicable Issue Terms, or procure that the applicable Issue Terms is delivered, to the ABS Collateral Verification Agent.
- 4.2.2 In the event that upon receiving the applicable Issue Terms for any Series of Notes, the ABS Collateral Verification Agent requires clarification of, or has any questions regarding its duties in respect of, the valuations to be performed by it specific to such Series, the ABS Collateral Verification Agent shall promptly request via Electronic Transmission such information or clarification and the Issuer shall respond via Electronic Transmission to such request within a reasonable period of time, and prior to the receipt by the ABS Collateral Verification Agent of the information or clarification so requested, the ABS Collateral Verification Agent shall not be required to perform the valuation services with respect to such Series of Notes.
- 4.2.3 If the Issuer has not delivered, or has not procured the delivery of, the applicable Issue Terms to the ABS Collateral Verification Agent on or prior to the Issue Date in respect of a Series of Notes, the ABS Collateral Verification Agent shall not be required to perform the valuation services with respect to such Series of Notes until such Issue Terms are provided to it by the Issuer.
- 4.2.4 On each Collateral Valuation Date in respect of a Series of Notes, the Issuer shall, or shall procure that the Collateral Administrator shall, provide the ABS Collateral Verification Agent with following information (in writing) in

relation to each subset of Posted ABS Collateral on or prior to 4:00 p.m. London time on such Collateral Valuation Date:

- (a) the issuer of the relevant Posted ABS Collateral;
- (b) the relevant securities identifying number; and
- (c) the applicable Valuation Percentage(s) relating to such Posted ABS Collateral.

4.2.5 Subject to sub-clause 4.2.4 above, on each Collateral Valuation Date in respect of a Series of Notes, the ABS Collateral Verification Agent shall value each item of Posted ABS Collateral and provide the following information in relation to each subset of Posted ABS Collateral in writing to the Collateral Service Provider (copied to the Issuer and the Collateral Administrator) on or prior to the Collateral Valuation Time:

- (a) market value of each item of Posted ABS Collateral as of the relevant ABS Collateral Pricing Time;
- (b) the Value of each item of Posted ABS Collateral as of the relevant ABS Collateral Pricing Time;
- (c) if applicable, the Collateral Exchange Rate relating to each applicable item of Posted ABS Collateral as of the relevant ABS Collateral Pricing Time; and
- (d) if applicable, the date and time at which the unit value of the relevant item of Posted ABS Collateral was obtained (if such time was not the ABS Collateral Pricing Time).

4.2.6 If the ABS Collateral Verification Agent is not provided with the information set out in sub-clause 4.2.4 above the ABS Collateral Verification Agent shall not be required to perform the valuation services with respect to such Series of Notes relating to such Collateral Valuation Date until the Issuer provides such information.

4.2.7 If the ABS Collateral Verification Agent is unable to provide any of the information set out in sub-clauses 4.2.5(a) to 4.2.5(d) above, the ABS Collateral Verification Agent shall, as soon as reasonably practicable, and in any case prior to 9:00 a.m. London time on the Collateral Reporting Date relating to such Collateral Valuation Date notify the Issuer, the Collateral Service Provider and the Collateral Reporting Agent via Electronic Transmission of the relevant information it is unable to provide.

4.3 Valuation of Posted Cash (other than Posted Euroclear Cash)

The Issuer shall, on each Collateral Valuation Date in respect of a Series of Notes, determine on or prior to the Collateral Valuation Time:

- 4.3.1 the Value of the Posted Cash (other than the Posted Euroclear Cash);

- 4.3.2 if applicable, the Collateral Exchange Rate relating to the Posted Cash (other than the Posted Euroclear Cash) as of 5:00 p.m. London time, and
- 4.3.3 if applicable, the date and time at which the Value of such Posted Cash was obtained (if such time was not 5:00 p.m. London time on the relevant Collateral Valuation Date).

4.4 **Information for valuations**

In performing any valuations services in respect of the Posted EM Collateral or the Posted ABS Collateral (as applicable), the EM Collateral Verification Agent or the ABS Collateral Verification Agent (as the case may be) may consider any relevant information, including, without limitation, one or more of the following types of information:

- 4.4.1 quotations (either firm or indicative) supplied by one or more third parties;
- 4.4.2 information consisting of relevant market data in the relevant market supplied by one or more third parties including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, correlations or other relevant market data in the relevant market; or
- 4.4.3 information of the types described in paragraphs (a) or (b) above from internal sources (including any of the EM Collateral Verification Agent's or the ABS Collateral Verification Agent's Affiliates, as applicable) if that information is of the same type used by the EM Collateral Verification Agent or the ABS Collateral Verification Agent (as the case may be) in the regular course of its business for the valuation of similar securities.

5. **REPORTING**

5.1 **Collecting valuations**

In relation to each Series of Notes, the Collateral Reporting Agent shall obtain and collate the valuations of the Posted Collateral from the Issuer, the Debt and Equity Collateral Verification Agent, the EM Collateral Verification Agent and the ABS Collateral Verification Agent on each Collateral Valuation Date.

5.2 **Omissions and errors**

- 5.2.1 If any information (in the form of a report or otherwise) provided to the Collateral Reporting Agent omits any information required to be provided by the Issuer, the Debt and Equity Collateral Verification Agent, the EM Collateral Verification Agent or the ABS Collateral Verification Agent (as applicable) (each a "**Relevant Agent**") pursuant to the Custody Agreement, the relevant Collateral Service Agreement or this Agreement, the Collateral Reporting Agent shall contact the Relevant Agent via Electronic Transmission request that the Relevant Agent provide the missing information. The Relevant Agent shall provide such missing information to the Collateral Reporting Agent on or prior to Collateral Reporting Cut-Off Time.

5.2.2 If the Collateral Reporting Agent reasonably believes that any information provided to it contains any errors, the Collateral Reporting Agent shall contact the Relevant Agent who provided such information via Electronic Transmission to request that such error is corrected. The Relevant Agent, in consultation with the Collateral Reporting Agent, shall agree on the correct information to be provided to the Collateral Reporting Agent on or prior to the Collateral Reporting Cut-Off Time and while such dispute is being resolved, the Collateral Reporting Agent shall include information in place of such disputed information in accordance with Clause 5.3.3 below.

5.3 **Noteholder Reports**

5.3.1 In respect of each Series of Notes, the Collateral Reporting Agent shall, on each Collateral Reporting Date, prepare a noteholder report, in the form set out in Schedule 1 to this Agreement (each a "**Noteholder Report**") in accordance with the Reporting Operating Procedures Memorandum and make such Noteholder Report available on the website stated in the applicable Issue Terms on or prior to the Collateral Reporting Time.

5.3.2 The Collateral Reporting Agent shall, upon request from any Noteholder and receipt of proof of holding in such form satisfactory to the Collateral Reporting Agent, provide such Noteholder with a User ID and password, in order to access the Noteholder Reports.

5.3.3 If any information is not provided by the Relevant Agent pursuant to Clause 5.2 above on or prior to the Collateral Reporting Cut-Off Time (or there is a continuing dispute in relation to any information), the Collateral Reporting Agent shall include the last available information previously published in a Noteholder Report in place of such missing or incorrect information, clearly identifying the relevant Collateral Reporting Date on which such information appeared and if applicable, the relevant Collateral Pricing Time in the applicable Noteholder Report.

6. **FEES AND EXPENSES**

6.1 **Fees**

The Issuer shall pay to each Collateral Agent such fees as may have been agreed between the Issuer and the relevant agent in respect of the services of such Collateral Agent hereunder (plus any applicable value added tax).

6.2 **Front-end expenses**

The Issuer shall on demand reimburse any Collateral Agent for all expenses (including, without limitation, legal fees and any publication, advertising, communication, courier, postage and other out-of-pocket expenses) properly incurred in connection with its services hereunder (plus any applicable value added tax) other than such costs and expenses as are separately agreed to be reimbursed out of the fees payable under Clause 6.1 (*Fees*).

6.3 Taxes

The Issuer shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which may be payable upon or in connection with the execution and delivery of this Agreement and any letters of appointment under which any Collateral Agent is appointed as agent hereunder, and the Issuer shall indemnify each Collateral Agent on demand against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it may incur or which may be made against it as a result or arising out of or in relation to any failure to pay or delay in paying any of the same. All payments by the Issuer under this Clause 6 and Clause 7.4 shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the United Kingdom, or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the relevant Collateral Agent of such amounts as would have been received by it if no such withholding or deduction had been required.

6.4 Fees following an Event of Default

If any Event of Default occurs, the Collateral Agents agree that, in respect of each Series of Notes, any outstanding fees payable by the Issuer under this Clause 6.4 to the Collateral Agents in respect of such Series of Notes shall be payable from the Realisation Proceeds held by the Trustee in relation to such Series of Notes, in accordance with the applicable order of priority as specified in the Trust Deed, the Conditions and the applicable Issue Terms. The Issuer shall remain liable for any shortfall in relation to such outstanding fees however each Agent agrees that it shall not have recourse to the Realisation Proceeds in respect of any other Series of Notes.

7. TERMS OF APPOINTMENT

7.1 Rights and Powers

Each of the Collateral Agents in connection with its services hereunder:

- 7.1.1 *Genuine documents:* rely upon the terms of any notice, communication, certificate or other document reasonably believed by it to be genuine;
- 7.1.2 *Lawyers:* engage and pay for the advice or services of any lawyers or other experts whose advice or services it considers necessary and rely upon any advice so obtained (and such Collateral Agent shall be protected and shall incur no liability as against the Issuer in respect of any action taken, or suffered to be taken, in accordance with such advice and in good faith); and
- 7.1.3 *Expense or liability:* treat itself as being released from any obligation to take any action hereunder which it reasonably expects will result in any expense or liability to it, the payment of which within a reasonable time is not, in its reasonable opinion, assured to it.

7.2 **Extent of Duties**

Each Collateral Agent shall only be obliged to perform the duties set out herein and such other duties as are necessarily incidental thereto. No Collateral Agent shall be under any fiduciary duty or other obligation towards or have any relationship of agency or trust for or with any person other than the Issuer, the Trustee and, in the case of the Collateral Administrator, the Custodian; or

7.3 **Freedom to transact**

Each Collateral Agent may purchase, hold and dispose of Notes and may enter into any transaction (including, without limitation, any depository, trust or agency transaction) with any Holders of Notes or with any other party hereto in the same manner as if it had not been appointed as the agent of the Issuer (or the Custodian, in case of the Collateral Administrator) in relation to the Notes.

7.4 **Indemnity in favour of the Collateral Agents**

The Issuer shall severally indemnify each Collateral Agent against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs, other than such costs and expenses as are separately agreed to be reimbursed out of the fees payable under Clause 6.1 (*Fees*) and otherwise than by reason of its own negligence, wilful default or fraud, as a result or arising out of or in relation to its acting as the agent of the Issuer in relation to the Notes. The indemnity contained in this Clause 7.4 shall survive the termination or expiry of this Agreement.

7.5 **No liability for consequential loss**

Notwithstanding any provision in this Agreement to the contrary, no Collateral Agent shall in any event be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), whether or not foreseeable, even if that Collateral Agent has been advised of the likelihood of such loss or damage and regardless of whether the claim for loss or damage is made in negligence, for breach of contract or otherwise.

7.6 **Confidential Information**

7.6.1 Each Collateral Verification Agent will treat each of the following information (collectively, the "**Confidential Information**"):

- (a) this Agreement;
- (b) any Issue Terms, Supplemental Trust Deed or Collateral Service Agreement delivered in accordance with the terms hereof;
- (c) any Noteholder Report required to be delivered in connection with each Series of Notes (except to the extent the Collateral Reporting Agent is required to deliver such Noteholder Report to a third party under the terms hereof) and all information received by the Collateral Reporting Agent from the Issuer to produce such Noteholder Reports;

- (d) any results of verifications performed by the Collateral Administrator in accordance with the terms hereof (except to the extent the Collateral Administrator is required to report such results to a third party under the terms hereof);
- (e) any information delivered to the Collateral Reporting Agent in accordance with this Agreement;
- (f) any documents related to the Programme, including but not limited to any Issue Documents;
- (g) any information in respect of any Posted Collateral in connection with each Series of Notes; and
- (h) any information related to the structure or structuring of the Programme or any negotiations or discussions relevant thereto.

as secret and confidential and will not, without the Issuer's prior written consent or authority, disclose to any third party the Confidential Information except in the following circumstances (in which case the Confidential Information may be disclosed to third parties, including Affiliates of the relevant Collateral Agent):

- (i) where necessary to perform the relevant Collateral Verification Agent's obligations under this Agreement;
- (j) where the relevant Collateral Verification Agent is under a legal or regulatory obligation to do so; or
- (k) where such information was previously in the public domain or otherwise disclosed to the relevant Collateral Verification Agent by another unrelated party not under an obligation of confidentiality.

7.6.2 The relevant Collateral Verification Agent may collect, use and disclose personal data about individuals associated with the Issuer so that the relevant Collateral Verification Agent can carry out its obligations to the Issuer and for other related purposes, including monitoring and analysis of its business, fraud and crime prevention, money laundering and legal and regulatory compliance. The relevant Collateral Verification Agent may also transfer the personal data to any country (including countries outside the European Economic Area where there may be less stringent data protection laws) to process information on the relevant Collateral Verification Agent's behalf. Wherever it is processed, the Master Collateral Verification Agent will ensure that such personal data is subject to the confidentiality provisions of this Clause 7.6 hereof and that it will only be used in accordance with the relevant Collateral Verification Agent's instructions.

8. CHANGES IN AGENTS

8.1 Resignation

Any Collateral Agent may resign its appointment as the agent of the Issuer (and in the case of the Collateral Administrator, the Custodian) hereunder and/or in relation to any Series of Notes upon the expiration of not less than 90 days' notice to that effect by such Collateral Agent to the Issuer (with a copy to the Trustee) provided, however, that:

- 8.1.1 if in relation to any Series of Notes any such resignation which would otherwise take effect less than 90 days before or after the maturity date or other date for redemption of such Series it shall not take effect, in relation to such Series only, until the ninetieth day following such date; and
- 8.1.2 such resignation shall not be effective until a successor thereto has (with the prior written approval of the Trustee and the Issuer, in the case of the Collateral Administrator) been appointed by the Issuer (or the Custodian, in the case of the Collateral Administrator) as their agent in relation to such Series of Notes in accordance with Clause 8.4 (*Additional and successor agents*) or in accordance with Clause 8.5 (*Agents may appoint successors*) and notice of such appointment has been given in accordance with the Conditions.

8.2 Revocation

The Issuer (or the Custodian (with the Issuer's prior written consent), in the case of the Collateral Administrator) may revoke their appointment of any Collateral Agent as their agent hereunder and/or in relation to any Series of Notes by not less than thirty days' notice to that effect to such Collateral Agent (with a copy the Trustee) provided, however, that in respect of any Series of Notes, such revocation shall not be effective until a successor thereto has (with the prior written approval of the Trustee) been appointed by the Issuer (or the Custodian, in the case of the Collateral Administrator) as their agent in relation to such Series of Notes and notice of such appointment has been given in accordance with the Conditions.

8.3 Immediate termination upon notice

The appointment of any Collateral Agent shall terminate immediately upon notice from the Issuer, if:

- 8.3.1 *Incapacity*: such Collateral Agent, in the Issuer's (or where such Collateral Agent is MSI plc, the Trustee's) opinion, becomes incapable of acting;
- 8.3.2 *Receiver*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of such Collateral Agent;
- 8.3.3 *Insolvency*: such Collateral Agent admits in writing its insolvency or inability to pay its debts as they fall due;

- 8.3.4 *Liquidator*: an administrator or liquidator of such Collateral Agent or the whole or any part of the undertaking, assets and revenues of such Collateral Agent is appointed (or application for any such appointment is made);
- 8.3.5 *Composition*: such Collateral Agent takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness;
- 8.3.6 *Winding-up*: an order is made or an effective resolution is passed for the winding-up of such Collateral Agent; or
- 8.3.7 *Analogous event*: any event occurs which has an analogous effect to any of the foregoing.

If the appointment of any Collateral Agent is terminated in accordance with this Clause 8.3, the Issuer shall forthwith appoint a successor in accordance with Clause 8.4 (*Additional and successor agents*).

8.4 **Additional and successor agents**

The Issuer (and in the case of the Collateral Administrator, the Custodian (with the prior written consent of the Issuer) may (with the prior written approval of the Trustee) appoint a successor Collateral Agent and shall forthwith give notice of any such appointment to the continuing Collateral Agents, the Noteholders and the Trustee, whereupon the Issuer, the Custodian, the continuing Collateral Agents, the Trustee and the additional or successor Collateral shall acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement in the form *mutatis mutandis* of this Agreement.

8.5 **Agents may appoint successors**

If any Collateral Agent gives notice of its resignation in accordance with Clause 8.1 (*Resignation*) and by the tenth day before the expiry of such notice a successor has not been duly appointed in accordance with Clause 8.4 (*Additional and successor agents*), the relevant Collateral Agent may itself, following such consultation with the Issuer (and in the case of the Collateral Administrator, the Custodian) as is practicable in the circumstances and with the prior written approval of the Trustee, appoint as its successor any reputable and experienced financial institution and give notice of such appointment to the Issuer, the Custodian, the remaining Collateral Agents, the Trustee and the Noteholders, whereupon the Issuer, the Custodian, the remaining Collateral Agents, the Trustee and such successor shall acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement in the form *mutatis mutandis* of this Agreement.

8.6 **Release**

Upon any resignation or revocation taking effect under Clause 8.1 (*Resignation*) or 8.2 (*Revocation*) or any termination taking effect under Clause 8.3 (*Immediate termination upon notice*), the relevant Collateral Agent shall:

- 8.6.1 *Discharge*: be released and discharged from its obligations under this Agreement (save that it shall remain entitled to the benefit of and subject to Clause 6.3 (*Taxes*), Clause 7 (*Terms of Appointment*) and Clause 8 (*Changes in Agents*));
- 8.6.2 *Collateral Administrator's records*: in the case of the Collateral Administrator, deliver to the Issuer (with a copy to the Custodian and the Trustee) and to its successor a copy, certified as true and up-to-date by an officer or authorised signatory of the Collateral Administrator, of any records, documents or information held or maintained by it in relation to the performance of its obligations under this Agreement;
- 8.6.3 *EM Collateral Verification Agent's records*: in the case of the EM Collateral Verification Agent (except where the EM Collateral Verification Agent is Morgan Stanley & Co. International plc), deliver to the Issuer and its successor a copy, certified as true and up-to-date by an officer or authorised signatory of such EM Collateral , of the records, documents and information held or maintained by it in relation to the performance of its obligations under this Agreement;
- 8.6.4 *ABS Collateral Verification Agent's records*: in the case of the ABS Collateral Verification Agent (except where the ABS Collateral Verification Agent is Morgan Stanley & Co. International plc), deliver to the Issuer and to its successor, a copy, certified as true and up-to-date by an officer or authorised signatory of the ABS Collateral Verification Agent, of the records, documents and information held or maintained by it in relation to the performance of its obligations under this Agreement;
- 8.6.5 *Collateral Reporting Agent's records*: in the case of the Collateral Reporting Agent, deliver to the Issuer and its successor a copy, certified as true and up-to-date by an officer or authorised signatory of the Collateral Reporting Agent, of the records, documents and information held of maintained by it in relation to the performance of its obligations under this Agreement; and
- 8.6.6 *Records, documents and papers*: forthwith (upon payment to it of any amount due to it in accordance with Clause 6 (*Fees and Expenses*) or Clause 7.4 (*Indemnity in favour of the Collateral Agents*)) transfer all records, documents and papers to its successor and, upon appropriate notice, provide reasonable assistance to its successor for the discharge of its duties and responsibilities hereunder.

8.7 **Merger**

Any legal entity into which any Collateral Agent, the Custodian or the Trustee is merged or converted or any legal entity resulting from any merger or conversion to which such Collateral Agent, the Custodian or (as the case may be) the Trustee is a party shall, to the extent permitted by applicable law, be the successor to such Agent or, as the case may be, the Trustee without any further formality, whereupon the Issuer, the Custodian, the other Collateral Agents, the Trustee and such successor shall acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement in the form *mutatis mutandis* of

this Agreement. Notice of any such merger or conversion shall forthwith be given by such successor to the Issuer, the Custodian (if applicable), the Trustee (if applicable), the other Collateral Agents and the Noteholders.

8.8 Changes in Specified Offices

If any Collateral Agent decides to change its specified office (which may only be effected within the same city unless the prior written approval of the Issuer (and, in the case of the Collateral Administrator, the Custodian) has been obtained), it shall give notice to the Issuer (and the Custodian, in the case of the Collateral Administrator with a copy to the Trustee and the other Collateral Agents) of the address of the new specified office stating the date on which such change is to take effect, which date shall be not less than 30 days after the date of such notice. The Issuer shall at its own expense not less than 14 days prior to the date on which such change is to take effect (unless the appointment of the relevant Collateral Agent is to terminate pursuant to any of the foregoing provisions of this Clause 8 (*Changes in Agents*) on or prior to the date of such change) give notice thereof to the Noteholders.

9. NOTICES

9.1 Addressees for notices

All notices and communications hereunder shall be made in writing (by letter, e-mail (if applicable) or fax), shall be effective upon receipt by the addressee and shall be sent as follows:

9.1.1 if to the Issuer to it at:

Address: 25 Cabot Square
Canary Wharf
London E14 4QA

E-mail: ssfunding@morganstanley.com
Fax: +44 (0)20 7677 7990
Attention: Structured Secured Funding c/o Susan O'Flynn and
Chasham Mitra

9.1.2 if to the Trustee to it at:

Address: One Canada Square
Canary Wharf
London E14 5AL

Fax: +44 (0)20 7964 2356
Attention: Corporate Trust Administration

9.1.3 if to the Custodian to it at:

Address: One Canada Square
Canary Wharf
London E14 5AL

Fax: +44 (0) 20 7964 2356
Attention: Corporate Trust Administration

9.1.4 if to the Collateral Agents to it at the address, e-mail or fax number specified against its name in Schedule 2 (*Specified offices of the Collateral Agents*)

or, in any case, to such other address, e-mail or fax number or for the attention of such other person or department as the addressee has by prior notice to the sender specified for the purpose.

9.2 Effectiveness

Every notice or communication sent in accordance with Clause 9.1 (*Addressees for notices*) shall be effective as follows:

9.2.1 if sent by letter or fax, upon receipt by the addressee; and

9.2.2 if sent by e-mail upon receipt in readable form at the specified e-mail address;

provided, however, that any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the addressee.

The Issuer (and in the case of the Collateral Administrator, the Custodian) hereby acknowledges that it is fully aware of the risk associated with transmitting instructions via facsimile, and being aware of these risks authorises any Collateral Agent to accept and act upon any instruction sent to the Agent in the Issuer's (or in the case of the Collateral Administrator, the Custodian's) name or in the name of one or more appropriate authorised signers of the Issuer (or the Custodian, as applicable) via facsimile. Any Collateral Agent shall be entitled to the benefit of the provisions of Clause 7.4 (*Indemnity in favour of the Collateral Agents*) when accepting or acting upon any instructions, communications or documents transmitted by facsimile, and shall not be liable in the event any facsimile transmission is not received, or is mutilated, illegible, interrupted, duplicated, incomplete, unauthorised or delayed for any reason, including (but not limited to) electronic or telecommunications failure.

10. LAW AND JURISDICTION

10.1 Governing law

This Agreement and all non contractual obligations arising out of or in connection with it are governed by English law.

10.2 English courts

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement or any non contractual obligation arising out of or in connection with this Agreement) or the consequences of its nullity.

10.3 **Appropriate forum**

The parties agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.

10.4 **Rights of the Agents to take proceedings outside England**

Clause 10.2 (*English courts*) is for the benefit of the Collateral Agents and the Trustee only. As a result, nothing in this Clause 10 (*Law and jurisdiction*) prevents the Collateral Agents or the Trustee from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Collateral Agents or the Trustee may take concurrent Proceedings in any number of jurisdictions.

11. **MODIFICATION**

For the avoidance of doubt, this Agreement may be amended by further agreement among the parties hereto and without the consent of the Noteholders.

12. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when so executed shall constitute one and the same binding agreement between the parties.

13. **RIGHTS OF THIRD PARTIES**

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first before written.

SCHEDULE 1
FORM OF NOTEHOLDER REPORT



THE BANK OF NEW YORK MELLON



Collateral Report

Daily Report 26-Jun-2012

MORGAN STANLEY & CO. INTERNATIONAL PLC

Up to U.S. \$5,000,000,000 Secured Note Programme

This report is for informatio

the Trustee or the Collateral Administrator will have any liability for such estimates, approximations or projections.

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Summary	2
Underlying Collateral Detail	3



Summary

MSIP Note Collateral Report Series XXXX-XX 26-Jun-2012

Account Summary

Account Number	Account Name	Currency	Balance
EG0001	Example Account 1	EUR	25,000.00

Summary Table

	Margined Value (EUR)
Euroclear Triparty - Fixed Income Collateral	40,000,000.00
Emerging Market Collateral	20,000,000.00
Cash - Note Coupon Accrued Interest To Date	25,000.00
Total Collateral Value	60,025,000.00



Emerging Markets

Collateral Taker	Collateral Taker's Name	Collateral Giver	Collateral Giver's Name	Transaction CCY	Intended Transaction Amount	Actual Transaction Amount	Tri Party Rating	Coverage			
100,000,005.00	Example Acc	98,366.00	Morgan Stanley	EUR	1,000,000.00	950,000.00	CCC	Asset Rollup (CLO, STR, CMBS) etc....			
Security Id	Security Description	Security Currency	FX Rate	Security Amount	Clean Price	Dirty Price	Margin	Margined Value	Maturity	Issuer Name	Market Value
XS12375765766	Bond	GBP	0.90	1,000,000.00	0.95	0.97	1.15	759,130.43	1/1/2015 12:0	Issuer of Collateral	970,000.00
XS12375765766	Bond	GBP	0.90	1,000,000.00	0.95	0.97	1.15	759,130.43	1/1/2015 12:0	Issuer of Collateral	970,000.00
Total:								1,518,260.87	1,940,000.00		

EOC Fixed Income Triparty

Collateral Taker	Collateral Taker's Name	Collateral Giver	Collateral Giver's Name	Transaction CCY	Intended Transaction Amount	Actual Transaction Amount	Tri Party Rating	Coverage			
100,000,001.00	Example Acc	98,366.00	Morgan Stanley	EUR	1,000,000.00	950,000.00	CCC	Asset Rollup (CLO, STR, CMBS) etc....			
Security Id	Security Description	Security Currency	FX Rate	Security Amount	Clean Price	Dirty Price	Margin	Margined Value	Maturity	Issuer Name	Market Value
XS12375765766	Bond	GBP	0.90	1,000,000.00	0.95	0.97	1.15	759,130.43	1/1/2015 12:0	Issuer of Collateral	970,000.00
XS12375765765	Bond	GBP	0.90	1,000,000.00	0.95	0.97	1.15	759,130.43	1/1/2015 12:0	Issuer of Collateral	970,000.00
Total:								1,518,260.87	1,940,000.00		

Grand Total:					3,036,521.74	3,880,000.00		
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SCHEDULE 2
SPECIFIED OFFICES OF THE COLLATERAL AGENTS

The Collateral Administrator:

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA

E-mail: ssfunding@morganstanley.com
Fax: +44 (0)20 7677 7990
Attention: Structured Secured Funding c/o Susan O'Flynn and
Chasham Mitra

The EM Collateral Verification Agent:

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA

E-mail: ssfunding@morganstanley.com
Fax: +44 (0)20 7677 7990
Attention: Structured Secured Funding c/o Susan O'Flynn and
Chasham Mitra

The ABS Collateral Verification Agent:

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA

E-mail: ssfunding@morganstanley.com
Fax: +44 (0)20 7677 7990
Attention: Structured Secured Funding c/o Susan O'Flynn and
Chasham Mitra

The Collateral Reporting Agent


The Bank of New York Mellon, London Branch
One Canada Square
Canary Wharf
London E14 5AL

Fax: +44 (0) 20 7964 2356
Attention: Corporate Trust Administration

SIGNATURE PAGE

*The Issuer, the Collateral Administrator, the EM Collateral Verification Agent and the
ABS Collateral Verification Agent*

MORGAN STANLEY & CO. INTERNATIONAL PLC

By: 
SUSAN O'FLYNN

The Collateral Reporting Agent and the Custodian

THE BANK OF NEW YORK MELLON, LONDON BRANCH

By: 
Authorised Signatory
Stuart Dawkin

The Trustee

BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED

By: 
Authorised Signatory
Stuart Dawkin