

Morgan Stanley

MORGAN STANLEY

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

MORGAN STANLEY & CO. INTERNATIONAL plc

(incorporated with limited liability in England and Wales)

MORGAN STANLEY B.V.

(incorporated with limited liability in The Netherlands)

and

MORGAN STANLEY FINANCE LLC

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

This registration document (including all documents incorporated by reference herein, the "**Registration Document**") has been approved by the Luxembourg Commission de Surveillance du Secteur Financier (the "**CSSF**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), as a registration document issued in compliance with the Prospectus Regulation for the purposes of providing information during the period of twelve months after the date of approval of this Registration Document with regard to Morgan Stanley ("**Morgan Stanley**"), Morgan Stanley & Co. International plc ("**MSI plc**"), Morgan Stanley B.V. ("**MSBV**") and Morgan Stanley Finance LLC ("**MSFL**") as issuers or obligors in respect of debt or derivative securities. This Registration Document is valid until 11 December 2021. The CSSF only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Pursuant to Article 6(4) of the Luxembourg Law on Prospectuses, the CSSF gives no undertaking as to the economic and financial soundness of any transaction or the quality or solvency of the issuers. Such approval should not be considered as an endorsement of the issuers that are the subject of this Registration Document. This Registration Document is valid for a period of twelve months from the date of approval. For the avoidance of doubt, the issuers shall have no obligation to supplement this Registration Document in the event of significant new factors, material mistakes or material inaccuracies when this Registration Document is no longer valid.

Prospective investors should consider the factors relating to Morgan Stanley, MSI plc, MSBV and MSFL described in the section entitled "*Risk Factors*", commencing on page 3 of this Registration Document.

MORGAN STANLEY

11 December 2020

Important Notices

Each of the Responsible Persons accept responsibility for the information contained in the relevant document and declares that, to the best of its knowledge, the information contained in the relevant document is in accordance with the facts and makes no omission likely to affect the import of such information. "Responsible Person" means:

- (i) Morgan Stanley with regard to the Morgan Stanley registration document (the "Morgan Stanley Registration Document") which comprises this Registration Document with the exception of:
 - a. Items 6-14 in the section entitled "*Information Incorporated by Reference*" set out at pages 22-30; and
 - b. the sections entitled "*Description of Morgan Stanley & Co. International plc*" set out at pages 67-74; "*Description of Morgan Stanley B.V.*" set out at pages 75-78; and "*Description of Morgan Stanley Finance LLC*" set out at pages 79-81;
- (ii) MSI plc in relation to the MSI plc registration document (the "MSI plc Registration Document") which comprises this Registration Document with the exception of:
 - a. Items 1-5 and 9-14 in the section entitled "*Information Incorporated by Reference*" set out at pages 22-30; and
 - b. the sections entitled "*Description of Morgan Stanley*" set out at pages 33-66; "*Description of Morgan Stanley B.V.*" set out at pages 75-78; "*Description of Morgan Stanley Finance LLC*" set out at pages 79-81; and "*Subsidiaries of Morgan Stanley as of 31 December 2019*" set out on page 82;
- (iii) MSBV with regard to the MSBV registration document (the "MSBV Registration Document") which comprises this Registration Document with the exception of:
 - a. Items 1-8 and 12-14 in the section entitled "*Information Incorporated by Reference*" set out at pages 22-30; and
 - b. the sections entitled "*Description of Morgan Stanley*" set out at pages 33-66; "*Description of Morgan Stanley & Co. International plc*" set out at pages 67-74; "*Description of Morgan Stanley Finance LLC*" set out at pages 79-81; and "*Subsidiaries of Morgan Stanley as of 31 December 2019*" set out on page 82; and
- (iv) MSFL with regard to the MSFL registration document (the "MSFL Registration Document") which comprises this Registration Document with the exception of:
 - a. Items 1-11 in the section entitled "*Information Incorporated by Reference*" set out at pages 22-30; and
 - b. the sections entitled "*Description of Morgan Stanley*" set out at pages 33-66; "*Description of Morgan Stanley & Co. International plc*" set out at pages 67-74; "*Description of Morgan Stanley B.V.*" set out at pages 75-78; and "*Subsidiaries of Morgan Stanley as of 31 December 2019*" set out on page 82.

The distribution of this Registration Document and the offering, sale and delivery of debt or derivative securities in certain jurisdictions may be restricted by law. Persons into whose possession this Registration Document comes are required by Morgan Stanley, MSI plc, MSBV and MSFL to inform themselves about and to observe any such restrictions.

This Registration Document is intended to form part of a prospectus prepared in compliance with the Prospectus Regulation and should be read and construed with any supplement hereto together with all documents incorporated by reference into it, the other parts of such relevant prospectus or, as the case may be, securities note containing disclosure in relation to any issue of debt or derivative securities by any of Morgan Stanley, MSI plc, MSBV or MSFL (or for which any of Morgan Stanley, MSI plc, MSBV or MSFL is an obligor) and, where appropriate, the final terms containing information with respect to such debt or derivative securities.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by any of Morgan Stanley, MSI plc, MSBV or MSFL, any trustee or any dealer appointed in relation to any issue of debt or derivative securities by Morgan Stanley, MSI plc, MSBV or MSFL or for which any of Morgan Stanley, MSI plc, MSBV or MSFL is an obligor.

This Registration Document does not constitute an offer of or an invitation to subscribe for or purchase any debt or derivative securities and should not be considered as a recommendation by any of Morgan Stanley, MSI plc, MSBV or MSFL that any recipient of this Registration Document should subscribe for or purchase any debt or derivative securities. Each recipient of this Registration Document will be taken to have made its own investigation and appraisal of Morgan Stanley, MSI plc, MSBV and MSFL and of the particular terms of any offered debt or derivative securities.

The distribution of this Registration Document and the offer or sale of securities issued by any of Morgan Stanley, MSI plc, MSBV or MSFL (or in relation to which Morgan Stanley, MSI plc, MSBV or MSFL is an obligor) may be restricted by law in certain jurisdictions. Persons into whose possession this Registration Document or any document incorporated by reference herein or any securities issued by Morgan Stanley, MSI plc, MSBV or MSFL (or for which Morgan Stanley, MSI plc, MSBV or MSFL is an obligor) come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of securities issued by any of Morgan Stanley, MSI plc, MSBV or MSFL (or for which Morgan Stanley, MSI plc, MSBV or MSFL is an obligor) and on the distribution of this Registration Document, including any document incorporated herein by reference, see the applicable description of arrangements relating to subscription and sale of the relevant debt or derivative securities in the relevant prospectus or securities note.

All references in this Registration Document to "Sterling" and "£" are to the lawful currency of the United Kingdom, all references to "U.S. dollars," "U.S.\$" and "\$" are to the lawful currency of the United States of America (the "U.S.") and all references to "euro", "€" and "EUR" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

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RISK FACTORS

Prospective investors should read the entire Registration Document. Words and expressions defined elsewhere in this Registration Document have the same meanings in this section.

Prospective investors should consider the factors described below and consult with their own professional advisers if they consider it necessary. Each of Morgan Stanley, MSI plc, MSBV and MSFL believes that the factors described below represent the material risks specific to each of Morgan Stanley, MSI plc, MSBV and MSFL in relation to their obligations under debt or derivative securities.

Risks relating to the financial situation of Morgan Stanley

Morgan Stanley faces a number of risks in relation to its financial situation, including market risk, credit risk and liquidity risk.

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by Morgan Stanley.

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to Morgan Stanley.

Liquidity risk refers to the risk that Morgan Stanley will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity risk also encompasses Morgan Stanley's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern as well as the associated funding risks triggered by the market or idiosyncratic stress events that may negatively affect Morgan Stanley's liquidity and may impact its ability to raise new funding.

Morgan Stanley's results of operations have been, and will likely continue to be, adversely affected by the COVID-19 pandemic.

The coronavirus disease ("COVID-19") pandemic has, and will likely continue to, severely impact global economic conditions, resulting in substantial volatility in the global financial markets, increased unemployment, and operational challenges such as the temporary closures of businesses, sheltering-in-place directives and increased remote work protocols. Governments and central banks around the world have reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, though it is unclear whether these or future actions will be successful in countering the economic disruption. If the pandemic is prolonged or the actions of governments and central banks are unsuccessful, the adverse impact on the global economy will deepen, and Morgan Stanley's results of operations and financial condition in future quarters will be adversely affected. Towards the end of the first quarter of 2020 and the second quarter of 2020, the pandemic impacted each of Morgan Stanley's business segments and such impact will likely be greater in future quarters if conditions persist (e.g., decline and volatility of asset prices, reduction in interest rates, widening of credit spreads, credit deterioration, market volatility and reduced investment banking advisory activity). This resulted in significant decreases in the valuation of its loans and commitments, investments and certain classes of trading assets, an increase in the allowance for credit losses, reduced net interest income, and reduced investment banking advisory fees. For example, during the second quarter of 2020, Morgan Stanley has recognised provisions for credit losses on loans and lending commitments of \$239 million. At the same time, increased revenues for certain products related to high levels of client trading activity, as well as balance sheet growth from increased deposits and derivative assets, may not be replicated in future quarters. Should these global market conditions be prolonged or worsen, or the pandemic lead to additional market disruptions, Morgan Stanley could experience reduced client activity and demand for its products and services, higher credit and valuation losses in its loan and commitment and investment portfolios, impairments of other financial assets and other negative impacts on Morgan Stanley's financial position, including possible constraints on capital and liquidity, as well as a higher cost of capital, and possible changes or downgrades to Morgan Stanley's credit ratings. In addition, the sharp decline in interest rates will further decrease interest margins in Morgan Stanley's lending businesses across Wealth Management and Institutional Securities. A continued slowdown of commercial activity would cause overall investment banking revenues to decline and the decline in assets under management and client balances will also further reduce fee and financing revenues across all of Morgan Stanley's business segments. Operationally,

although Morgan Stanley has initiated a work remotely protocol and restricted business travel of its workforce, if significant portions of its workforce, including key personnel, are unable to work effectively because of illness, government actions, or other restrictions in connection with the pandemic, the impact of the pandemic on Morgan Stanley's businesses could be exacerbated. While the COVID-19 pandemic negatively impacted Morgan Stanley's results of operations in the first quarter and second quarter of 2020, the extent to which it, and the related global economic crisis, affect Morgan Stanley's businesses, results of operations and financial condition, as well as Morgan Stanley's regulatory capital and liquidity ratios, will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any recovery period, future actions taken by governmental authorities, central banks and other third parties in response to the pandemic, and the effects on Morgan Stanley's customers, counterparties, employees and third-party service providers. Moreover, the effects of the COVID-19 pandemic will heighten the other risks described in this Registration Document in respect of Morgan Stanley and any subsequent Quarterly Report on Form 10-Q or Current Report on Form 8-K.

Morgan Stanley's results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors, including changes in asset values.

Morgan Stanley's results of operations have been in the past and may, in the future, be materially affected by market fluctuations due to global financial markets, economic conditions, changes to global trade policies and tariffs and other factors, including the level and volatility of equity, fixed income and commodity prices, the level and term structure of interest rates, inflation and currency values, and the level of other market indices. The results of Morgan Stanley's Institutional Securities business segment, particularly results relating to Morgan Stanley's involvement in primary and secondary markets for all types of financial products, are subject to substantial market fluctuations due to a variety of factors that Morgan Stanley cannot control or predict with great certainty. These fluctuations impact results by causing variations in business flows and activity and in the fair value of securities and other financial products. Fluctuations also occur due to the level of global market activity, which, among other things, affects the size, number and timing of investment banking client assignments and transactions and the realisation of returns from Morgan Stanley's principal investments. During periods of unfavourable market or economic conditions, the level of individual investor participation in the global markets, as well as the level of client assets, may also decrease, which would negatively impact the results of Morgan Stanley's Wealth Management business segment. Substantial market fluctuations could also cause variations in the value of Morgan Stanley's investments in its funds, the flow of investment capital into or from assets under management or supervision and the way customers allocate capital among money market equity, fixed income or other investment alternatives, which could negatively impact Morgan Stanley's Investment Management business segment.

The value of Morgan Stanley's financial instruments may be materially affected by market fluctuations. Market volatility, illiquid market conditions and disruptions in the credit markets may make it extremely difficult to value and monetise certain of Morgan Stanley's financial instruments, particularly during periods of market displacement. Subsequent valuations in future periods, in light of factors then prevailing, may result in significant changes in the values of these instruments and may adversely impact historical or prospective fees and performance-based fees (also known as incentive fees, which include carried interest) in respect of certain businesses. In addition, at the time of any sales and settlements of these financial instruments, the price Morgan Stanley ultimately realises will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of Morgan Stanley's financial instruments, which may have an adverse effect on its results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale. Morgan Stanley's risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. However, severe market events have historically been difficult to predict and Morgan Stanley could realise significant losses if extreme market events were to occur.

Holding large and concentrated positions may expose Morgan Stanley to losses.

Concentration of risk may reduce revenues or result in losses in Morgan Stanley's market-making, investing, underwriting, including block trading and lending businesses in the event of unfavourable market movements, or when market conditions are more favourable for its competitors. Morgan Stanley commits substantial amounts of capital to these businesses, which often results in its taking large positions in the securities of, or making large loans to, a particular issuer or issuers in a particular industry, country or region.

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

Morgan Stanley incurs significant credit risk exposure through its Institutional Securities business segment. This risk may arise from a variety of business activities, including, but not limited to: extending credit to clients through various lending commitments; entering into swap or other derivative contracts under which counterparties have obligations to make payments to Morgan Stanley; providing short- or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; posting margin and/or collateral and other commitments to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties; and investing and trading in securities and loan pools whereby the value of these assets may fluctuate based on realised or expected defaults on the underlying obligations or loans.

Morgan Stanley also incurs credit risk in its Wealth Management business segment lending to mainly individual investors, including, but not limited to, margin- and securities-based loans collateralised by securities, residential mortgage loans and home equity lines of credit.

Morgan Stanley's valuations related to, and reserves for losses on, credit exposures rely on complex models, estimates, and subjective judgments about the future. While Morgan Stanley believes current valuations and reserves adequately address Morgan Stanley's perceived levels of risk, future economic conditions that differ from or are more severe than forecast, inaccurate models or assumptions, or external factors such as natural disasters, could lead to inaccurate measurement of or deterioration of credit quality of its clients and borrowers and counterparties or the value of collateral and result in unexpected losses. In addition, Morgan Stanley may incur higher than anticipated credit losses in periods of market illiquidity or as a result of disputes with counterparties over the valuation of collateral during periods of economic stress.

Certain of Morgan Stanley's credit exposures are concentrated by product, industry or country. Although Morgan Stanley's models and estimates account for correlations among related types of exposures, a change in the market environment for a concentrated product or an external factor impacting a concentrated industry or country may result in credit losses in excess of amounts forecast. Concentrations of credit risk are managed through the Morgan Stanley's comprehensive and global Credit Limits Framework.

In addition, as a clearing member of several central counterparties, Morgan Stanley is responsible for the defaults or misconduct of Morgan Stanley's customers and could incur financial losses in the event of default by other clearing members. Although Morgan Stanley regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

A default by a large financial institution could adversely affect financial markets.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships among the institutions. Increased centralisation of trading activities through particular clearing houses, central agents or exchanges as required by provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") may increase Morgan Stanley's concentration of risk with respect to these entities. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing houses, clearing agencies, exchanges, banks and securities firms, with which Morgan Stanley interacts on a daily basis and, therefore, could adversely affect Morgan Stanley.

Liquidity is essential to Morgan Stanley's businesses and Morgan Stanley relies on external sources to finance a significant portion of its operations.

Liquidity is essential to Morgan Stanley's businesses. Morgan Stanley's liquidity could be negatively affected by its inability to raise funding in the long-term or short-term debt capital markets or its inability to access the secured lending markets, or unanticipated outflows of cash or collateral by customers or clients. Factors that Morgan Stanley cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, including concerns regarding fiscal matters in the U.S. and other geographic areas, could impair Morgan Stanley's ability to raise funding. In addition, Morgan Stanley's ability to raise funding could be impaired if investors or lenders develop a negative perception of Morgan Stanley's long-term or short-term financial prospects due to factors such as an incurrence of large trading losses, a downgrade by the rating agencies, a decline in the level of its business activity, or if regulatory authorities take significant action against Morgan Stanley or its industry, or Morgan Stanley discovers significant employee misconduct or illegal activity. If Morgan Stanley is unable to raise funding using the methods described above, it would likely need to finance or liquidate unencumbered assets, such as its investment portfolios or trading assets, to meet maturing liabilities or other obligations. Morgan Stanley may be unable to sell some of its assets, or it may have to sell assets at a discount to market value, either of which could adversely affect Morgan Stanley's results of operations, cash flows and financial condition.

Morgan Stanley's borrowing costs and access to the debt capital markets depend on its credit ratings.

The cost and availability of unsecured financing generally are impacted by Morgan Stanley's long-term and short-term credit ratings. The rating agencies continue to monitor certain company-specific and industry-wide factors that are important to the determination of Morgan Stanley's credit ratings. These include governance, the level and quality of earnings, capital adequacy, liquidity and funding, risk appetite and management, asset quality, strategic direction, business mix regulatory or legislative changes, macro-economic environment, and perceived levels of support, and it is possible that they could downgrade Morgan Stanley's ratings and those of similar institutions.

Morgan Stanley's credit ratings also can have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is a key consideration, such as over-the-counter ("**OTC**") and other derivative transactions, including credit derivatives and interest rate swaps. In connection with certain OTC trading agreements and certain other agreements associated with Morgan Stanley's Institutional Securities business segment, Morgan Stanley may be required to provide additional collateral to, or immediately settle any outstanding liability balance with, certain counterparties in the event of a credit ratings downgrade. Termination of Morgan Stanley's trading and other agreements could cause Morgan Stanley to sustain losses and impair its liquidity by requiring it to find other sources of financing or to make significant cash payments or securities movements. The additional collateral or termination payments which may occur in the event of a future credit rating downgrade vary by contract and can be based on ratings by either or both of Moody's Investors Service, Inc. ("**Moody's**") and S&P Global Ratings ("**S&P**").

Morgan Stanley is a holding company and depends on payments from its subsidiaries.

Morgan Stanley has no operations and depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations. Regulatory restrictions, tax restrictions or elections and other legal restrictions may limit Morgan Stanley's ability to transfer funds freely, either to or from its subsidiaries. In particular, many of Morgan Stanley's subsidiaries, including its bank and broker-dealer subsidiaries, are subject to laws, regulations and self-regulatory organisation rules that limit, as well as authorise regulatory bodies to block or reduce the flow of funds to Morgan Stanley, or that prohibit such transfers or dividends altogether in certain circumstances, including steps to "ring fence" entities by regulators outside of the U.S. to protect clients and creditors of such entities in the event of financial difficulties involving such entities. These laws, regulations and rules may hinder Morgan Stanley's ability to access funds that it may need to make payments on its obligations. Furthermore, as a bank holding company, Morgan Stanley may become subject to a prohibition or to limitations on its ability to pay dividends. The Board of Governors of the Federal Reserve System (the "**Federal Reserve**"), the Office of the Comptroller of the Currency ("**OCC**") and the Federal Deposit Insurance Corporation ("**FDIC**") have the authority, and under certain circumstances the duty, to prohibit or to limit the payment of dividends by the banking organisations they

supervise, including Morgan Stanley and its U.S. bank subsidiaries, Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association (collectively, "**U.S. Bank Subsidiaries**").

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.

Morgan Stanley's ability to raise funding in the long-term or short-term debt capital markets or the equity markets, or to access secured lending markets, has in the past been, and could in the future be, adversely affected by conditions in the U.S. and international markets and economies. In particular, Morgan Stanley's cost and availability of funding in the past have been, and may in the future be, adversely affected by illiquid credit markets and wider credit spreads. Significant turbulence in the U.S., the European Union and other international markets and economies could adversely affect Morgan Stanley's liquidity and financial condition and the willingness of certain counterparties and customers to do business with Morgan Stanley.

Risks relating to the operation of Morgan Stanley's business activities

Morgan Stanley faces a number of operational risks in relation to its business activities.

Operational risk refers to the risk of loss, or of damage to Morgan Stanley's reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (e.g., fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). Morgan Stanley may incur operational risk across the full scope of its business activities, including revenue-generating activities (e.g., sales and trading) and support and control groups (e.g., information technology and trade processing). Legal, regulatory and compliance risk is included in the scope of operational risk and is discussed below under "*Legal, Regulatory and Compliance Risk*".

Morgan Stanley is subject to operational risks, including a failure, breach or other disruption of its operations or security systems or those of Morgan Stanley's third parties (or third parties thereof) as well as human error or malfeasance, which could adversely affect its businesses or reputation.

Morgan Stanley's businesses are highly dependent on its ability to process and report, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. Morgan Stanley may introduce new products or services or change processes or reporting, including in connection with new regulatory requirements, resulting in new operational risk that Morgan Stanley may not fully appreciate or identify. The trend toward direct access to automated, electronic markets and the move to more automated trading platforms has resulted in the use of increasingly complex technology that relies on the continued effectiveness of the programming code and integrity of the data to process the trades. Morgan Stanley relies on the ability of its employees, consultants, its internal systems and systems at technology centres maintained by unaffiliated third parties to operate its different businesses and process a high volume of transactions. Additionally, Morgan Stanley is subject to complex and evolving laws and regulations governing cybersecurity, privacy and data protection, which may differ and potentially conflict, in various jurisdictions.

As a major participant in the global capital markets, Morgan Stanley faces the risk of incorrect valuation or risk management of its trading positions due to flaws in data, models, electronic trading systems or processes or due to fraud or cyber attack.

Morgan Stanley also faces the risk of operational failure or disruption of any of the clearing agents, exchanges, clearing houses or other financial intermediaries it uses to facilitate its lending, securities and derivatives transactions. In the event of a breakdown or improper operation of Morgan Stanley's or a direct or indirect third party's systems (or third parties thereof) or processes or improper or unauthorised action by third parties, including consultants and subcontractors or Morgan Stanley's employees, Morgan Stanley could suffer financial loss, an impairment to its liquidity position, a disruption of its businesses, regulatory sanctions or damage to its reputation. In addition, the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses, and the increased importance of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could materially impact Morgan Stanley's ability to conduct business. Furthermore, the concentration of company and personal information held by a handful of third parties increases the risk that a breach at a key third party may cause an industry-wide data breach that could significantly increase the cost and risk of conducting business.

There can be no assurance that Morgan Stanley's business contingency and security response plans fully mitigate all potential risks to Morgan Stanley. Morgan Stanley's ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its businesses and the communities where Morgan Stanley is located, which are concentrated in the New York metropolitan area, London, Hong Kong and Tokyo, as well as Baltimore, Glasgow, Frankfurt, Budapest and Mumbai. This may include a disruption involving physical site access, cybersecurity incidents, terrorist activities, political unrest, disease pandemics, catastrophic events, climate-related incidents and natural disasters (such as earthquakes, tornadoes, hurricanes and wildfires), electrical outage, environmental hazard, computer servers, communications or other services Morgan Stanley uses, its employees or third parties with whom Morgan Stanley conducts business.

Although Morgan Stanley employs backup systems for its data, those backup systems may be unavailable following a disruption, the affected data may not have been backed up or may not be recoverable from the backup, or the backup data may be costly to recover, which could adversely affect Morgan Stanley's business.

Notwithstanding evolving technology and technology-based risk and control systems, Morgan Stanley's businesses ultimately rely on people, including Morgan Stanley employees and those of third parties with which Morgan Stanley conducts business. As a result of human error or engagement in violations of applicable policies, laws, rules or procedures, certain errors or violations are not always discovered immediately by Morgan Stanley's technological processes or by Morgan Stanley's controls and other procedures, which are intended to prevent and detect such errors or violations. These can include calculation errors, mistakes in addressing emails or other communications, errors in software or model development or implementation, or errors in judgment, as well as intentional efforts to disregard or circumvent applicable policies, laws, rules or procedures. Human errors and malfeasance, even if promptly discovered and remediated, can result in material losses and liabilities for Morgan Stanley.

Morgan Stanley conducts business in various jurisdictions outside the U.S., including jurisdictions that may not have comparable levels of protection for their corporate assets such as intellectual property, trademarks, trade secrets, know-how and customer information and records. The protection afforded in those jurisdictions may be less established and/or predictable than in the U.S. or other jurisdictions in which Morgan Stanley operates. As a result, there may also be heightened risks associated with the potential theft of their data, technology and intellectual property in those jurisdictions by domestic or foreign actors, including private parties and those affiliated with or controlled by state actors. Any theft of data, technology or intellectual property may negatively impact Morgan Stanley's operations and reputation, including disrupting the business activities of Morgan Stanley's subsidiaries, affiliates, joint ventures or clients conducting business in those jurisdictions.

A cyber attack, information or security breach or a technology failure could adversely affect Morgan Stanley's ability to conduct its business, manage its exposure to risk or result in disclosure or misuse of confidential or proprietary information and otherwise adversely impact its results of operations, liquidity and financial condition, as well as cause reputational harm.

Morgan Stanley maintains a significant amount of personal information on its customers, clients, employees and certain counterparties that Morgan Stanley is required to protect under various state, federal and international data protection and privacy laws. These laws may be in conflict with one another, or courts and regulators may interpret them in ways that Morgan Stanley had not anticipated or that adversely affect Morgan Stanley's business.

Cybersecurity risks for financial institutions have significantly increased in recent years in part because of the proliferation of new technologies, the use of the internet, mobile telecommunications and cloud technologies to conduct financial transactions, and the increased sophistication and activities of organised crime, hackers, terrorists and other external extremist parties, including foreign state actors, in some circumstances as a means to promote political ends. In addition to the growing sophistication of certain parties, the commoditisation of cyber tools which are able to be weaponised by less sophisticated actors has led to an increase in the exploitation of technological vulnerabilities. Global events and geopolitical instability may lead to increased nation state targeting of financial institutions in the U.S. and abroad. Foreign state actors have become more sophisticated over time, increasing the risk of such an attack. Any of these parties may also attempt to fraudulently induce employees, customers, clients, vendors or other third parties or users of Morgan Stanley's systems to disclose sensitive information in order to gain access to its data or that of Morgan Stanley's employees or clients. Cybersecurity risks may also derive from human

error, fraud or malice on the part of its employees or third parties, including third party providers, or may result from accidental technological failure. In addition, third parties with whom Morgan Stanley does business, their service providers, as well as other third parties with whom Morgan Stanley's customers do business, may also be sources of cybersecurity risks, particularly where activities of customers are beyond Morgan Stanley's security and control systems. There is no guarantee that the measures Morgan Stanley takes will provide absolute security or recoverability given the techniques used in cyber attacks are complex and frequently change, and may not be able to be anticipated.

Like other financial services firms, Morgan Stanley, its third party providers, and its clients continue to be the subject of unauthorised access attacks, mishandling or misuse of information, computer viruses or malware, cyber attacks designed to obtain confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, denial of service attacks, data breaches and other events. There can be no assurance that such unauthorised access, mishandling or misuse of information or cyber incidents will not occur in the future, and they could occur more frequently and on a more significant scale.

A cyber attack, information or security breach or a technology failure of Morgan Stanley or of a third party could jeopardise its or its clients', employees', partners', vendors' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, its and its third parties' computer systems. Furthermore, such events could cause interruptions or malfunctions in Morgan Stanley's, its clients', employees', partners', vendors', counterparties' or third parties' operations, as well as the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of Morgan Stanley, its employees, its customers or of other third parties. Any of these events could result in reputational damage with Morgan Stanley's clients and the market, client dissatisfaction, additional costs to Morgan Stanley to maintain and update its operational and security systems and infrastructure, regulatory investigations, litigation or enforcement, or regulatory fines or penalties, any of which could adversely affect Morgan Stanley's business, financial condition or results of operations.

Given Morgan Stanley's global footprint and the high volume of transactions Morgan Stanley processes, the large number of clients, partners, vendors and counterparties with which Morgan Stanley does business, and the increasing sophistication of cyber attacks, a cyber attack, information or security breach could occur and persist for an extended period of time without detection. Morgan Stanley expects that any investigation of a cyber attack would be inherently unpredictable and that it would take time before the completion of any investigation and before there is availability of full and reliable information. During such time Morgan Stanley would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all or any of which would further increase the costs and consequences of a cyber attack.

While many of Morgan Stanley's agreements with partners and third party vendors include indemnification provisions, Morgan Stanley may not be able to recover sufficiently, or at all, under such provisions to adequately offset any losses Morgan Stanley may incur. In addition, although Morgan Stanley maintains insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber and information security risks, such insurance coverage may be insufficient to cover all losses.

Morgan Stanley continues to make investments with a view toward maintaining and enhancing its cybersecurity posture. The cost of managing cyber and information security risks and attacks along with complying with new increasingly expansive and evolving regulatory requirements could adversely affect Morgan Stanley's results of operations and business.

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, which could result in unexpected losses.

Morgan Stanley has devoted significant resources to develop its risk management capabilities and expects to continue to do so in the future. Nonetheless, Morgan Stanley's risk management strategies, models and processes, including its use of various risk models for assessing market exposures and hedging strategies, stress testing and other analysis, may not be fully effective in mitigating Morgan Stanley's risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. As Morgan Stanley's businesses change and grow, and the markets in which Morgan Stanley operates evolve, its risk management strategies, models and processes may not always adapt with those changes. Some of Morgan Stanley's methods of managing risk are based upon its use of observed historical market

behaviour and management's judgment. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. In addition, many models Morgan Stanley uses are based on assumptions or inputs regarding correlations among prices of various asset classes or other market indicators and therefore cannot anticipate sudden, unanticipated or unidentified market or economic movements, which could cause Morgan Stanley to incur losses.

Management of market, credit, liquidity, operational, model, legal, regulatory and compliance risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. Morgan Stanley's trading risk management strategies and techniques also seek to balance its ability to profit from trading positions with its exposure to potential losses. While Morgan Stanley employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. For example, to the extent that Morgan Stanley's trading or investing activities involve less liquid trading markets or are otherwise subject to restrictions on sales or hedging, Morgan Stanley may not be able to reduce its positions and therefore reduce its risk associated with such positions. Morgan Stanley may, therefore, incur losses in the course of its trading or investing activities.

Planned replacement of London Interbank Offered Rate and replacement or reform of other interest rate benchmarks could adversely affect Morgan Stanley's business, financial condition and results of operations.

Central banks around the world, including the Federal Reserve, have commissioned working groups of market participants and official sector representatives to replace LIBOR and replace or reform other interest rate benchmarks (collectively, the "IBORs"). A transition away from the widespread use of such rates to alternative rates and other potential interest rate benchmark reforms has begun and will continue over the course of the next few years. For example, the United Kingdom Financial Conduct Authority ("FCA"), which regulates LIBOR, has announced that it has commitments from panel banks to continue to contribute to LIBOR through the end of 2021, but that it will not use its powers to compel contributions beyond such date. As a result, there is considerable uncertainty regarding the publication of LIBOR beyond 2021 and regulators globally have continued to emphasize the need for the industry to plan accordingly.

Morgan Stanley's transition plan includes a number of key steps, including continued engagement with central bank and industry working groups and regulators (including participation and leadership on key committees), active client engagement, internal operational readiness, and risk management, among other things, to promote the transition to alternative reference rates. Morgan Stanley has established a firm-wide initiative to identify, assess and monitor risks associated with the expected discontinuation or unavailability of IBORs and/or reform of interest rate benchmarks. This includes taking steps to update operational processes (including to support alternative reference rates) and models, as well as evaluating legacy contracts for any changes that may be required, including the determination of applicable fallbacks.

The Federal Reserve Bank of New York now publishes three reference rates based on overnight U.S. Treasury repurchase agreement transactions, including the Secured Overnight Financing Rate, which had been recommended as the alternative to U.S. dollar LIBOR by the Alternative Reference Rates Committee convened by the Federal Reserve and the Federal Reserve Bank of New York. Further, the Bank of England is publishing a reformed Sterling Overnight Index Average, comprised of a broader set of overnight Sterling money market transactions, which has been selected by the Working Group on Sterling Risk-Free Reference Rates as the alternative rate to Sterling LIBOR. Central bank-sponsored committees in other jurisdictions, including Europe, Japan and Switzerland, have selected alternative reference rates denominated in other currencies.

The market transition away from IBORs to alternative reference rates is complex and could have a range of adverse impacts on Morgan Stanley's business, financial condition and results of operations. In particular, any such transition or reform could:

- adversely impact the pricing, liquidity, value of, return on and trading for a broad array of financial products, including any IBOR-linked securities, loans and derivatives that are included in Morgan Stanley's financial assets and liabilities;

- require extensive changes to documentation that governs or references IBOR or IBOR-based products, including, for example, pursuant to time-consuming renegotiations of existing documentation to modify the terms of outstanding securities and related hedging transactions;
- result in a population of products with documentation that governs or references IBOR or IBOR based products but that cannot be amended due to an inability to obtain sufficient consent from counterparties or product owners;
- result in inquiries or other actions from regulators in respect of Morgan Stanley's (or the market's) preparation and readiness for the replacement of an IBOR with one or more alternative reference rates;
- result in disputes, litigation or other actions with clients, counterparties and investors, in various scenarios, such as regarding the interpretation and enforceability of provisions in IBOR-based products such as fallback language or other related provisions, including in the case of fallbacks to the alternative reference rates, any economic, legal, operational or other impact resulting from the fundamental differences between the IBORs and the various alternative reference rates;
- require the transition and/or development of appropriate systems and analytics to effectively transition Morgan Stanley's risk management processes from IBORs to those based on one or more alternative reference rates in a timely manner, including by quantifying value and risk for various alternative reference rates, which may prove challenging given the limited history of the proposed alternative reference rates; and
- cause Morgan Stanley to incur additional costs in relation to any of the above factors.

Other factors include the pace of the transition to the alternative reference rates, timing mismatches between cash and derivative markets, the specific terms and parameters for and market acceptance of any alternative reference rate market conventions for the use of any alternative reference rate in connection with a particular product (including the timing and market adoption of any conventions proposed or recommended by any industry or other group), prices of and the liquidity of trading markets for products based on alternative reference rates, and Morgan Stanley's ability to transition and develop appropriate systems and analytics for one or more alternative reference rates.

Morgan Stanley's ability to realise the anticipated benefits and synergies from the acquisition of E*TRADE involves a number of risks.

Morgan Stanley's acquisition and integration of E*TRADE involves a number of risks, including failure to realise anticipated benefits and synergies of the acquisition and difficulty integrating the two businesses, including Morgan Stanley's inability to successfully combine E*TRADE's businesses with Morgan Stanley's, to rationalise technology platforms, to achieve expected cost savings and funding benefits, and the assumption of known and unknown liabilities of E*TRADE. It is possible that the integration process could also result in unanticipated disruption to the E*TRADE direct-to-consumer online platform, the loss of key Morgan Stanley or E*TRADE employees, the loss of clients, or an overall integration process that takes longer than originally anticipated.

Morgan Stanley will be subject to increased risks associated with E*TRADE's businesses and direct-to-consumer model.

As a result of the acquisition Morgan Stanley will be subject to increased exposure to risks associated with the direct-to-consumer retail brokerage services industry. Changes in interest rates and Morgan Stanley's inability to manage interest rate risk in its retail securities business could negatively impact the profitability of this business. In addition, changes in business, economic, political, or competitive conditions could cause a downturn in the global financial markets, and such a downturn could decrease the volume of customer transactions, result in a reduction of cash or securities balances held in E*TRADE accounts, reduce demand for margin lending or increase pricing pressure, which may, in turn, result in lower net interest income, trading-based revenue, fees and service charges.

Further, E*TRADE's customers primarily conduct financial transactions over the internet and through mobile services, which may expose Morgan Stanley to increased operational risks, including technological failures, cyber-attacks, privacy breaches, human error or fraud. In addition, extraordinary trading volumes

or site usage could cause Morgan Stanley's systems to operate at an unacceptably slow speed or even fail. Disruptions to, destruction of, instability of or other failure to effectively maintain Morgan Stanley's information technology systems or external technology that allows retail customers to use brokerage products and services could harm Morgan Stanley's business and Morgan Stanley's reputation. Morgan Stanley will also need to manage additional regulatory and compliance risks associated with E*TRADE's direct-to-consumer business.

Legal, regulatory and compliance risk

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

The financial services industry is subject to extensive regulation, and changes in regulation will impact Morgan Stanley's business.

Like other major financial services firms, 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 Morgan Stanley conducts its business. These laws and regulations significantly affect the way Morgan Stanley does business and can restrict the scope of its existing businesses and limit its ability to expand its product offerings and pursue certain investments.

Morgan Stanley and its employees are, or will become, subject to (among other things) wide-ranging regulation and supervision, intensive scrutiny of its businesses and any plans for expansion of those businesses, limitations on new activities, a systemic risk regime that imposes heightened capital and liquidity and funding requirements and other enhanced prudential standards, resolution regimes and resolution planning requirements, requirements for maintaining minimum amounts of total loss-absorbing capacity ("TLAC") and external long-term debt, restrictions on activities and investments imposed by a section of the Bank Holding Company Act of 1956, as amended (the "**BHC Act**") added by the Dodd-Frank Act referred to as the "**Volcker Rule**", comprehensive derivatives regulation, market structure regulation, tax regulations, antitrust laws, trade and transaction reporting obligations, and broadened fiduciary obligations. In some areas, regulatory standards are subject to final rulemaking or transition periods or may otherwise be revised in whole or in part. Ongoing implementation of, or changes in, laws and regulations could materially impact the profitability of Morgan Stanley's businesses and the value of assets it holds, expose it to additional costs, require changes to business practices or force it to discontinue businesses, adversely affect its ability to pay dividends and repurchase its stock, or require it to raise capital, including in ways that may adversely impact its shareholders or creditors. In addition, regulatory requirements that are being imposed by foreign policymakers and regulators may be inconsistent or conflict with regulations that Morgan Stanley is subject to in the U.S. and may adversely affect it. Legal and regulatory requirements continue to be subject to ongoing change, which may result in significant new costs to comply with new or revised requirements as well as to monitor for compliance on an ongoing basis.

The application of regulatory requirements and strategies in the U.S. or other jurisdictions to facilitate the orderly resolution of large financial institutions may pose a greater risk of loss for Morgan Stanley's security holders, and subject Morgan Stanley to other restrictions.

Pursuant to the Dodd-Frank Act, Morgan Stanley is required to periodically submit to the Federal Reserve and the FDIC a resolution plan that describes its strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of material financial distress or failure. If the Federal Reserve and the FDIC were to jointly determine that Morgan Stanley's resolution plan submission was not credible or would not facilitate an orderly resolution, and if Morgan Stanley were unable to address any deficiencies identified by the regulators, Morgan Stanley or any of its subsidiaries may be subject to more stringent capital, leverage, or liquidity requirements or restrictions on its growth, activities, or operations, or after a two year period, Morgan Stanley may be required to divest assets or operations.

In addition, provided that certain procedures are met, Morgan Stanley can be subject to a resolution proceeding under the orderly liquidation authority under Title II of the Dodd-Frank Act with the FDIC

being appointed as receiver. The FDIC's power under the orderly liquidation authority to disregard the priority of creditor claims and treat similarly situated creditors differently in certain circumstances, subject to certain limitations, could adversely impact holders of Morgan Stanley's unsecured debt.

Further, because both Morgan Stanley's resolution plan contemplates a single point of entry ("**SPOE**") strategy under the U.S. Bankruptcy Code and the FDIC has proposed an SPOE strategy through which it may apply its orderly liquidation authority powers, Morgan Stanley believes that the application of an SPOE strategy is the reasonably likely outcome if either its resolution plan were implemented or a resolution proceeding were commenced under the orderly liquidation authority. An SPOE strategy generally contemplates the provision of adequate capital and liquidity by Morgan Stanley to certain of its subsidiaries so that such subsidiaries have the resources necessary to implement the resolution strategy, and Morgan Stanley has entered into a secured amended and restated support agreement with its material entities, as defined in Morgan Stanley's resolution plan pursuant to which it would provide such capital and liquidity to such entities.

In further development of Morgan Stanley's SPOE strategy, Morgan Stanley has created a wholly owned, direct subsidiary, Morgan Stanley Holdings LLC ("**Funding IHC**"), to serve as a resolution funding vehicle. Morgan Stanley has transferred, and has agreed to transfer on an ongoing basis, certain assets to the Funding IHC. In the event of a resolution scenario, Morgan Stanley would be obligated to contribute all of its material assets that can be contributed under the terms of the amended and restated support agreement (other than shares in subsidiaries of Morgan Stanley and certain other assets) ("**Contributable Assets**") to the Funding IHC. The Funding IHC would be obligated to provide capital and liquidity, as applicable, to Morgan Stanley's material entities.

The obligations of Morgan Stanley and the Funding IHC under the amended and restated support agreement are in most cases secured on a senior basis by the assets of Morgan Stanley (other than shares in subsidiaries of Morgan Stanley and certain other assets) and the assets of the Funding IHC. As a result, claims of Morgan Stanley's material entities, including the Funding IHC, against the assets of Morgan Stanley with respect to such secured assets are effectively senior to unsecured obligations of Morgan Stanley.

Although an SPOE strategy, whether applied pursuant to Morgan Stanley's resolution plan or in a resolution proceeding under the orderly liquidation authority, is intended to result in better outcomes for creditors overall, there is no guarantee that the application of an SPOE strategy, including the provision of support to Morgan Stanley's material entities pursuant to the secured amended and restated support agreement, will not result in greater losses for holders of Morgan Stanley's securities compared to a different resolution strategy for the firm.

Regulators have taken and proposed various actions to facilitate an SPOE strategy under the U.S. Bankruptcy Code, the orderly liquidation authority and other resolution regimes. For example, the Federal Reserve requires top-tier bank holding companies of U.S. global systemically important banks, including Morgan Stanley, to maintain minimum amounts of equity and eligible long-term debt (TLAC) in order to ensure that such institutions have enough loss-absorbing resources at the point of failure to be recapitalised through the conversion of debt to equity or otherwise by imposing losses on eligible TLAC where the SPOE strategy is used. The combined implication of the SPOE resolution strategy and the TLAC requirement is that Morgan Stanley's losses will be imposed on the holders of eligible long-term debt and other forms of eligible TLAC issued by Morgan Stanley before any losses are imposed on the holders of the debt securities of Morgan Stanley's operating subsidiaries or before putting U.S. taxpayers at risk.

In addition, certain jurisdictions, including the United Kingdom ("**U.K.**") and other European Union ("**E.U.**") jurisdictions, have implemented, or are in the process of implementing, changes to resolution regimes to provide resolution authorities with the ability to recapitalise a failing entity organised in such jurisdiction by writing down certain unsecured liabilities or converting certain unsecured liabilities into equity. Such "bail-in" powers are intended to enable the recapitalisation of a failing institution by allocating losses to its shareholders and unsecured creditors. Non-U.S. regulators are also considering requirements that certain subsidiaries of large financial institutions maintain minimum amounts of TLAC that would pass losses up from the subsidiaries to Morgan Stanley and, ultimately, to security holders of Morgan Stanley in the event of failure.

Morgan Stanley may be prevented from paying dividends or taking other capital actions because of regulatory constraints or revised regulatory capital standards.

Morgan Stanley is subject to comprehensive consolidated supervision, regulation and examination by the Federal Reserve, which requires Morgan Stanley to submit, on an annual basis, a capital plan describing proposed dividend payments to shareholders, proposed repurchases of its outstanding securities and other proposed capital actions that it intends to take. The Federal Reserve may object to, or otherwise require Morgan Stanley to modify, such plan, or may object or require modifications to a resubmitted capital plan, any of which would adversely affect shareholders. In addition, beyond review of the plan, the Federal Reserve may impose other restrictions or conditions on Morgan Stanley that prevent it from paying or increasing dividends, repurchasing securities or taking other capital actions that would benefit shareholders. Finally, the Federal Reserve may change regulatory capital standards to impose higher requirements that restrict Morgan Stanley's ability to take capital actions or may modify or impose other regulatory standards that increase Morgan Stanley's operating expenses and reduce its ability to take capital actions.

The financial services industry faces substantial litigation and is subject to extensive regulatory and law enforcement investigations, and Morgan Stanley may face damage to its reputation and legal liability.

As a global financial services firm, Morgan Stanley faces the risk of investigations and proceedings by governmental and self-regulatory organisations in all countries in which it conducts its business. Investigations and proceedings initiated by these authorities may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. In addition to the monetary consequences, these measures could, for example, impact Morgan Stanley's ability to engage in, or impose limitations on, certain of its businesses. These investigations and proceedings, as well as the amount of penalties and fines sought, continue to impact the financial services industry and certain U.S. and international governmental entities have brought criminal actions against, or have sought criminal convictions, pleas or deferred prosecution agreements from, financial institutions. Significant regulatory or law enforcement action against Morgan Stanley could materially adversely affect its business, financial condition or results of operations or cause it significant reputational harm, which could seriously harm its business. The Dodd-Frank Act also provides compensation to whistleblowers who present the United States Securities and Exchange Commission (the "SEC") or the United States Commodity Futures Trading Commission (the "CFTC") with information related to securities or commodities law violations that leads to a successful enforcement action. As a result of this compensation, it is possible Morgan Stanley could face an increased number of investigations by the SEC or CFTC.

Morgan Stanley has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, as well as investigations or proceedings brought by regulatory agencies, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal or regulatory actions include claims for substantial compensatory and/or punitive damages, claims for indeterminate amounts of damages, or may result in penalties, fines, or other results adverse to Morgan Stanley. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or are in financial distress. In other cases, including antitrust litigation, Morgan Stanley may be subject to claims for joint and several liability with other defendants for treble damages or other relief related to alleged conspiracies involving other institutions. Like any large corporation, Morgan Stanley is also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information, or improper sales practices or conduct.

Morgan Stanley may be responsible for representations and warranties associated with residential and commercial real estate loans and may incur losses in excess of its reserves.

Morgan Stanley originates loans secured by commercial and residential properties. Further, Morgan Stanley securitises and trades in a wide range of commercial and residential real estate and real estate-related whole loans, mortgages and other real estate and commercial assets and products, including residential and commercial mortgage-backed securities. In connection with these activities, Morgan Stanley has provided, or otherwise agreed to be responsible for, certain representations and warranties. Under certain circumstances, Morgan Stanley may be required to repurchase such assets or make other payments related to such assets if such representations and warranties were breached. Morgan Stanley has also made representations and warranties in connection with its role as an originator of certain commercial mortgage loans that it securitised in commercial mortgage-backed securities.

Morgan Stanley currently has several legal proceedings related to claims for alleged breaches of representations and warranties. If there are decisions adverse to Morgan Stanley in those legal proceedings, it may incur losses substantially in excess of its reserves. In addition, Morgan Stanley's reserves are based, in part, on certain factual and legal assumptions. If those assumptions are incorrect and need to be revised, Morgan Stanley may need to adjust its reserves substantially.

Morgan Stanley's commodities activities and investments subject it to extensive regulation, and environmental risks and regulation that may expose it to significant costs and liabilities.

In connection with the commodities activities in its Institutional Securities business segment, Morgan Stanley executes transactions involving the storage, transportation and market-making of several commodities, including metals, natural gas, electric power, environmental attributes and other commodity products. In addition, Morgan Stanley is an electricity power marketer in the U.S. These activities subject Morgan Stanley to extensive energy, commodities, environmental, health and safety and other governmental laws and regulations.

Although Morgan Stanley has attempted to mitigate its environmental risks by, among other measures, limiting the scope of activities involving storage and transportation, adopting appropriate policies and procedures, and implementing emergency response programs, these actions may not prove adequate to address every contingency. In addition, insurance covering some of these risks may not be available, and the proceeds, if any, from insurance recovery may not be adequate to cover liabilities with respect to particular incidents. As a result, Morgan Stanley's financial condition, results of operations and cash flows may be adversely affected by these events.

During the past several years, intensified scrutiny of certain energy markets by federal, state and local authorities in the U.S. and abroad and by the public has resulted in increased regulatory and legal enforcement, litigation and remedial proceedings involving companies conducting the activities in which Morgan Stanley is engaged. In addition, enhanced regulation of OTC derivatives markets in the U.S. and the E.U., as well as similar legislation proposed or adopted elsewhere, will impose significant costs and requirements on Morgan Stanley's commodities derivatives activities. Morgan Stanley may incur substantial costs or loss of revenue in complying with current or future laws and regulations and its overall businesses and reputation may be adversely affected by the current legal environment. In addition, failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties.

A failure to address conflicts of interest appropriately could adversely affect Morgan Stanley's businesses and reputation.

As a global financial services firm that provides products and services to a large and diversified group of clients, including corporations, governments, financial institutions and individuals, Morgan Stanley faces potential conflicts of interest in the normal course of business. For example, potential conflicts can occur when there is a divergence of interests between Morgan Stanley and a client, among clients, between an employee on the one hand and Morgan Stanley or a client on the other, or situations in which Morgan Stanley may be a creditor of a client. Morgan Stanley has policies, procedures and controls that are designed to identify and address potential conflicts of interest, and utilises various measures, such as the use of disclosure, to manage these potential conflicts. However, identifying and mitigating potential conflicts of interest can be complex and challenging and can become the focus of media and regulatory scrutiny. Indeed, actions that merely appear to create a conflict can put Morgan Stanley's reputation at risk even if the likelihood of an actual conflict has been mitigated. It is possible that potential conflicts could give rise to litigation or enforcement actions, which may lead to Morgan Stanley's clients being less willing to enter into transactions in which a conflict may occur and could adversely affect Morgan Stanley's businesses and reputation.

Morgan Stanley's regulators have the ability to scrutinise its activities for potential conflicts of interest, including through detailed examinations of specific transactions. For example, Morgan Stanley's status as a bank holding company supervised by the Federal Reserve subjects it to direct Federal Reserve scrutiny with respect to transactions between Morgan Stanley's U.S. Bank Subsidiaries and their affiliates. Further, the Volcker Rule subjects Morgan Stanley to regulatory scrutiny regarding certain transactions between Morgan Stanley and its clients.

Other risks relating to Morgan Stanley's business activities

Morgan Stanley faces strong competition from financial services firms and others which could lead to pricing pressures that could materially adversely affect its revenue and profitability.

The financial services industry and all aspects of Morgan Stanley's businesses are intensely competitive, and Morgan Stanley expects them to remain so. Morgan Stanley competes with commercial banks, brokerage firms, insurance companies, exchanges, electronic trading and clearing platforms, financial data repositories, sponsors of mutual funds, hedge funds, energy companies, financial technology firms and other companies offering financial or ancillary services in the U.S., globally and digitally or through the internet. Morgan Stanley competes on the basis of several factors, including transaction execution, capital or access to capital, products and services, innovation, technology, reputation, risk appetite and price. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have left businesses, been acquired by or merged into other firms or have declared bankruptcy. Such changes could result in Morgan Stanley's remaining competitors gaining greater capital and other resources, such as the ability to offer a broader range of products and services and geographic diversity, or new competitors may emerge. Morgan Stanley has experienced and may continue to experience pricing pressures as a result of these factors and as some of its competitors seek to obtain market share by reducing prices or providing more favourable terms of business. In addition, certain of Morgan Stanley's competitors may be subject to different, and, in some cases, less stringent, legal and regulatory regimes, than Morgan Stanley is, thereby putting it at a competitive disadvantage. Some new competitors in the financial technology sector have sought to target existing segments of Morgan Stanley's businesses that could be susceptible to disruption by innovative or less regulated business models.

Automated trading markets and the introduction and application of new technologies may adversely affect Morgan Stanley's business and may increase competition.

Morgan Stanley has experienced intense price competition in some of its businesses in recent years. In particular, the ability to execute securities, derivatives and other financial instrument trades electronically on exchanges, swap execution facilities, other automated trading platforms and the introduction and application of new technologies has increased the pressure on bid-offer spreads, commissions, markups or comparable fees. The trend toward direct access to automated, electronic markets will likely continue and will likely increase as additional markets move to more automated trading platforms. Morgan Stanley has experienced and it is likely that it will continue to experience competitive pressures in these and other areas in the future as some of its competitors may seek to obtain market share by reducing bid-offer spreads, commissions, markups or 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.

Morgan Stanley's people are its most important resource and competition for qualified employees is intense. If Morgan Stanley is unable to continue to attract and retain highly qualified employees, or do so at levels or in forms necessary to maintain its competitive position, or if compensation costs required to attract and retain employees become more expensive, Morgan Stanley's performance, including its competitive position and results of operations, could be materially adversely affected. The financial industry has experienced and may continue to experience more stringent regulation of employee compensation, including limitations relating to incentive-based compensation, clawback requirements and special taxation, which could have an adverse effect on Morgan Stanley's ability to hire or retain the most qualified employees.

Morgan Stanley is subject to numerous political, economic, legal, tax, operational, franchise and other risks as a result of its international operations which could adversely impact its businesses in many ways.

Morgan Stanley is subject to numerous political, economic, legal, tax, operational, franchise and other risks that are inherent in operating in many countries, including risks of possible nationalisation, 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. In many countries, the laws and regulations applicable to the securities and financial services industries are uncertain and evolving, and it may be difficult for Morgan Stanley to determine the exact requirements of local laws in every market. Morgan Stanley's inability to remain in compliance with local laws in a particular market could have a significant and negative effect not only on its business in that market but

also on its reputation generally. Morgan Stanley is also subject to the risk that transactions it structures might not be legally enforceable in all cases.

Various emerging market countries have experienced severe political, economic or financial disruptions, including significant devaluations of their currencies, defaults or potential defaults on sovereign debt, capital and currency exchange controls, high rates of inflation and low or negative growth rates in their economies. Crime and corruption, as well as issues of security and personal safety, also exist in certain of these countries. These conditions could adversely impact Morgan Stanley's businesses and increase volatility in financial markets generally.

The emergence of a disease pandemic, such as the coronavirus, or other widespread health emergencies, natural disasters, terrorist activities or military actions or social or political tensions, could create economic and financial disruptions in emerging markets or in other areas of the global economy that could adversely affect Morgan Stanley's business or could lead to operational difficulties (including travel limitations) that could impair Morgan Stanley's ability to manage or conduct its businesses around the world.

As a U.S. company, Morgan Stanley is required to comply with the economic sanctions and embargo programs administered by the U.S. Treasury's Office of Foreign Assets Control and similar multi-national bodies and governmental agencies worldwide, as well as applicable anti-corruption laws in the jurisdictions in which Morgan Stanley operates, such as the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act. A violation of a sanction, embargo program, or anti-corruption law could subject Morgan Stanley, and individual employees, to a regulatory enforcement action as well as significant civil and criminal penalties.

The United Kingdom's withdrawal from the European Union could adversely affect Morgan Stanley.

It is difficult to predict the future of the U.K.'s relationship with the E.U., the uncertainty of which may increase the volatility in the global financial markets in the short- and medium-term and may negatively disrupt regional and global financial markets. Additionally, depending on the outcome, such uncertainty may adversely affect the manner in which Morgan Stanley operates certain of its businesses in Europe.

On 31 January 2020, the U.K. withdrew from the E.U. under the terms of a withdrawal agreement between the U.K. and the E.U. The withdrawal agreement provides for a transition period to the end of December 2020, during which time the U.K. will continue to apply E.U. law as if it were a member state, and U.K. firms' passporting rights to provide financial services in E.U. jurisdictions will continue.

With respect to financial services, the withdrawal agreement provides that the U.K. and the E.U. will endeavour to conclude whether they will grant each other equivalence under European financial regulations. Equivalence would provide a degree of access to E.U. markets for U.K. financial firms, although the extent and duration of such access remains subject to negotiation.

If equivalence (or any alternative arrangement) is not agreed, Morgan Stanley's U.K. licensed entities may be unable to provide regulated services in a number of E.U. jurisdictions from the end of December 2020, absent further regulatory relief.

Potential effects of the U.K. exit from the E.U. and potential mitigation actions may vary considerably depending on the nature of the future trading arrangements between the U.K. and the E.U.

Morgan Stanley has taken steps to make changes to its European operations in an effort to ensure that it can continue to provide cross-border banking and investment and other services in E.U. member states, without the need for separate regulatory authorisations in each member state, as a result of the political uncertainty described above, it is currently unclear what the final post-Brexit structure of Morgan Stanley's European operations will be. Given the potential negative disruption to regional and global financial markets and depending on the extent to which Morgan Stanley may be required to make material changes to its European operations beyond those implemented or planned, Morgan Stanley's results of operations and business prospects could be negatively affected.

Morgan Stanley may be unable to fully capture the expected value from acquisitions, divestitures, joint ventures, minority stakes or strategic alliances.

In connection with past or future acquisitions, divestitures, joint ventures, minority stakes or strategic alliances (including with Mitsubishi UFJ Financial Group, Inc.), Morgan Stanley faces numerous risks and

uncertainties combining, transferring, separating or integrating the relevant businesses and systems, including the need to combine or separate accounting and data processing systems and management controls and to integrate relationships with clients, trading counterparties and business partners. Certain of these strategic initiatives, and integration thereof, may cause Morgan Stanley to incur incremental expenses and may also require incremental financial, management and other resources. In the case of joint ventures and minority stakes, Morgan Stanley is subject to additional risks and uncertainties because it may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under its control.

In addition, conflicts or disagreements between Morgan Stanley and any of its joint venture partners may negatively impact the benefits to be achieved by the relevant joint venture.

There is no assurance that any of Morgan Stanley's acquisitions, divestitures or investments will be successfully integrated or disaggregated or yield all of the positive benefits and synergies anticipated. If Morgan Stanley is not able to integrate or disaggregate successfully its past and future acquisitions or dispositions, there is a risk that its results of operations, financial condition and cash flows may be materially and adversely affected.

Certain of Morgan Stanley's business initiatives, including expansions of existing businesses, may bring Morgan Stanley into contact, directly or indirectly, with individuals and entities that are not within its traditional client and counterparty base and may expose it to new asset classes, services competitors and new markets. These business activities expose Morgan Stanley to new and enhanced risks, greater regulatory scrutiny of these activities, increased credit-related, sovereign and operational risks, and reputational concerns regarding the manner in which these assets are being operated or held or services are being delivered.

For more information regarding the regulatory environment in which Morgan Stanley operates, see also (i) "*Supervision and Regulation*" on pages 2 to 9 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2019, which has been incorporated by reference on page 25 of this Registration Document, and (ii) "*Regulatory Developments*" on pages 30 to 32 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2020, which has been incorporated by reference on page 22 of this Registration Document.

Risks relating to MSI plc, MSBV and MSFL

Morgan Stanley is the ultimate parent company of the Morgan Stanley group of companies (Morgan Stanley and its consolidated subsidiaries, the "Morgan Stanley Group"). Each of MSBV, MSI plc and MSFL belongs to the Morgan Stanley Group.

All material assets of MSBV are obligations of one or more of the Morgan Stanley Group companies and securities issued by MSBV and MSFL are guaranteed by Morgan Stanley.

There are substantial inter-relationships between MSI plc and Morgan Stanley as well as other Morgan Stanley Group companies, including the provision of funding, capital services and logistical support to or by MSI plc, as well as common or shared business or operational platforms or systems, including employees.

The material risks specific to Morgan Stanley described above will also represent (together with the additional risk factors specific to such entities as described below) the material risks specific to MSI plc, MSBV and MSFL, either as individual entities or as part of the Morgan Stanley Group.

All material assets of MSBV are obligations of one or more companies in the Morgan Stanley Group and MSBV's ability to perform its obligations is dependent upon such companies fulfilling their obligations 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. Should this circumstance materialise, the payment obligations of MSBV under the terms of the securities would be guaranteed by Morgan Stanley.

Risks relating to insolvency proceedings in the Netherlands.

The validity or enforceability of any documents or any legal act (*rechtshandeling*) forming part thereof or contemplated thereby in relation to any securities issued by MSBV are subject to and limited by the protection afforded by Netherlands law to creditors whose interests have been adversely affected pursuant to the rules of Netherlands law relating to (x) unlawful acts (*onrechtmatige daden*) based on Section 6:162 et seq. of the Netherlands Civil Code (*Burgerlijk Wetboek*) and (y) fraudulent conveyance or preference (*actio pauliana*) within the meaning of Section 3:45 of the Netherlands Civil Code (*Burgerlijk Wetboek*). Furthermore, in the event of any insolvency proceedings being opened in the Netherlands in relation to MSBV, Dutch laws in relation to bankruptcy proceedings, in particular Section 42 et seq. of the Netherlands Bankruptcy Act (*Faillissementswet*) in relation to fraudulent conveyance or preference (*actio pauliana*) would apply.

As a finance subsidiary, MSFL has no independent operations and is expected to have no independent assets.

The principal risks with respect to Morgan Stanley will also represent the principal risks with respect to MSFL, either as an individual entity or as part of the Morgan Stanley Group.

MSFL has no independent operations beyond the issuance and administration of its securities and is expected to have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of the securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will 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. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

There are substantial inter-relationships between MSI plc and other Morgan Stanley Group companies.

Morgan Stanley is the holding company of a global financial services group. MSI plc is one of the principal operating companies in the Morgan Stanley Group. MSI plc itself provides a wide range of financial and securities services. There are substantial inter-relationships between MSI plc and Morgan Stanley as well as other companies in the Morgan Stanley Group, including the provision of funding, capital, services and logistical support to or by MSI plc, as well as common or shared business or operational platforms or systems, including employees. As a consequence of such inter-relationships, and of the participation of both MSI plc and other Morgan Stanley Group companies in the global financial services sector, factors which could affect the business and condition of Morgan Stanley or other companies in the Morgan Stanley Group may also affect the business and condition of MSI plc. Any such effect could be direct, for example, where economic or market factors directly affect the markets in which MSI plc and other companies in the Morgan Stanley Group operate, or indirect, for example where any factor affects the ability of other companies in the Morgan Stanley Group to provide services or funding or capital to MSI plc or, directly or indirectly, to place business with MSI plc. Similarly, any development affecting the reputation or standing of Morgan Stanley or other companies in the Morgan Stanley Group may have an indirect effect on MSI plc. Such inter-relationships should therefore be taken into account in any assessment of MSI plc.

No guarantee.

Securities issued by MSI plc will not be guaranteed by Morgan Stanley. Although Morgan Stanley has in the past provided financial support to MSI plc through capital injection and debt financing, there is no assurance that it will do so in the future.

Risk is an inherent part of both Morgan Stanley's and the MSI plc Group's (as defined below) business activity and is managed by the MSI plc Group within the context of the broader Morgan Stanley Group. The Morgan Stanley Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its activities on a global basis, in accordance with defined policies and procedures and in consideration of the individual legal entities. The MSI plc Group's own risk management policies and procedures are consistent with those of the Morgan Stanley Group.

Powers under the Banking Act 2009.

MSI plc, as an investment firm for the purposes of the Banking Act 2009 (the "**Banking Act**"), is subject to provisions of that Act which give wide powers in respect of U.K. banks and investment firms (such as MSI plc) to HM Treasury, the Bank of England, the Prudential Regulation Authority and the FCA (each a "**relevant U.K. Regulatory Authority**") in circumstances where the relevant U.K. bank or investment firm (a "**relevant financial institution**") is failing or is likely to fail. The Banking Act implements the provisions of Directive 2014/59/EU (the "**Bank Recovery and Resolution Directive**" or "**BRRD**").

These powers include powers to: (a) transfer all or some of the liability in respect of the securities issued by a relevant financial institution, or all or some of the property, rights and liabilities of a relevant financial institution (which could include instruments issued by MSI plc and guarantee liabilities of MSI plc), to a commercial purchaser or, in the case of securities, to HM Treasury or an HM Treasury nominee, or, in the case of property, rights or liabilities, to an entity owned by the Bank of England; (b) override any default provisions in contracts or other agreements, including provisions that would otherwise allow a party to terminate a contract or accelerate the payment of an obligation; (c) commence certain insolvency procedures in relation to a relevant financial institution; and (d) override, vary or impose contractual obligations, for reasonable consideration, between a relevant financial institution and its parent, in order to enable any transferee or successor of the relevant financial institution to operate effectively. The Banking Act also gives power to HM Treasury to make further amendments to the law for the purpose of enabling it to use the special resolution regime powers effectively, potentially with retrospective effect.

By reason of its group relationship with certain other Morgan Stanley Group companies (including companies incorporated outside the U.K.) which are banks, investment firms, EU institutions or third-country institutions for the purposes of the Banking Act, MSI plc is a banking group company within the meaning of the Banking Act. Accordingly, the relevant U.K. Regulatory Authority can exercise substantially similar special resolution powers in respect of MSI plc in its capacity as a banking group company where the Prudential Regulation Authority, an EU resolution authority or third country authority having jurisdiction over the relevant Morgan Stanley Group company is satisfied that such Morgan Stanley Group company meets the relevant conditions for resolution action (including that it is failing or likely to fail, that it is not reasonably likely that other measures would prevent its failure, and that it is in the public interest to exercise those powers) or that it satisfies an equivalent test in the relevant jurisdiction (irrespective of whether at that time MSI plc is failing or likely to fail). Additionally, where a relevant third country Morgan Stanley Group company becomes subject to resolution or similar measures, the relevant U.K. Regulatory Authority may recognise the application of some of those measures to MSI plc (irrespective of whether at that time MSI plc is failing or likely to fail).

Bail-in Power.

The powers granted to the relevant U.K. Regulatory Authority include (but are not limited to) a "bail-in" power.

The "bail-in" power gives the relevant U.K. Regulatory Authority the power, in relation to a failing relevant financial institution or a banking group company in respect of a bank, investment firm, EU institution or third-country institution (whether or not incorporated in the U.K.) which is failing or likely to fail, to cancel all or a portion of certain of its unsecured liabilities and/or to convert certain of its liabilities into another security, including ordinary shares of the surviving entity, if any. Under the Banking Act, such power could be utilised in relation to MSI plc were it to be failing or likely to fail, or were a bank, investment firm, EU institution or third-country institution (whether or not incorporated in the U.K.) in respect of which MSI plc is a banking group company to be failing or likely to fail. Were such power to be utilised in relation to MSI plc, it could be utilised in relation to securities issued by MSI plc or guarantee liabilities of MSI plc.

The Banking Act requires the relevant U.K. Regulatory Authority to apply the "bail-in" power in accordance with a specified preference order which differs from the ordinary insolvency order. In particular, the relevant U.K. Regulatory Authority must write-down or convert debts in the following order: (i) additional tier 1, (ii) tier 2, (iii) other subordinated claims and (iv) eligible senior claims.

Although the exercise of the bail-in power under the Banking Act is subject to certain pre-conditions, there remains uncertainty regarding the specific factors (including, but not limited to, factors outside the control of MSI plc or not directly related to MSI plc) which the relevant U.K. Regulatory Authority would consider in deciding whether to exercise such power with respect to MSI plc and its securities or other liabilities.

Moreover, as the relevant U.K. Regulatory Authority may have considerable discretion in relation to how and when it may exercise such power, holders of securities issued or guaranteed by MSI plc may not be able to refer to publicly available criteria in order to anticipate a potential exercise of such power and consequently its potential effect on MSI plc and securities issued or guaranteed by MSI plc.

Other powers.

As well as a "bail-in" power, the powers of the relevant U.K. Regulatory Authority under the Banking Act include broad powers to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for such purpose that is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only). The Bank of England has broad powers to make one or more share transfer instruments (in the case of a transfer to a private sector purchaser described in (i) or a transfer to a "bridge institution" in the case of (ii)) or one or more property transfer instruments (in all three cases). A transfer pursuant to a share transfer instrument or a property transfer instrument will take effect despite any restriction arising by virtue of contract or legislation or in any other way.

In addition, the Banking Act gives the relevant U.K. Regulatory Authority power to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments and/or discontinue the listing and admission to trading of debt instruments.

The Banking Act provides that HM Treasury must, in making regulations about compensation arrangements in the case of the exercise of a bail-in power, have regard to the "no creditor worse off" principle, and HM Treasury has made regulations governing compensation arrangements upon the exercise of a bail-in power. Notwithstanding the foregoing, the exercise by the relevant U.K. Regulatory Authority of any of the above powers under the Banking Act (including especially the bail-in power) could lead to the holders of securities issued or guaranteed by MSI plc losing some or all of their investment. Moreover, trading behaviour in relation to the securities issued or guaranteed by MSI plc, including market prices and volatility, may be affected by the use or any suggestion of the use of these powers and accordingly, in such circumstances, such securities are not necessarily expected to follow the trading behaviour associated with other types of securities. There can be no assurance that the taking of any actions under the Banking Act by the relevant U.K. Regulatory Authority or the manner in which its powers under the Banking Act are exercised will not materially adversely affect the rights of holders of securities issued or guaranteed by MSI plc, the market value of an investment in such securities and/or MSI plc's ability to satisfy its obligations under, or under its guarantee of, such securities.

Extraordinary public financial support to be used only as a last resort.

Subject to certain conditions being met, the BRRD also makes provision for extraordinary public financial support to be provided to an institution subject to resolution in the form of provision of capital to such institution in exchange for common equity tier 1 instruments, additional tier 1 instruments or tier 2 instruments or in the form of taking such institution into temporary public ownership. However, such extraordinary public financial support should only be used as a last resort. Therefore, if MSI plc is subject to resolution, the relevant UK Regulatory Authority is only likely (if at all) to provide extraordinary public financial support only after it has assessed and exploited, to the maximum extent practicable, all other applicable resolution tools described above.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated by reference in, and to form part of, this Registration Document:

<u>Document filed</u>	<u>Information incorporated by reference</u>	Page(s)
Morgan Stanley		
1. Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2020	(1) Management's Discussion and Analysis of Financial Condition and Results of Operations	2-33
https://www.morganstanley.com/about-us-ir/shareholder/10q093020.pdf	(2) Quantitative and Qualitative Disclosures about Risk	34-44
	(3) Report of Independent Registered Public Accounting Firm	45
	(4) Consolidated Financial Statements and Notes	46-87
	(i) Consolidated Income Statements (Unaudited)	46
	(ii) Consolidated Comprehensive Income Statements (Unaudited)	47
	(iii) Consolidated Balance Sheets (Unaudited at 30 September 2020)	48
	(iv) Consolidated Statements of Changes in Total Equity (Unaudited)	49
	(v) Consolidated Cash Flow Statements (Unaudited)	50
	(vi) Notes to Consolidated Financial Statements (Unaudited)	51-87
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	(6) Glossary of Common Terms and Acronyms	89-90
	(7) Other Information	91
	(8) Legal Proceedings	91
	(9) Unregistered Sales of Equity Securities and Use of Proceeds	91
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2.	Quarterly Report on Form 10-Q for the quarterly period ended 30 June 2020	(1) Management's Discussion and Analysis of Financial Condition and Results of Operations	1-25
	https://www.morganstanley.com/about-us-ir/shareholder/10q0620.pdf	(2) Quantitative and Qualitative Disclosures about Risk	32-40
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3.	Proxy Statement dated 3 April 2020	(1) Overview of Voting Items	5-9
		(2) Corporate Governance Matters	10-39
	https://www.morganstanley.com/about-us-2020ams/pdf/2020_Proxy_Statement.pdf	(3) Audit Matters	40-43
		(4) Compensation Matters	44-75

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4. Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2020	(1) Management's Discussion and Analysis of Financial Condition and Results of Operations	2-27
https://www.morganstanley.com/about-us-ir/shareholder/10q0320.pdf	(2) Quantitative and Qualitative Disclosures about Risk	28-37
	(3) Report of Independent Registered Public Accounting Firm	38
	(4) Consolidated Financial Statements and Notes	39-80
	(i) Consolidated Income Statements (Unaudited)	39
	(ii) Consolidated Comprehensive Income Statements (Unaudited)	40
	(iii) Consolidated Balance Sheets (Unaudited at 31 March 2020)	41
	(iv) Consolidated Statements of Changes in Total Equity (Unaudited)	42
	(v) Consolidated Cash Flow Statements (Unaudited)	43
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	(6) Glossary of Common Terms and Acronyms	82-83
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	(8) Legal Proceedings	84
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		(3) Management's Discussion and Analysis of Financial Condition and Results of Operations	24-57
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		(5) Financial Statements and Supplementary Data	75-151
		(i) Report of Independent Registered Public Accounting Firm	75
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		(6) Glossary of Common Terms and Acronyms	155-157
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	(20) Form 10-K Summary	169
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Morgan Stanley & Co. International plc		
6. Half-yearly financial report for the period ending 30 June 2020	(1) Directors' responsibility statement	18
	(2) Independent review report to Morgan Stanley & Co. International plc	19
https://www.morganstanley.com/about-us-ir/pdf/MSIP_Group_Accounts_30_June_2020.pdf	(3) Condensed consolidated income statement	20
	(4) Condensed consolidated statement of comprehensive income	21
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	(6) Condensed consolidated statement of financial position	24
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7.	Report and financial statements for the year ended 31 December 2019 https://www.morganstanley.com/about-us-ir/pdf/MSIP_Group_Accounts_31_December_2019.pdf	(1) Independent auditor's report (2) Consolidated income statement (3) Consolidated statement of comprehensive income (4) Consolidated Statement of changes in equity (5) Consolidated Statement of financial position (6) Consolidated statement of cash flows (7) Notes to the consolidated financial statements (8) Company statement of changes to equity (9) Company statement of financial position (10) Appendix to the financial statements	47-56 57 58 59 61 63 64-163 60 62 164-165
8.	Report and financial statements for the year ended 31 December 2018 https://www.morganstanley.com/about-us-ir/pdf/MSIP_Group_Accounts_31_December_2018.pdf	(1) Independent auditor's report (2) Consolidated income statement (3) Consolidated statement of comprehensive income (4) Consolidated Statement of changes in equity (5) Consolidated Statement of financial position (6) Consolidated statement of cash flows (7) Notes to the consolidated financial statements (8) Company statement of comprehensive income (9) Company statement of changes to equity (10) Company statement of financial position (11) Notes to Company financial statements (12) Appendix to the financial statements	44-54 55 56 57 58 59 60-171 172 173 174 175-229 230-231

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9.	Interim financial report for period ending 30 June 2020	(1)	Directors' responsibility statement	7
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		(3)	Condensed statement of change in equity	9
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		(7)	Review report to the shareholders of Morgan Stanley B.V.	34
10.	Report and financial statements for the year ended 31 December 2019	(1)	Directors' responsibilities statement	12
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11.	Report and financial statements for the year ended 31 December 2018	(1)	Directors' responsibilities statement	10
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¹ **NB** - The pdf page numbers were used to refer to the relevant pages of the financial statements of Morgan Stanley B.V.

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Morgan Stanley Finance LLC³		
12. Interim financial report for period ending 30 June 2020	(1) Interim director's report	3-7
https://sp.morganstanley.com/EU/Download/GeneralDocument?documentID=7a989b6d-f500-48d3-bef4-36df31060f60	(2) Director's responsibility statement	8
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13. Report and financial statements for the year ended 31 December 2019	(1) Director's report	3-7
https://sp.morganstanley.com/EU/Download/GeneralDocument?documentID=a7c53139-5be0-4e43-ba59-557bd0303bc0	(2) Directors' responsibility statement	8
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	(5) Statement of comprehensive income (loss)	12
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	(7) Statement of changes in member's equity (deficit)	14
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14. Report and financial statements for the year ended 31 December 2018	(1) Director's report	3-7
http://www.sp.morganstanley.com/EU/Download/General	(2) Directors' responsibility statement	8
	(3) Independent auditors' report	10

² **NB** - The pdf page numbers were used to refer to the relevant pages of the financial statements of Morgan Stanley B.V.

³ **NB** - The pdf page numbers were used to refer to the relevant pages of the financial statements of Morgan Stanley Finance LLC.

<u>Document filed</u>	<u>Information incorporated by reference</u>	Page(s)
Document?documentID=d97d9d33-3968-44a1-ac1a-481bf5022b7d		
	(4) Statement of financial condition	11
	(5) Statement of comprehensive income (loss)	12
	(6) Statement of cash flows	13
	(7) Statement of changes in member's equity (deficit)	14
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Any statement contained in this Registration Document or any documents incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Registration Document to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

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 Registration Document.

The non-incorporated parts of the documents listed above are as follows:

<u>Document filed</u>	<u>Information not incorporated by reference</u>	Page(s)
Morgan Stanley		
1. Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2020	(a) Exhibits	92
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2. Quarterly Report on Form 10-Q for the quarterly period ended 30 June 2020	(a) Exhibits	91
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2. Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2020	(a) Exhibits	84
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4. Annual Report on Form 10-K for the year ended 31 December 2019	(a) Exhibits and Financial Statement Schedules	170
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Morgan Stanley & Co. International plc		

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5.	Half-yearly financial report for the period ending 30 June 2020	(a)	Interim management report	3-17
6.	Report and financial statements for the year ended 31 December 2019	(a)	Strategic report	3-42
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8.	Interim financial report for period ending 30 June 2020	(a)	Interim management report	1-6
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Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2020 (at page 24, incorporated by reference, includes details of the long-term and short-term credit ratings assigned to Morgan Stanley by DBRS, Inc. ("**DBRS**"), Fitch Ratings, Inc. ("**Fitch**"), Moody's, Rating and Investment Information, Inc. ("**R&I**") and S&P. MSI plc's Annual Report for the year ended 31 December 2019 (at page 29), incorporated by reference, includes details of the long-term and short-term credit ratings assigned to MSI plc by Moody's and S&P. MSFL's Annual Report for the year ended 31 December 2019 (at page 3), incorporated by reference, includes details of the long-term credit rating assigned to MSFL by S&P.

DBRS is established in Delaware, United States of America. The rating DBRS has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited or DBRS Ratings GmbH, each a rating agency which is established in the European Economic Area (the "EEA") and registered under Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**") by the relevant competent authority.

Fitch is not established in the EEA but the ratings it has assigned to each of Morgan Stanley and MSFL are endorsed by Fitch Ratings Limited, a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority. In the event Fitch Ratings Limited is no longer an ESMA-registered CRA, Fitch intends to have the ratings assigned to each of Morgan Stanley and MSFL endorsed by Fitch Ratings España S.A.U. a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority.

Moody's is not established in the EEA but the ratings it has assigned to each of Morgan Stanley, MSI plc and MSFL are endorsed by Moody's Deutschland GmbH, a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority.

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

Each of Morgan Stanley's, MSI plc's and MSFL's credit ratings are assigned by Standard & Poor's Financial Services LLC. Standard & Poor's Financial Services LLC is not established in the EEA but the credit rating

it has assigned to each of Morgan Stanley, MSI plc and MSFL are endorsed by S&P Global Ratings Europe Limited, a credit rating agency established in the EEA and registered under the CRA Regulation by ESMA.

This Registration Document and any supplement thereto will be published on the websites of (a) the Luxembourg Stock Exchange (www.bourse.lu) and (b) Morgan Stanley, MSI plc, MSBV and MSFL (<http://sp.morganstanley.com/EU/Documents>).

Each of Morgan Stanley, MSI plc, MSBV and MSFL will, at its principal executive offices (in the case of Morgan Stanley) or at its registered office (in the case of MSI plc, MSBV or MSFL) and during the period of twelve months after the date of publication of this Registration Document, make available for inspection during normal business hours and free of charge, upon oral or written request:

- (a) a copy of this Registration Document and any document containing the sections relating to such company incorporated by reference in this Registration Document;
- (b) the Certificate of Incorporation and Amended and Restated By-laws of Morgan Stanley (these shall not be available at the registered office of MSI plc, MSBV or MSFL);
- (c) the Certificate of Incorporation and the Articles of Association of MSI plc (these shall not be available at the principal office of Morgan Stanley or the registered office of MSBV or MSFL);
- (d) the Deed of Incorporation of MSBV (this shall not be available at the principal office of Morgan Stanley or the registered office of MSI plc or MSFL);
- (e) the Limited Liability Company Agreement of MSFL (this shall not be available at the principal office of Morgan Stanley or the registered office of MSI plc or MSBV); and
- (f) all reports, letters, and other documents, valuations and statements (if any) prepared by any expert at the request of such company which is included or referred to in this Registration Document.

The documents listed under limbs (a) and (c) – (f) above are also available on Morgan Stanley's webpage at www.sp.morganstanley.com/EU/Documents.

The documents listed under limb (b) are also available on Morgan Stanley's webpage at <https://www.morganstanley.com/about-us-governance>.

In addition to the documents incorporated by reference in this Registration Document, Morgan Stanley files annual, quarterly and current reports, proxy statements and other information with the SEC. Investors may read and copy any document that Morgan Stanley files with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at +1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Morgan Stanley) file electronically with the SEC. Morgan Stanley's electronic SEC filings are available to the public at the SEC's internet site www.sec.gov. Morgan Stanley also makes available, through its Investor Relations webpage, a link to the SEC's internet site. You can access Morgan Stanley's Investor Relations webpage at www.morganstanley.com/about-us-ir. The information contained on Morgan Stanley's website shall not form part of this Registration Document, unless such information has been expressly incorporated herein.

DESCRIPTION OF MORGAN STANLEY

1. INFORMATION ABOUT MORGAN STANLEY

History and development of Morgan Stanley

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

Morgan Stanley was originally incorporated for an unlimited term under the laws of the State of Delaware on 1 October 1981 under registered number 0923632, and its predecessor companies date back to 1924. Morgan Stanley is a financial holding company regulated by the Federal Reserve under the BHC Act.

Registered office

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

Webpage

Morgan Stanley's Investor Relations webpage is www.morganstanley.com/about-us-ir. The information contained on Morgan Stanley's website shall not form part of this Registration Document, unless such information has been expressly incorporated herein.

Legal and commercial name

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

Legal Entity Identifier (LEI)

Morgan Stanley's LEI is IGJSJL3JD5P30I6NJZ34.

Credit Ratings

Morgan Stanley has been assigned the following credit ratings:

	Short-Term Debt	Long-Term Debt	Ratings Outlook
DBRS	R-1 (middle)	A (high)	Stable
Fitch	F1	A	Negative
Moody's	P-1	A2	Rating Under Review
R&I	a-1	A	Stable
S&P	A-2	BBB+	Stable

The meaning of the above credit ratings is as follows:

	Short-Term Debt	Long-Term Debt
DBRS	Superior credit quality. The capacity for the payment of short-term financial obligations as they fall due is very high. Differs from R-1 (high) by a relatively modest degree. Unlikely to be significantly vulnerable to future events.	Good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser quality than AA. May be vulnerable to future events, but qualifying negative factors are considered manageable. All rating categories other than AAA and D also contain subcategories "(high)" and "(low)". The absence of either a "(high)" or "(low)" designation indicates the rating is in the middle of the category.

Fitch	Highest Short-Term Credit Quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments.	High credit quality. 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
Moody's	Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.	Obligations rated A are considered upper-medium-grade and are subject to low credit risk. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.
R&I	Certainty of the fulfilment of a short-term obligation is high.	High creditworthiness supported by some excellent factors. A plus (+) or minus (-) sign may be appended to the categories from AA to CCC to indicate relative standing within each rating category.
S&P	A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitments on the obligation is satisfactory.	An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The following is an extract from (i) the sections entitled "*Business Segments*", "*Competition*" and "*Supervision and Regulation*" on pages 1-9 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2019 and (ii) the section entitled "*Liquidity and Capital Resources*" on pages 21-33 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended 30 September 2020. References to the "Parent Company" are references to Morgan Stanley.

Business Segments

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments – Institutional Securities, Wealth Management and Investment Management. Through its subsidiaries and affiliates, Morgan Stanley provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals.

Competition

All aspects of Morgan Stanley's businesses are highly competitive and Morgan Stanley expects them to remain so. Morgan Stanley competes in the U.S. and globally for clients, market share and human talent.

Operating within the financial services industry on a global basis presents, among other things, technological, risk management, regulatory and other infrastructure challenges that require effective resource allocation in order for Morgan Stanley to remain competitive. Its competitive position depends on a number of factors, including its reputation, the quality and consistency of its long-term investment performance, innovation, execution and relative pricing. Morgan Stanley's ability to sustain or improve its competitive position also depends substantially on its ability to continue to attract and retain highly qualified employees while managing compensation and other costs. Morgan Stanley competes with commercial banks, brokerage firms, insurance companies, exchanges, electronic trading and clearing platforms, financial data repositories, sponsors of mutual funds, hedge funds and private equity funds, energy companies, financial technology firms and other companies offering financial or ancillary services in the U.S., globally and digitally, including through the internet. In addition, restrictive laws and regulations applicable to certain U.S. financial services institutions, which may prohibit it from engaging in certain transactions and impose more stringent capital and liquidity requirements, can put Morgan Stanley at a competitive disadvantage to competitors in certain businesses not subject to these same requirements. See also "*Supervision and Regulation*" below and "*Risk Factors*" above.

Institutional Securities and Wealth Management. Morgan Stanley competes directly in the U.S. and globally with other securities and financial services firms and broker-dealers and with others on a regional or product basis. Additionally, there is increased competition driven by established firms as well as the emergence of new firms and business models (including innovative uses of technology) competing for the same clients and assets or offering similar products and services to customers.

Morgan Stanley's ability to access capital at competitive rates (which is generally impacted by its credit ratings), to commit and to deploy capital efficiently, particularly in its capital-intensive underwriting and sales, trading, financing and market-making activities, also affects its competitive position. Morgan Stanley expects corporate clients to continue to request that Morgan Stanley provide loans or lending commitments in connection with certain investment banking activities.

It is possible that competition may become even more intense as Morgan Stanley continues to compete with financial or other institutions that may be larger, or better capitalised, or may have a stronger local presence and longer operating history in certain geographies or products. Many of these firms have the ability to offer a wide range of products and services, and on different platforms, that may enhance their competitive position and could result in pricing pressure on Morgan Stanley's businesses.

Morgan Stanley continues to experience intense price competition in some of its businesses. In particular, the ability to execute securities trades electronically on exchanges and through other automated trading markets has increased the pressure on trading commissions and fees. The trend toward direct access to automated, electronic markets will likely increase as additional trading moves to more automated platforms. It is also possible that Morgan Stanley will experience competitive pressures in these and other areas in the future as some of its competitors seek to obtain market share by reducing prices including in the form of commissions or fees.

Investment Management. Morgan Stanley's ability to compete successfully in the asset management industry is affected by several factors, including Morgan Stanley's reputation, investment objectives, quality of investment professionals, performance of investment strategies or product offerings relative to peers and appropriate benchmark indices, advertising and sales promotion efforts, fee levels, the effectiveness of and access to distribution channels and investment pipelines, and the types and quality of products offered. Morgan Stanley's investment products, including alternative investment products, may compete with investments offered by other investment managers with passive investment products or who may be subject to less stringent legal and regulatory regimes than Morgan Stanley.

Supervision and Regulation

As a major financial services firm, 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. These include legislative and regulatory responses to the financial crisis, both in the U.S. and worldwide, including: the Dodd-Frank Wall Street Reform and Consumer Protection Act ("**Dodd-Frank Act**"); risk-based capital, leverage and liquidity standards adopted or being developed by the Basel Committee on Banking Supervision ("**Basel Committee**"), including Basel III, and the national implementation of those standards; capital planning and stress testing requirements; and

recovery and resolution regimes in the U.S. and other jurisdictions. Some areas of post-financial crisis regulation are still subject to final rulemaking, transition periods, or revisions.

Morgan Stanley continues to monitor the changing political, tax and regulatory environment; it is likely that there will be further changes in the way major financial institutions are regulated in both the U.S. and other markets in which Morgan Stanley operates, although it remains difficult to predict the exact impact these changes will have on Morgan Stanley's business, financial condition, results of operations and cash flows for a particular future period, Morgan Stanley expects to remain subject to extensive supervision and regulation.

Financial Holding Company

Consolidated Supervision. Morgan Stanley has operated as a bank holding company ("**BHC**") and financial holding company ("**FHC**") under the BHC Act since September 2008. As a BHC, Morgan Stanley is subject to comprehensive consolidated supervision, regulation and examination by the Federal Reserve. The Federal Reserve has authority to examine, prescribe regulations and take action with respect to all of Morgan Stanley's subsidiaries. In particular, Morgan Stanley is subject to (among other things): significantly revised and expanded regulation and supervision; intensive scrutiny of its businesses and plans for expansion of those businesses; limitations on activities; a systemic risk regime that imposes heightened capital and liquidity requirements; restrictions on activities and investments imposed by a section of the BHC Act added by the Dodd-Frank Act referred to as the "Volcker Rule"; and comprehensive derivatives regulation. In addition, the Consumer Financial Protection Bureau has primary rulemaking, enforcement and examination authority over Morgan Stanley and its subsidiaries with respect to federal consumer protection laws, to the extent applicable.

Scope of Permitted Activities. The BHC Act limits the activities of BHCs and FHCs and grants the Federal Reserve authority to limit Morgan Stanley's ability to conduct activities. Morgan Stanley must obtain the Federal Reserve's approval before engaging in certain banking and other financial activities both in the U.S. and internationally.

The BHC Act grandfathers "activities related to the trading, sale or investment in commodities and underlying physical properties", provided that Morgan Stanley was engaged in "any of such activities as of 30 September 1997 in the U.S." and provided that certain other conditions that are within its reasonable control are satisfied. Morgan Stanley currently engages in its commodities activities pursuant to the BHC Act grandfather exemption as well as other authorities under the BHC Act.

Activities Restrictions under the Volcker Rule. The Volcker Rule prohibits "banking entities", including Morgan Stanley and its affiliates, from engaging in certain "proprietary trading" activities, as defined in the Volcker Rule, subject to exemptions for underwriting, market-making-related activities, risk-mitigating hedging and certain other activities. The Volcker Rule also prohibits certain investments and relationships by banking entities with "covered funds" as defined in the Volcker Rule, with a number of exemptions and exclusions. The Volcker Rule also requires that deductions be made from a BHC's Tier 1 capital for permissible investments in certain covered funds. In addition, the Volcker Rule requires banking entities to have comprehensive compliance programs reasonably designed to ensure and monitor compliance with the Volcker Rule. Morgan Stanley has brought all of its activities and investments into conformance, subject to a June 2017 approval by the Federal Reserve for a five-year extension of the transition period to conform investments in certain legacy covered funds that are also illiquid funds. The approval covers essentially all of Morgan Stanley's non-conforming investments in, and relationships with, legacy covered funds subject to the Volcker Rule.

The federal financial regulatory agencies responsible for the Volcker Rule's implementing regulations have finalised revisions to certain elements of those regulations. The changes simplify the application of the Volcker Rule, and focus on proprietary trading and certain requirements imposed in connection with permitted market-making, underwriting and risk-mitigating hedging activities. As part of the changes, the deduction for certain covered fund positions held in connection with permitted market-making and underwriting activities is no longer required. These revisions became effective on 1 January 2020. Morgan Stanley was permitted to voluntarily comply with the revised regulations, in whole or in part, beginning on that date with full compliance required by 1 January 2021. These revisions simplify elements of Morgan Stanley's compliance obligations and Morgan Stanley does not expect these revisions to have a material impact on the way Morgan Stanley conducts business under the current rule.

Capital Standards. The Federal Reserve establishes capital requirements, including well-capitalised standards, for large BHCs and evaluates its compliance with such requirements. The OCC establishes similar capital requirements and standards for Morgan Stanley Bank, N.A. ("**MSBNA**") and Morgan Stanley Private Bank, National Association ("**MSPBNA**") (collectively, Morgan Stanley's "**U.S. Bank Subsidiaries**").

Regulatory Capital Framework. The regulatory capital requirements for Morgan Stanley and Morgan Stanley's U.S. Bank Subsidiaries are largely based on the Basel III capital standards established by the Basel Committee as supplemented by certain provisions of the Dodd-Frank Act. Morgan Stanley is subject to various risk-based capital requirements with various transition provisions, measured against its Common Equity Tier 1 capital, Tier 1 capital and Total capital bases, leverage-based capital requirements, including the Supplementary Leverage Ratio, and additional capital buffers above generally applicable minimum standards for BHCs.

The Basel Committee has published a comprehensive set of revisions to its Basel III Framework. The revised requirements are expected to take effect starting January 2022, subject to U.S. banking agencies issuing implementation proposals. The impact on Morgan Stanley of any revisions to the Basel Committee's capital standards is uncertain and depends on future rulemakings by the U.S. banking agencies.

Regulated Subsidiaries. In addition, many of Morgan Stanley's regulated subsidiaries are, or are expected to be in the future, subject to regulatory capital requirements, including regulated subsidiaries registered as "swap dealers" with the CFTC or "security-based swap dealers" with the SEC (collectively, "**Swaps Entities**") or registered as broker-dealers or futures commission merchants. Specific regulatory capital requirements vary by regulated subsidiary, and in many cases these standards are still in proposed form, not yet effective or are subject to ongoing rulemakings that could substantially modify requirements.

Capital Planning, Stress Tests and Capital Distributions. Pursuant to the Dodd-Frank Act, the Federal Reserve has adopted capital planning and stress test requirements for large BHCs, including Morgan Stanley.

In addition to capital planning requirements, the Federal Reserve, the OCC and the FDIC have the authority to prohibit or to limit the payment of dividends by the banking organisations they supervise, including Morgan Stanley and its U.S. Bank Subsidiaries, if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organisation. All of these policies and other requirements could affect Morgan Stanley's ability to pay dividends and/or repurchase stock, or require it to provide capital assistance to its U.S. Bank Subsidiaries under circumstances which Morgan Stanley would not otherwise decide to do so.

Liquidity Standards. In addition to capital regulations, the U.S. banking agencies and the Basel Committee have adopted, or are in the process of adopting, liquidity and funding standards. Morgan Stanley and its U.S. Bank Subsidiaries are subject to the U.S. banking agencies' liquidity coverage ratio ("**LCR**") requirements, which generally follow Basel Committee standards. Similarly, if the proposed Net Stable Funding Ratio ("**NSFR**") requirements are adopted by the U.S. banking agencies, Morgan Stanley and Morgan Stanley's U.S. Bank Subsidiaries will become subject to NSFR requirements, which generally follow Basel Committee standards.

In addition to the LCR and NSFR, Morgan Stanley and many of its regulated subsidiaries, including those registered as Swaps Entities with the CFTC or SEC, are, or are expected to be in the future, subject to other liquidity standards, including liquidity stress-testing and associated liquidity reserve requirements.

Systemic Risk Regime. The Dodd-Frank Act, as amended by the Economic Growth, Regulatory Relief and Consumer Protection Act ("**EGRRCPA**"), establishes a systemic risk regime to which certain large BHCs including Morgan Stanley, are subject. Under rules issued by the Federal Reserve to implement certain requirements of the Dodd-Frank Act's enhanced prudential standards, such large BHCs must conduct internal liquidity stress tests, maintain unencumbered highly liquid assets to meet projected net cash outflows for 30 days over the range of liquidity stress scenarios used in internal stress tests, and comply with various liquidity risk management requirements. These large BHCs also must comply with a range of risk management and corporate governance requirements.

The Federal Reserve adopted a framework to impose single-counterparty credit limits ("**SCCL**") for large banking organisations for which compliance was required by 1 January 2020. U.S. G-SIBs, including

Morgan Stanley, are subject to a limit of 15% of Tier 1 capital for aggregate net credit exposures to any "major counterparty" (defined to include other U.S. G-SIBs, foreign G-SIBs, and nonbank systemically important financial institutions supervised by the Federal Reserve). In addition, Morgan Stanley is subject to a limit of 25% of Tier 1 capital for aggregate net credit exposures to any other unaffiliated counterparty.

The Federal Reserve has proposed rules that would create a new early remediation framework to address financial distress or material management weaknesses. The Federal Reserve also has the ability to establish additional prudential standards, including those regarding contingent capital, enhanced public disclosures, and limits on short-term debt, including off-balance sheet exposures.

Under the systemic risk regime, if the Federal Reserve or the Financial Stability Oversight Council determines that a BHC with \$250 billion or more in consolidated assets poses a "grave threat" to U.S. financial stability, the institution may be, among other things, restricted in its ability to merge or offer financial products and/or required to terminate activities and dispose of assets.

See also "*Capital Standards*" and "*Liquidity Standards*" above and "*Resolution and Recovery Planning*" below.

Resolution and Recovery Planning. Pursuant to the Dodd-Frank Act, Morgan Stanley is required to periodically submit to the Federal Reserve and the FDIC a resolution plan that describes its strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of its material financial distress or failure. Morgan Stanley's preferred resolution strategy, which is set out in its 2019 resolution plan, is an SPOE strategy, which generally contemplates the provision of adequate capital and liquidity by the Parent Company to certain of its subsidiaries so that such subsidiaries have the resources necessary to implement the resolution strategy after the Parent Company has filed for bankruptcy.

Under a final rule issued by the Federal Reserve and the FDIC, Morgan Stanley is now required to file resolution plans once every two years, with interim updates required in certain limited circumstances. The rule also allows Morgan Stanley to alternate between submitting a full, detailed resolution plan and a streamlined, targeted resolution plan. Morgan Stanley's next resolution plan submission is expected to be a targeted resolution plan in 2021. The rule also clarifies the information required to be included in Morgan Stanley's resolution plan. Further, Morgan Stanley submits an annual recovery plan to the Federal Reserve that outlines the steps that management could take over time to generate or conserve financial resources in times of prolonged financial stress.

Certain of Morgan Stanley's domestic and foreign subsidiaries are also subject to resolution and recovery planning requirements in the jurisdictions in which they operate. For example, the FDIC requires certain insured depository institutions ("**IDI**s"), including Morgan Stanley's U.S. Bank Subsidiaries, to submit an annual resolution plan that describes the IDI's strategy for a rapid and orderly resolution in the event of material financial distress or failure of the IDI (an "**IDI Plan**").

In addition, certain financial companies, including BHCs such as the Firm and certain of its subsidiaries, can be subjected to a resolution proceeding under the orderly liquidation authority in Title II of the Dodd-Frank Act with the FDIC being appointed as receiver, provided that certain procedures are met, including certain extraordinary financial distress and systemic risk determinations by the U.S. Treasury Secretary in consultation with the U.S. President. The orderly liquidation authority rulemaking is proceeding in stages, with some regulations now finalised and others not yet proposed. If Morgan Stanley were subject to the orderly liquidation authority, the FDIC would have considerable powers, including: the power to remove directors and officers responsible for Morgan Stanley's failure and to appoint new directors and officers; the power to assign Morgan Stanley's assets and liabilities to a third party or bridge financial company without the need for creditor consent or prior court review; the ability to differentiate among Morgan Stanley's creditors, including by treating certain creditors within the same class better than others, subject to a minimum recovery right on the part of disfavoured creditors to receive at least what they would have received in bankruptcy liquidation; and broad powers to administer the claims process to determine distributions from the assets of the receivership. The FDIC has been developing an SPOE strategy that could be used to implement the orderly liquidation authority.

Regulators have also taken and proposed various actions to facilitate an SPOE strategy under the U.S. Bankruptcy Code, the orderly liquidation authority or other resolution regimes.

For example, the Federal Reserve and the OCC have established rules that impose contractual requirements on certain qualified financial contracts ("**covered QFCs**") to which U.S. G-SIBs, including Morgan Stanley, and its subsidiaries, including Morgan Stanley's U.S. Bank Subsidiaries, are parties (together, the "**covered entities**"). Under these rules, covered QFCs must expressly provide that transfer restrictions and default rights against covered entities are limited to the same extent as they would be under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Act and their implementing regulations, and they may not, among other things, permit the exercise of any cross-default right against covered entities based on an affiliate's entry into insolvency, resolution or similar proceedings, subject to certain creditor protections. The final compliance date was 1 January 2020.

Cyber and Information Security Risk Management and Protection of Client Information. The financial services industry faces increased global regulatory focus regarding cyber and information security risk management practices. Many aspects of Morgan Stanley's businesses are subject to cybersecurity legal and regulatory requirements enacted by U.S. federal and state governments and other non-U.S. jurisdictions in the Americas, Europe, the Middle East, Africa and Asia. These laws are aimed at codifying basic cybersecurity protections and mandating data breach notification requirements.

Morgan Stanley's businesses are also subject to privacy and data protection information security legal requirements concerning the use and protection of certain personal information. For example, the General Data Protection Regulation ("**GDPR**") became effective in the E.U. on 25 May 2018 and the California Consumer Privacy Act ("**CCPA**") became effective on 1 January 2020. The GDPR and CCPA impose mandatory privacy and data protection obligations, including providing for individual rights, enhanced governance and accountability requirements and significant fines and litigation risk for non-compliance. In addition, other jurisdictions have adopted or are proposing GDPR or similar standards, such as Australia, Singapore, Japan, Argentina, India, Brazil, Switzerland and the Cayman Islands.

Many aspects of Morgan Stanley's businesses are subject to legal requirements concerning the use and protection of certain customer information. These include those adopted pursuant to the Gramm-Leach-Bliley Act and the Fair and Accurate Credit Transactions Act of 2003 in the U.S., the GDPR and CCPA and various laws in Asia, including the Japanese Personal Information Protection Law, the Hong Kong Personal Data (Protection) Ordinance and the Australian Privacy Act. Morgan Stanley has adopted measures designed to comply with these and related applicable requirements in all relevant jurisdictions.

U.S. Bank Subsidiaries

U.S. Bank Subsidiaries. MSBNA, primarily a wholesale commercial bank, offers commercial lending and certain retail securities-based lending services in addition to deposit products.

MSPBNA offers certain mortgage and other secured lending products, including retail securities-based lending products, primarily for customers of its affiliate retail broker-dealer, Morgan Stanley Smith Barney LLC ("**MSSB**"). MSPBNA also offers certain deposit products and prime brokerage custody services. Both MSBNA and MSPBNA are FDIC-insured national banks subject to supervision, regulation and examination by the OCC. They are both subject to the OCC's risk governance guidelines, which establish heightened standards for a large national bank's risk governance framework and the oversight of that framework by the bank's board of directors.

Prompt Corrective Action. The Federal Deposit Insurance Corporation Improvement Act of 1991 provides a framework for regulation of depository institutions and their affiliates, including parent holding companies, by their federal banking regulators. Among other things, it requires the relevant federal banking regulator to take "prompt corrective action" with respect to a depository institution if that institution does not meet certain capital adequacy standards. These regulations generally apply only to insured banks and thrifts such as MSBNA or MSPBNA and not to their parent holding companies. The Federal Reserve is, however, separately authorized to take appropriate action at the holding company level, subject to certain limitations. Under the systemic risk regime, as described above, Morgan Stanley also would become subject to an early remediation protocol in the event of financial distress. In addition, BHCs, such as Morgan Stanley, are required to serve as a source of strength to their U.S. bank subsidiaries and commit resources to support these subsidiaries in the event such subsidiaries are in financial distress.

Transactions with Affiliates. Morgan Stanley's U.S. Bank Subsidiaries are subject to Sections 23A and 23B of the Federal Reserve Act, which impose restrictions on "covered transactions", as defined in the Federal Reserve Act with any affiliates. Covered transactions include any extension of credit to, purchase of assets

from, and certain other transactions by insured banks with an affiliate. These restrictions limit the total amount of credit exposure that Morgan Stanley's U.S. Bank Subsidiaries may have to any one affiliate and to all affiliates. Sections 23A and 23B also set collateral requirements and require all such transactions to be made on market terms. Derivative, securities borrowing and securities lending transactions between Morgan Stanley's U.S. Bank Subsidiaries and their affiliates are subject to these restrictions. The Federal Reserve has indicated that it will propose a rulemaking to implement changes to these restrictions made by the Dodd-Frank Act.

In addition, the Volcker Rule generally prohibits covered transactions between (i) Morgan Stanley or any of its affiliates and (ii) covered funds for which Morgan Stanley or any of its affiliates serve as the investment manager, investment adviser, commodity trading advisor or sponsor or other covered funds organised and offered by Morgan Stanley or any of its affiliates pursuant to specific exemptions in the Volcker Rule.

FDIC Regulation. An FDIC-insured depository institution is generally liable for any loss incurred or expected to be incurred by the FDIC in connection with the failure of an insured depository institution under common control by the same BHC. As commonly controlled FDIC-insured depository institutions, each of MSBNA and MSPBNA could be responsible for any loss to the FDIC from the failure of the other. In addition, both institutions are exposed to changes in the cost of FDIC insurance.

Institutional Securities and Wealth Management.

Broker-Dealer and Investment Adviser Regulation. Morgan Stanley's primary U.S. broker-dealer subsidiaries, Morgan Stanley & Co. LLC ("**MS&Co.**") and MSSB, are registered broker-dealers with the SEC and in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, and are members of various self-regulatory organisations, including the Financial Industry Regulatory Authority, Inc. ("**FINRA**"), and various securities exchanges and clearing organisations. Broker-dealers are subject to laws and regulations covering all aspects of the securities business, including sales and trading practices, securities offerings, publication of research reports, use of customers' funds and securities, capital structure, risk management controls in connection with market access, recordkeeping and retention, and the conduct of their directors, officers, representatives and other associated persons. Broker-dealers are also regulated by securities administrators in those states where they do business. Violations of the laws and regulations governing a broker-dealer's actions could result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of such broker-dealer or its officers or employees, or other similar consequences by both federal and state securities administrators. Morgan Stanley's broker-dealer subsidiaries are also members of the Securities Investor Protection Corporation, which provides certain protections for customers of broker-dealers against losses in the event of the insolvency of a broker-dealer.

MSSB is also a registered investment adviser with the SEC. MSSB's relationship with its investment advisory clients is subject to the fiduciary and other obligations imposed on investment advisers under the Investment Advisers Act of 1940, and the rules and regulations promulgated thereunder as well as various state securities laws. These laws and regulations generally grant the SEC and other supervisory bodies broad administrative powers to address non-compliance, including the power to restrict or limit MSSB from carrying on its investment advisory and other asset management activities. Other sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain activities for specified periods of time or for specified types of clients, the revocation of registrations, other censures and significant fines.

The Firm is subject to various regulations that affect broker-dealer sales practices and customer relationships. For example the SEC has released a package of final rules and interpretations relating to the provision of advice by broker-dealers and investment advisers. The package includes new rules on the standards of conduct and required disclosures for broker-dealers when making securities-related recommendations to retail investors, and a new formal interpretation of the fiduciary duty owed by investment advisers. One of the final rules, entitled "Regulation Best Interest", requires broker-dealers to act in the "best interest" of retail customers at the time a recommendation is made without placing the financial or other interests of the broker-dealer ahead of the interest of the retail customer. Another new rule requires that both broker-dealers and investment advisers provide to retail investors a brief summary document containing information about the relationship between the parties ("**Form CRS**"). The compliance date for Regulation Best Interest and Form CRS is 30 June 2020. Certain states have enacted

laws or rules, or are considering laws or rules, subjecting broker-dealers to a fiduciary duty when dealing with retail customers under a variety of circumstances.

Margin lending by broker-dealers is regulated by the Federal Reserve's restrictions on lending in connection with customer and proprietary purchases and short sales of securities, as well as securities borrowing and lending activities. Broker-dealers are also subject to maintenance and other margin requirements imposed under FINRA and other self-regulatory organisation rules. In many cases, Morgan Stanley's broker-dealer subsidiaries' margin policies are more stringent than these rules.

As registered U.S. broker-dealers, certain of Morgan Stanley's subsidiaries are subject to the SEC's net capital rule and the net capital requirements of various exchanges, other regulatory authorities and self-regulatory organisations. These rules are generally designed to measure the broker-dealer subsidiary's general financial integrity and/or liquidity and require that at least a minimum amount of net and/or liquid assets be maintained by the subsidiary. See also "*Financial Holding Company – Consolidated Supervision*" and "*Financial Holding Company – Liquidity Standards*" above. Rules of FINRA and other self-regulatory organisations also impose limitations and requirements on the transfer of member organisations' assets.

Research. Research-related regulations have been implemented in many jurisdictions, including in the U.S., where FINRA has adopted rules that cover research relating to both equity and debt securities. Regulators continue to focus on research conflicts of interest and may impose additional regulations.

Regulation of Futures Activities and Certain Commodities Activities. MS&Co., as a futures commission merchant, and MSSB, as an introducing broker, are subject to net capital requirements of, and certain of their activities are regulated by, the CFTC, the National Futures Association (the "NFA"), the Joint Audit Committee (including the Chicago Mercantile Exchange & Chicago Board of Trade ("**CME Group**") in its capacity as MS&Co.'s designated self-regulatory organisation, and various commodity futures exchanges. MS&Co. and MSSB and certain of their affiliates are registered with the CFTC and are members of the NFA in various capacities. Rules and regulations of the CFTC, NFA, the Joint Audit Committee (including the CME Group) and commodity futures exchanges address obligations related to, among other things, customer protections, the segregation of customer funds and the holding of secured amounts, the use by futures commission merchants of customer funds, the margining of customer accounts and documentation entered into by futures commission merchants with their customers, recordkeeping and reporting obligations of futures commission merchants, and introducing brokers, risk disclosure, risk management and discretionary trading.

Morgan Stanley's commodities activities are subject to extensive and evolving energy, commodities, environmental, health and safety, and other governmental laws and regulations in the U.S. and abroad. Intensified scrutiny of certain energy markets by U.S. federal, state and local authorities in the U.S. and abroad and by the public has resulted in increased regulatory and legal enforcement and remedial proceedings involving companies conducting the activities in which Morgan Stanley is engaged.

Derivatives Regulation. The commodity futures, commodity options and swaps industry in the U.S. is subject to regulation under the U.S. Commodity Exchange Act ("**CEA**"). The CFTC is the U.S. federal agency charged with the administration of the CEA. In addition, the SEC is the U.S. federal agency charged with the regulation of security-based swaps. The rules and regulations of various self-regulatory organisations also govern derivatives.

Under the U.S. regulatory regime for "swaps" and "security-based swaps" (collectively, "**Swaps**") implemented pursuant to the Dodd-Frank Act, Morgan Stanley is subject to comprehensive regulation of Morgan Stanley's derivatives businesses, including regulations that impose margin requirements, public and regulatory reporting, central clearing and mandatory trading on regulated exchanges or execution facilities for certain types of Swaps.

CFTC rules require registration of swap dealers, mandatory clearing and execution of interest rate and certain credit default swaps and real-time public reporting and adherence to business conduct standards for all in-scope Swaps. Morgan Stanley also anticipates that the CFTC will adopt capital requirements for swap dealers and major swap participants that are not subject to the capital rules of a prudential regulator. Morgan Stanley has registered a number of U.S. and non U.S. CFTC swap dealers. SEC rules govern the registration and regulation of security-based swap dealers. Though compliance with a number of these rules is not expected to be required until 2021, they will trigger numerous obligations for entities that register as

security-based swap dealers, including capital margin and segregation requirements. Morgan Stanley anticipates registering one or more entities as a security-based swap dealer.

The specific parameters of some of these requirements for Swaps have been and continue to be developed through CFTC, SEC and bank regulator rulemakings. For example, the rules for variation margin are presently effective, and those for initial margin will continue to phase in based on activity levels of the swap dealer and the relevant counterparty with the final phase currently expected to occur in September 2021, subject to finalisation of various proposed rule makings by the CFTC and bank regulators. Margin rules with the same or similar compliance dates have been adopted or are in the process of being finalised by regulators outside the U.S., and certain of Morgan Stanley's subsidiaries may be subject to such rules.

Although a significant number of areas within the global derivatives regulatory framework have been finalised, additional changes are expected. As the derivatives regulatory framework continues to evolve, Morgan Stanley expects to continue to face increased costs and regulatory oversight. Complying with registration and other regulatory requirements has required, and is expected to require in the future, systems and other changes to Morgan Stanley's derivatives businesses. Compliance with Swaps-related regulatory capital requirements may also require Morgan Stanley to devote more capital to its businesses that engage in Swaps.

Morgan Stanley's Institutional Securities and Wealth Management business segments activities are also regulated in jurisdictions outside the U.S.

Investment Management. Many of the subsidiaries engaged in Morgan Stanley's asset management activities are registered as investment advisers with the SEC. Many aspects of Morgan Stanley's asset management activities are also subject to federal and state laws and regulations primarily intended to benefit the investor or client. These laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict Morgan Stanley from carrying on its asset management activities in the event that Morgan Stanley fails to comply with such laws and regulations. Sanctions that may be imposed for such failure include the suspension of individual employees, limitations on Morgan Stanley engaging in various asset management activities for specified periods of time or specified types of clients, the revocation of registrations, other censures and significant fines. Morgan Stanley Distribution, Inc., a U.S. broker-dealer subsidiary, acts as distributor to the Morgan Stanley mutual funds and as placement agent to certain private investment funds managed by Morgan Stanley's Investment Management business segment.

Morgan Stanley's asset management activities are subject to certain additional laws and regulations, including, but not limited to, additional reporting and recordkeeping requirements (including with respect to clients that are private funds) and restrictions on sponsoring or investing in, or maintaining certain other relationships with, "covered funds", as defined in the Volcker Rule, subject to certain limited exemptions.

In addition, certain of Morgan Stanley's affiliates are registered as commodity trading advisors and/or commodity pool operators, or are operating under certain exemptions from such registration pursuant to CFTC rules and other guidance, and have certain responsibilities with respect to each pool they advise. Violations of the rules of the CFTC, the NFA or the commodity exchanges could result in remedial actions, including fines, registration restrictions or terminations, trading prohibitions or revocations of commodity exchange memberships.

Non-U.S. Regulation. All of Morgan Stanley's businesses are regulated extensively by non-U.S. regulators, including governments, securities exchanges, commodity exchanges, self-regulatory organisations, central banks and regulatory bodies, especially in those jurisdictions in which Morgan Stanley maintains an office. Certain regulators have prudential, business conduct and other authority over Morgan Stanley or its subsidiaries, as well as powers to limit or restrict Morgan Stanley from engaging in certain businesses or to conduct administrative proceedings that can result in censures, fines, the issuance of cease-and-desist orders, or the suspension or expulsion of a regulated entity or its affiliates. Some of Morgan Stanley's subsidiaries are regulated as broker-dealers, investment advisers or other types of regulated entities under the laws of the jurisdictions in which they operate. Subsidiaries engaged in banking and trust activities and advisory activities outside the U.S. are regulated by various government agencies in the particular jurisdiction where they are chartered, incorporated and/or conduct their business activity. For instance, the Prudential Regulation Authority ("**PRA**"), the Financial Conduct Authority ("**FCA**") and several securities and futures exchanges in the U.K., including the London Stock Exchange and ICE Futures Europe, regulate

Morgan Stanley's activities in the U.K.; the *Bundesanstalt für Finanzdienstleistungsaufsicht* (the "**Federal Financial Supervisory Authority**") and the Deutsche Börse AG regulate certain of Morgan Stanley's activities in the Federal Republic of Germany; the European Central Bank supervises certain subsidiaries in Morgan Stanley's post-Brexit structure; the Financial Services Agency, the Securities and Exchange Surveillance Commission, the Bank of Japan, the Japan Securities Dealers Association and several Japanese securities and futures exchanges and ministries regulate its activities in Japan; the Securities and Futures Commission of Hong Kong, the Hong Kong Monetary Authority and the Hong Kong Exchanges and Clearing Limited regulate its business in Hong Kong; and the Monetary Authority of Singapore and the Singapore Exchange Limited regulate its business in Singapore; other similar bodies regulate Morgan Stanley's activities in Ireland, China, Korea, Australia, India and other countries.

Morgan Stanley's largest non-U.S. entity, MSIP, is subject to extensive regulation and supervision by the PRA, which has broad legal authority to establish prudential and other standards applicable to MSIP that seek to ensure its safety and soundness and to minimise adverse effects on the stability of the U.K. financial system. MSIP is also regulated and supervised by the FCA with respect to business conduct matters.

Non-U.S. policymakers and regulators, including the European Commission and European Supervisory Authorities (among others, the European Banking Authority and the European Securities and Markets Authority), continue to propose and adopt numerous reforms, including those that may further impact the structure of banks or subject Morgan Stanley to new prudential requirements, and to formulate regulatory standards and measures that will be of relevance and importance to Morgan Stanley's European operations. In June 2019, the European Commission published a package of reforms including various risk reduction measures. These include amendments to the Capital Requirements Directive and Regulation providing updates to risk-based capital, liquidity (including introducing a net stable funding ratio), leverage and other prudential standards on a consolidated basis that are consistent with final Basel standards. In addition, the reforms will require certain large, non-E.U. financial groups with two or more financial subsidiaries established in the E.U. to establish an E.U. intermediate holding company ("**IHC**"). The E.U. IHC will be subject to direct supervision and authorisation by the European Central Bank or the relevant national E.U. regulator. Further amendments to the E.U. bank recovery and resolution regime under the E.U. Bank Recovery and Resolution Directive ("**BRRD**") were also published.

The amendments to the BRRD build on previous proposals by regulators in the U.K., E.U. and other major jurisdictions to finalise recovery and resolution planning frameworks and related regulatory requirements that will apply to certain of Morgan Stanley's subsidiaries that operate in those jurisdictions. For instance, the BRRD established a recovery and resolution framework for E.U. credit institutions and investment firms, including MSIP (under the U.K. version of the BRRD which is expected to be adopted after the Brexit transition period). In addition, certain jurisdictions, including the U.K. and other E.U. jurisdictions, have implemented, or are in the process of implementing, changes to resolution regimes to provide resolution authorities with the ability to recapitalise a failing entity organised in such jurisdictions by reducing certain unsecured liabilities or converting certain unsecured liabilities into equity.

Regulators in the U.K., E.U. and other major jurisdictions have also finalised other regulatory standards applicable to certain of Morgan Stanley's subsidiaries that operate in those jurisdictions. For instance, the European Market Infrastructure Regulation introduced requirements regarding the central clearing and reporting of derivatives, as well as margin requirements for uncleared derivatives. MiFID II introduced comprehensive and new trading and market infrastructure reforms in the E.U., including new trading venues, enhancements to pre- and post-trading transparency, additional investor protection requirements, and requirements relating to the unbundling of research and execution services among others, and Morgan Stanley has had to make extensive changes to its operations, including systems and controls in order to comply with MiFID II.

Financial Crimes Programme

Morgan Stanley's Financial Crimes programme is coordinated on an enterprise-wide basis and supports Morgan Stanley's financial crime prevention efforts across all regions and business units with responsibility for governance, oversight and execution of Morgan Stanley's AML, economic sanctions ("**Sanctions**") and anti-corruption programmes.

In the U.S., the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, imposes significant obligations on financial institutions to detect and deter money laundering and terrorist financing activity,

including requiring banks, BHCs and their subsidiaries, broker-dealers, futures commission merchants, introducing brokers and mutual funds to implement AML programmes, verify the identity of customers that maintain accounts, and monitor and report suspicious activity to appropriate law enforcement or regulatory authorities. Outside the U.S., applicable laws, rules and regulations similarly require designated types of financial institutions to implement AML programmes. Morgan Stanley has implemented policies, procedures and internal controls that are designed to comply with all applicable AML laws and regulations. Regarding Sanctions, Morgan Stanley has implemented policies, procedures, and internal controls that are designed to comply with the regulations and economic sanctions programmes administered by the U.S. Treasury's Office of Foreign Assets Control ("**OFAC**"), which target foreign countries, entities and individuals based on external threats to U.S. foreign policy, national security or economic interests, and to comply, as applicable, with similar sanctions programmes imposed by foreign governments or global or regional multilateral organisations such as the United Nations Security Council and the E.U. Council.

Morgan Stanley is also subject to applicable anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, in the jurisdictions in which it operates. Anti-corruption laws generally prohibit offering, promising, giving, or authorising others to give anything of value, either directly or indirectly, to a government official or private party in order to influence official action or otherwise gain an unfair business advantage, such as to obtain or retain business. Morgan Stanley has implemented policies, procedures, and internal controls that are designed to comply with such laws, rules and regulations.

Regulatory Developments

Stress Capital Buffer Final Rule

The Federal Reserve has adopted a final rule to integrate its annual capital planning and stress testing requirements with existing applicable regulatory capital requirements. The final rule, which applies to certain BHCs, including Morgan Stanley, introduces a stress capital buffer ("**SCB**") and related changes to the capital planning and stress testing processes.

The SCB applies only with respect to Standardised Approach risk-based capital requirements and replaces the existing Common Equity Tier 1 capital conservation buffer, which is 2.5%. The SCB is the greater of (i) the maximum decline in Morgan Stanley's Common Equity Tier 1 capital ratio under the severely adverse scenario over the supervisory stress test measurement period plus the sum of the four quarters of planned common stock dividends divided by the projected RWAs from the quarter in which the Firm's projected Common Equity Tier 1 capital ratio reaches its minimum in the supervisory stress test and (ii) 2.5%. Risk-based regulatory capital requirements under the Standardised Approach will include the SCB, as summarised above, as well as Morgan Stanley's Common Equity Tier 1 GSIB capital surcharge and any applicable Common Equity Tier 1 CCyB.

The final rule makes related changes to capital planning and stress testing processes for BHCs subject to the SCB. In particular, the supervisory stress test will assume that BHCs generally maintain a constant level of assets and RWAs throughout the projection period. In addition, the supervisory stress test will no longer assume that BHCs make all planned capital distributions, although the SCB will incorporate the dollar amount of four quarters of planned common stock dividends, as summarised above.

The final rule does not change regulatory capital requirements under the Advanced Approach, the Tier 1 leverage ratio or the SLR.

The Firm's initial SCB will be based on the results of the 2020 CCAR supervisory stress test which the Federal Reserve is expected to publish by 30 June 2020. The SCB will take effect on 1 October 2020 and will remain in effect until 30 September 2021, and will be updated annually thereafter based on the results of the annual CCAR supervisory stress test, with a revised SCB taking effect on 1 October each year.

Upon receipt of the SCB, Morgan Stanley will evaluate whether to update its Required Capital framework to take into account any changes in its risk-based capital requirements that result from the SCB.

The SCB final rule also includes a transitional arrangement for the third quarter of 2020. Between 1 July 2020 and 30 September 2020, the Firm will be authorised to make capital distributions that do not exceed the four-quarter average of capital distributions for which the Federal Reserve indicated its non-objection in the 2019 capital plan cycle, unless otherwise determined by the Federal Reserve.

Revisions to Definition of Eligible Retained Income

The U.S. banking agencies have adopted an interim final rule amending the definition of eligible retained income in their respective capital rules. As amended, eligible retained income is defined by the Federal Reserve as the greater of (i) net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (ii) the average of net income over the preceding four quarters. This definition applies with respect to any payout restrictions applicable in the event of a breach of any regulatory capital buffers, including any applicable CCyB, G-SIB capital surcharge, capital conservation buffer, the enhanced SLR and, once effective, SCB, which replaces the capital conservation buffer under the Standardised Approach. The interim final rule became effective 20 March 2020.

Separately, the Federal Reserve has adopted an interim final rule amending the definition of eligible retained income under its TLAC rule to be consistent with the revised definition of eligible retained income in the regulatory capital framework, as summarised above. The interim final rule became effective on 26 March 2020.

Regulatory Capital and Stress Testing Developments Related to Implementation of CECL

The U.S. banking agencies have adopted an interim final rule altering, for the purposes of the regulatory capital and TLAC requirements, the required adoption time period for CECL. Under the interim final rule, banking organisations that implement the new accounting standard before the end of 2020 may elect to follow the three-year transition available under a prior rule or a new five-year transition. This five-year transition involves a two-year delay in recognising the effects on regulatory capital of the new accounting standard, followed by a three-year transition period during which the electing organisation phases out the aggregate capital effects of the two-year delay. The interim final rule became effective on 27 March 2020. Morgan Stanley has elected to implement the five-year transition for recognising the potentially adverse effects of the adoption of CECL.

In addition, pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”), banking organisations are not required to comply with CECL, for the purposes of U.S. GAAP accounting, until the earlier of the end of the COVID-19 national emergency declared by the President of the United States on 15 March 2020 under the National Emergencies Act or 31 December 2020. Morgan Stanley has not elected to delay its compliance with CECL for the purposes of U.S. GAAP accounting.

Regulatory Developments in Response to COVID-19

In the United States, the Federal Reserve, the other U.S. state and federal financial regulatory agencies and Congress have taken actions to mitigate disruptions to economic activity and financial stability resulting from COVID-19.

Federal Reserve Actions

The Federal Reserve has established, or has taken steps to establish, a range of facilities and programmes to support the U.S. economy and U.S. marketplace participants in response to economic disruptions associated with COVID-19. Through these facilities and programmes, the Federal Reserve has taken steps to directly or indirectly purchase assets or debt instruments from, or make loans to, U.S. companies, financial institutions, municipalities and other market participants.

In addition, the Federal Reserve has taken a range of other actions to support the flow of credit to households and businesses. For example, on 15 March 2020, the Federal Reserve reduced the target range for the federal funds rate to 0 to 0.25% and announced that it would increase its holdings of U.S. Treasury securities and agency mortgage-backed securities and begin purchasing agency commercial mortgage-backed securities. The Federal Reserve has also encouraged depository institutions to borrow from the discount window and has lowered the primary credit rate for such borrowings by 150 basis points to 0.25% while extending the term of such loans up to 90 days. In addition, effective on 26 March 2020, reserve requirements have been reduced to zero.

Acting in concert with the other U.S. banking agencies, the Federal Reserve has also issued statements encouraging banking organisations to use their capital and liquidity buffers as they lend to households and businesses affected by COVID-19. To facilitate banking organisations' use of their capital buffers, the Federal Reserve has revised the definition of eligible retained income applicable in the capital and TLAC

frameworks. Additionally, the Federal Reserve has adopted an interim final rule that temporarily excludes U.S. Treasury securities and deposits at Federal Reserve Banks from the calculation of our supplementary leverage exposure used in the SLR.

Further, the Federal Reserve along with the other U.S. banking agencies, issued guidance stating that granting certain concessions to borrowers that are current on existing loans, either individually or as part of a programme for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of the coronavirus pandemic, generally would not be considered TDRs under applicable U.S. GAAP. This guidance also clarifies that efforts to work with borrowers of one-to-four family residential mortgages impacted by the COVID-19 pandemic and meeting certain criteria will not result in such loans being deemed restructured or modified for the purposes of U.S. Basel III, and will therefore not be subject to higher regulatory capital requirements.

As of 31 March 2020, Morgan Stanley has participated in the PDCF, which provides liquidity to primary dealers through a secured lending facility, and, following the Federal Reserve's statement encouraging banks to use its discount window, Morgan Stanley has accessed the discount window. While Morgan Stanley continues to assess, it may participate in other of these facilities and programmes, including on behalf of clients.

Non-U.S. Central Bank Actions

In addition to actions taken by the Federal Reserve, many non-U.S. central banks have announced similar facilities and programmes in response to the economic and market disruptions associated with COVID-19. Firm subsidiaries operating in non-U.S. markets may participate, or perform customer facilitation roles, in such non-U.S. facilities or programmes.

The CARES Act

The CARES Act was signed into law on 27 March 2020. Pursuant to the CARES Act, the U.S. Treasury has the authority to provide loans, guarantees and other investments in support of eligible businesses, states and municipalities affected by the economic effects of COVID-19. Some of these funds may also be used to support the several Federal Reserve programmes and facilities described in "Federal Reserve Actions" previously or additional programmes or facilities that are established by the Federal Reserve under its Section 13(3) authority and meet certain criteria. Among other provisions, the CARES Act also includes funding for the Small Business Administration to expand lending, relief from certain U.S. GAAP requirements to allow COVID-19-related loan modifications to not be categorised as TDRs and a range of incentives to encourage deferment, forbearance or modification of consumer credit and mortgage contracts.

The CARES Act also includes several measures that will temporarily adjust existing laws or regulations. These include providing the FDIC with additional authority to guarantee the deposits of solvent insured depository institutions held in noninterest-bearing business transaction accounts to a maximum amount specified by the FDIC, reinstating the FDIC's Temporary Liquidity Guarantee Authority to guarantee debt obligations of solvent insured depository institutions or depository institution holding companies, temporarily allowing the U.S. Treasury to fully guarantee money market mutual funds and granting additional authority to the OCC to provide certain exemptions to the lending limits imposed on national banks.

Supplementary Leverage Ratio Interim Final Rule

In response to the COVID-19 pandemic, the Federal Reserve has adopted an interim final rule that excludes, on a temporary basis, U.S. Treasury securities and deposits at Federal Reserve Banks from Morgan Stanley's SLR exposure measure from 1 April 2020 to 31 March 2021. This interim final rule does not amend Morgan Stanley's U.S. Bank Subsidiaries' SLR requirements.

Other Matters

U.K. Withdrawal from the E.U.

On 31 January 2020, the U.K. withdrew from the E.U. under the terms of a withdrawal agreement between the U.K. and the E.U. The withdrawal agreement provides for a transition period to the end of December 2020, during which time the U.K. will continue to apply E.U. law as if it were a member state, and U.K.

firms' rights to provide financial services in E.U. member states will continue. Access to the E.U. market after the transition period remains subject to negotiation.

Morgan Stanley has prepared the structure of its European operations for a range of potential outcomes, including for the possibility that U.K. financial firms' access to E.U. markets after the transition period is limited, and it expects to be able to continue to serve its clients and customers under each of these potential outcomes.

Planned Replacement of London Interbank Offered Rate and Replacement or Reform of Other Interest Rates

Central banks around the world, including the Federal Reserve, have commissioned committees and working groups of market participants and official sector representatives to replace LIBOR and replace or reform other interest rate benchmarks (collectively, the "IBORs"). Accordingly, Morgan Stanley has established and is undertaking a Firm-wide IBOR transition plan to promote the transition to alternative reference rates, which takes into account the considerable uncertainty regarding the availability of LIBOR beyond 2021.

2. OVERVIEW OF ACTIVITIES

Principal Activities

Morgan Stanley, a financial holding company, is a global financial services firm that maintains significant market positions in each of its business segments—Institutional Securities, Wealth Management and Investment Management. Morgan Stanley, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals.

A description of the clients and principal products and services of each of Morgan Stanley's business segments is as follows:

Institutional Securities provides investment banking, sales and trading, lending and other services to corporations, governments, financial institutions, and high to ultra-high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities as well as advice on mergers and acquisitions, restructurings, real estate and project finance. Sales and trading services include sales, financing, prime brokerage and market-making activities in equity and fixed income products, including foreign exchange and commodities. Lending activities include originating corporate loans, commercial real estate loans, providing secured lending facilities and extending financing to sales and trading customers. Other activities include investments and research.

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering brokerage and investment advisory services; financial and wealth planning services; annuity and insurance products; securities-based lending, residential real estate loans and other lending products; banking and retirement plan services.

Investment Management provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets, to a diverse group of clients across institutional and intermediary channels. Strategies and products include equity, fixed income, liquidity and alternative/other products. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are served through intermediaries, including affiliated and non-affiliated distributors.

3. ORGANISATIONAL STRUCTURE

Principal Markets

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, advises, and originates, trades, manages and distributes capital for, governments, institutions and individuals. Morgan Stanley conducts its business from its headquarters in and around New York City, its regional offices and

branches throughout the U.S. and its principal offices in London, Tokyo, Hong Kong and other world financial centres. As of 30 September 2020, Morgan Stanley had 63,051 employees worldwide.

Morgan Stanley's significant regulated U.S. and international subsidiaries include MS&Co., MSSB LLC, MSI plc, Morgan Stanley MUFG Securities Co., Ltd. ("**MSMS**"), MSBNA and MSPBNA.

Structure of the Group

For information relating to the structure of the Morgan Stanley Group and for the list of certain subsidiaries as at 31 December 2019 see the section entitled "*Subsidiaries of Morgan Stanley as of 31 December 2019*" below.

4. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Board of Directors

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

<u>Name</u>	<u>Function within Morgan Stanley</u>	<u>Principal Outside Activity</u>
James P. Gorman	Chairman of the Board and Chief Executive Officer	Member of the board of directors of the Federal Reserve Bank of New York and the Council on Foreign Relations, Chairman of the Financial Services Forum, Co-Chair of the Board of Overseers of the Columbia Business School and member of the Business Council and the Business Roundtable.
Elizabeth Corley	Director	Member of the board of directors of Pearson plc and BAE Systems plc, Chair of the Impact Investing Institute, Advisory Council member for the AQR Institute of Asset Management at London Business School, member of the Board of Governors of the CFA Institute and member of the Committee of 200.
Alistair Darling	Director	Non-executive Chair and trustee of the Standard Life Foundation.
Thomas H. Glocer	Director	Founder and managing partner of Angelic Ventures, L.P., member of the board of directors of Merck & Co., Inc., K2 Intelligence, the Council on Foreign Relations and the supervisory board of Publicis Groupe, trustee of the Cleveland Clinic and member of the advisory boards of the President's Council on International Activities at Yale University, the Columbia University Global Centre (Europe), the Social Sciences Research Council and GP Investments.
Robert H. Herz	Director	President of Robert H. Herz LLC, member of the board of directors of the Federal National Mortgage Association (Fannie Mae), Workiva Inc., Paxos Trust Company and the Sustainability

<u>Name</u>	<u>Function within Morgan Stanley</u>	<u>Principal Outside Activity</u>
		Accounting Standards Board, member of the Independent Investment Committee of United Nations Office for Project Services, member of the advisory boards of AccountAbility and Lukka, Inc., executive-in-residence at the Columbia University Business School and trustee emeritus of the Kessler Foundation.
Nobuyuki Hirano	Director	Chairman of MUFG and director of MUFG Bank and Toyota Motor Corporation.
Shelley B. Leibowitz	Director	President of SL Advisory, director of Massachusetts Mutual Life Insurance Company., member of the Council on Foreign Relations and the National Association of Corporate Directors and member of the Visiting Committee of the Centre for Development Economics at Williams College.
Stephen J. Luczo	Director	Member of the board of directors of Seagate Technology plc and AT&T Inc and member of the Advisory Board for All-Stars Helping Kids.
Jami Miscik	Director	CEO and Vice Chair of Kissinger Associates, Inc., director of General Motors Company and Co-Vice Chair on the Council on Foreign Relations, In-Q-Tel and the American Ditchley Foundation.
Dennis M. Nally	Director	Member of the board of directors of AmerisourceBergen Corporation, member of the American Institute of Certified Public Accountants, the New York State Society of CPAs and the Carnegie Hall Society Board of Trustees, Vice Chairman of the board of directors for The HOW Institute for Society and Vice-Chair and board member of the U.S. Council for International Business.
Takeshi Ogasawara	Director	None.
Hutham S. Olayan	Director	Chair, principal and director of The Olayan Group and President and CEO of The Olayan Group's U.S. operations, member of the board of directors of the Peter G. Peterson Institute for International Economics and the MasterCard Foundation, member of the Executive Advisory Board of General Atlantic, trustee of the American University of Beirut, overseer of the Memorial Sloan-Kettering Cancer Center, founding member of the Arab Bankers Association of North America

<u>Name</u>	<u>Function within Morgan Stanley</u>	<u>Principal Outside Activity</u>
		and member of various advisory councils of non-profit organisations, including the Belfer Centre for Science and International Affairs of Harvard University, Carnegie Middle East Centre and the Council on Foreign Relations.
Mary L. Schapiro	Director	Vice Chair for Global Public Policy and Special Advisor to the Founder and Chairman of Bloomberg LP, member of the board of directors of CVS Health Corporation, Vice-Chair of the Advisory Board of Promontory and the Sustainability Accounting Standards Board and member of the Morgan Stanley Institute for Sustainable Investing Advisory Board.
Perry M. Traquina	Director	Member of the board of directors of The Allstate Corporation and eBay Inc, Chairman of the Board of Trustees of Brandeis University and trustee of the Windsor School.
Rayford Wilkins, Jr.	Director	Member of the board of directors of Caterpillar Inc. and Valero Energy Corporation and member of the Advisory Council of the McCombs School of Business at the University of Texas at Austin.

There are no potential conflicts of interests between any duties to Morgan Stanley of its directors and their private interests and/or other duties.

Certain Transactions

Morgan Stanley's subsidiaries may extend credit in the ordinary course of business to certain of its directors, officers and members of their immediate families. These extensions of credit may be in connection with margin loans, mortgage loans or other extensions of credit by Morgan Stanley's subsidiaries. These extensions of credit are made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender and do not involve more than the normal risk of collectability or present other unfavourable features.

Each of MUFG, State Street Corporation ("**State Street**"), BlackRock, Inc. ("**BlackRock**") and The Vanguard Group ("**Vanguard**") beneficially owns 5 per cent. or more of the outstanding shares of Morgan Stanley common stock as reported under the section "*Principal Shareholders*" herein. During 2019, Morgan Stanley engaged in transactions in the ordinary course of business with each of MUFG, State Street, BlackRock and Vanguard and certain of their respective affiliates, including investment banking, financial advisory, sales and trading, derivatives, investment management, lending, securitisation and other financial services transactions. Such transactions were on substantially the same terms as those prevailing at the time for comparable transactions with unrelated third parties.

A child of each of Jeffrey Brodsky, an executive officer and Colm Kelleher, a former executive officer, is a non-executive employee of Morgan Stanley and received compensation in 2019 of approximately \$225,000 and \$160,000, respectively. A sister-in-law of Andrew Saperstein, an executive officer, is a non-executive employee of the Company and received compensation in 2019 of approximately \$162,500. The compensation and benefits for these employees was determined in accordance with Morgan Stanley's standard compensation practices applicable to similarly situated employees.

In addition to the transactions described above, as part of the global strategic alliance between MUFG and Morgan Stanley, on 1 May 2010, Morgan Stanley and MUFG formed a joint venture in Japan of their respective investment banking and securities businesses by forming two joint venture companies. MUFG contributed the investment banking, wholesale and retail securities businesses conducted in Japan by Mitsubishi UFJ Securities Co., Ltd. into one of the joint venture entities named Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("**MUMSS**"). Morgan Stanley contributed the investment banking operations conducted in Japan by its subsidiary, MSMS, formerly known as Morgan Stanley Japan Securities Co., Ltd., into MUMSS (MSMS, together with MUMSS, the "**Joint Venture**"). MSMS has continued its sales and trading and capital markets business conducted in Japan. Morgan Stanley owns a 40 per cent. economic interest in the Joint Venture and MUFG owns a 60 per cent. economic interest in the Joint Venture. Morgan Stanley holds a 40 per cent. voting interest and MUFG holds a 60 per cent. voting interest in MUMSS, while Morgan Stanley holds a 51 per cent. voting interest and MUFG holds a 49 per cent. voting interest in MSMS. Other initiatives that are part of Morgan Stanley's global strategic alliance with MUFG include a loan marketing joint venture in the Americas, business referral arrangements in Asia, Europe, the Middle East and Africa, referral agreements for commodities transactions and a secondment arrangement of personnel between MUFG and Morgan Stanley for the purpose of sharing best practices and expertise. On 18 April 2018, Morgan Stanley entered into a sales plan (the "**Plan**") with MUFG and Morgan Stanley & Co. LLC ("**MS&Co.**") whereby MUFG sells shares of Morgan Stanley's common stock to Morgan Stanley, through its agent MS & Co., as part of Morgan Stanley's share repurchase program. The Plan is only intended to maintain MUFG's ownership percentage of the common stock below 24.9% in order to comply with MUFG's passivity commitments to the Board of Governors of the Federal Reserve System and will have no impact on the strategic alliance between MUFG and Morgan Stanley, including their joint ventures in Japan. Without the Plan, MUFG's ownership percentage would increase as the outstanding number of shares of common stock is reduced as Morgan Stanley purchases common stock from other investors under its share repurchase programme.

5. BOARD PRACTICES

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

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

The Board's standing committees include the following:

Committee	Current Members	Primary Responsibilities
Audit	Robert H. Herz (Chair), Alistair Darling, Dennis M. Nally, Perry M. Traquina	<ul style="list-style-type: none"> • Oversees the integrity of Morgan Stanley's consolidated financial statements and system of internal controls. • Oversees risk management and risk assessment guidelines in coordination with the Board Operations and Technology Committee and Risk Committee. • Reviews the major legal and compliance risk exposures of Morgan Stanley and the steps management has taken to monitor and control such exposures. • Selects, determines the compensation of, evaluates and, when appropriate, replaces the independent auditor.

Committee	Current Members	Primary Responsibilities
Compensation, Management Development and Succession	Dennis M. Nally (Chair), Thomas H. Glocer, Stephen J. Luczo, Hutham Olayan, Rayford Wilkins, Jr.	<ul style="list-style-type: none"> • Reviews and assesses the qualifications, independence and performance of the independent auditor, and pre-approves audit and permitted non-audit services. • Oversees the performance of the head of Morgan Stanley's Internal Audit Department (Global Audit Director), who reports functionally to the Audit Committee, and the internal audit function. • After review, recommends to the Board the acceptance and inclusion of the annual audited consolidated financial statements in Morgan Stanley's Annual Report on Form 10-K. • Annually reviews and approves the corporate goals and objectives relevant to the compensation of the CEO and evaluates his performance in light of these goals and objectives. • Determines the compensation of executive officers and other officers and employees as appropriate. • Administers Morgan Stanley's equity-based compensation plans and cash-based nonqualified deferred compensation plans. • Oversees plans for management development and succession. • Reviews and discusses the Compensation Discussion and Analysis with management and recommends to the Board its inclusion in the proxy statement. • Oversees Morgan Stanley's incentive compensation arrangements, including with appropriate input from the Chief Risk Officer, to help ensure that such arrangements are consistent with the safety and soundness of Morgan Stanley and do not encourage excessive risk-taking, and are otherwise consistent with applicable related regulatory rules and guidance.

Committee	Current Members	Primary Responsibilities
Nominating and Governance	Rayford Wilkins, Jr. (Chair), Elizabeth Corley, Robert H. Herz, Mary L. Schapiro	<ul style="list-style-type: none"> • Reviews and approves Morgan Stanley's equity retention and ownership policies for executive officers and other officers and employees, as appropriate. • Oversees succession planning for the Board and Board leadership appointments. • Reviews the overall size and composition of the Board and its committees. • Identifies and recommends candidates for election to the Board. • Oversees the orientation program for newly elected directors. • Reviews annually Morgan Stanley's Corporate Governance Policies. • Oversees and approves the process and guidelines for the annual evaluation of performance and effectiveness of the Independent Lead Director, the Board and its committees. • Reviews and approves related person transactions in accordance with Morgan Stanley's Related Person Transactions Policy. • Reviews the director compensation program. • Reviews Morgan Stanley's Corporate Political Activities Policy Statement and oversees political activities, Morgan Stanley's significant lobbying priorities and expenditures attributable to lobbying activities in the U.S., and expenditures related to principal U.S. trade associations. • Oversees Morgan Stanley's philanthropic programs and social responsibility, and environmental and sustainability matters.
Operations and Technology	Jami Miscik (Chair), Thomas H. Glocer, Stephen J. Luzco, Takeshi Ogasawara	<ul style="list-style-type: none"> • Oversees Morgan Stanley's operations and technology strategy, including trends that may affect such strategy.

Committee	Current Members	Primary Responsibilities
Risk	Perry M. Traquina (Chair), Alistair Darling, Nobuyuki Hirano, Jami Miscik	<ul style="list-style-type: none"> <li data-bbox="885 237 1356 483">• Reviews the major operations and technology risk exposures of Morgan Stanley, including information security, fraud and cybersecurity risks, and the steps the management has taken to monitor and control such exposures. <li data-bbox="885 510 1356 633">• Reviews the operations and technology budget and significant operations and technology expenditures and investments. <li data-bbox="885 660 1356 784">• Oversees risk management and risk assessment guidelines and policies regarding operations and technology risk. <li data-bbox="885 810 1356 904">• Oversees Morgan Stanley's global enterprise risk management framework. <li data-bbox="885 931 1356 1025">• Oversees Morgan Stanley's capital, liquidity and funding planning and strategy. <li data-bbox="885 1052 1356 1391">• Oversees the major risk exposures of Morgan Stanley, including market, credit, operational, model and liquidity risk, against established risk measurement methodologies and the steps management has taken to monitor and control such exposures and reviews significant new product risk, emerging risks and regulatory matters. <li data-bbox="885 1417 1356 1480">• Oversees the risk identification framework. <li data-bbox="885 1507 1356 1693">• Oversees Morgan Stanley's risk appetite statement, including risk tolerance levels and limits and the ongoing alignment of the Risk Appetite Statement with Morgan Stanley's strategy and capital plans. <li data-bbox="885 1720 1356 1964">• Reviews the contingency funding plan, effectiveness of Morgan Stanley's Basel III advanced systems, Comprehensive Capital Analysis and Review, mid-cycle Dodd-Frank Act Stress Testing submissions and Morgan Stanley's Volcker Compliance Program,

Committee	Current Members	Primary Responsibilities
		Title I Resolution Plan and Recovery Plan.
		<ul style="list-style-type: none"> • Oversees risk management and risk assessment policies and guidelines. • Oversees the performance of the Chief Risk Officer (who reports to the Risk Committee and the CEO) and the risk management function.

6. PRINCIPAL SHAREHOLDERS

The following table contains information regarding the only persons Morgan Stanley knows of that beneficially own more than 5 per cent. of its common stock.

Name and Address	Shares of Common Stock Beneficially Owned	
	Number	Per cent. ⁽¹⁾
MUFG ⁽²⁾ 7-1, Marunouchi 2-chome Chiyoda-ku, Tokyo 100-8330, Japan	377,085,167	24.0%
State Street ⁽³⁾ One Lincoln Street Boston, MA 02111	120,256,617	7.6%
BlackRock, Inc. (BlackRock) ⁽⁴⁾ 55 East 52 nd Street New York, NY 10055	102,148,132	6.5%
The Vanguard Group (Vanguard) ⁽⁵⁾ 100 Vanguard Boulevard Malvern, PA 19355	98,285,001	6.2%

⁽¹⁾ Percentages based upon the number of shares of common stock outstanding as of the record date, 23 March 2020, and the beneficial ownership of the principal shareholders as reported in SEC filings in notes 2 through 5 below.

⁽²⁾ Based on the Form 4, Statement of Changes in Beneficial Ownership, dated 18 March 2020, filed by MUFG (as of 16 March 2020). The Schedule 13D/A filed by MUFG, dated 20 September 2019, discloses that MUFG beneficially owned 397,870,394 shares and had sole voting power and sole dispositive power with respect to such shares as of 12 September 2019. The Schedule 13D/A also disclosed that of the 397,870,394 shares, 1,574,808 shares were held solely in a fiduciary capacity by certain affiliates of MUFG as the trustee of trust accounts or the manager of investment funds, other investment vehicles and managed accounts as of 12 September 2019, and that MUFG disclaims beneficial ownership of such shares.

⁽³⁾ Based on the Schedule 13G filed 14 February 2020 by State Street and State Street Global Advisors Trust Company, each acting in various fiduciary and other capacities (as of 31 December 2019). The Schedule 13G discloses that State Street had shared dispositive power as to 120,246,188 shares and shared voting power as to 113,376,095 shares and that State Street Global Advisors Trust Company beneficially owned 96,848,699 shares and had shared dispositive power as to 96,846,599 shares and shared voting power as to 92,713,645 shares.

⁽⁴⁾ Based on the Schedule 13G dated 5 February 2020 filed by BlackRock (as of 31 December 2019). The Schedule 13G discloses that BlackRock had sole voting power as to 89,343,372 shares and sole dispositive power as to 102,148,132 shares.

⁽⁵⁾ Based on the Schedule 13G dated 10 February 2020 filed by Vanguard (as of 31 December 2019). The Schedule 13G discloses that Vanguard had sole voting power as to 1,825,049 shares and sole dispositive power as to 96,234,527 shares and shared voting power as to 348,755 shares and shared dispositive power as to 2,050,474 shares.

7. LEGAL PROCEEDINGS AND CONTINGENCIES

(a) Legal Proceedings

- (i) The following is an extract from the section entitled "Legal Proceedings" on pages 159-163 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2019. References in this extract to "the Firm" are references to Morgan Stanley together with its consolidated subsidiaries.

In addition to the matters described below, in the normal course of business, the Firm has been named, from time to time, as a defendant in various legal actions, including arbitrations, class

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

The Firm is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding the Firm's business, and involving, among other matters, sales and trading activities, financial products or offerings sponsored, underwritten or sold by the Firm, and accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

The Firm contests liability and/or the amount of damages as appropriate in each pending matter. Where available information indicates that it is probable a liability had been incurred at the date of the financial statements and the Firm can reasonably estimate the amount of that loss, the Firm accrues the estimated loss by a charge to income. The Firm's future legal expenses may fluctuate from period to period, given the current environment regarding government investigations and private litigation affecting global financial services firms, including the Firm.

In many proceedings and investigations, however, it is inherently difficult to determine whether any loss is probable or even possible, or to estimate the amount of any loss. The Firm cannot predict with certainty if, how or when such proceedings or investigations will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for proceedings and investigations where the factual record is being developed or contested or where plaintiffs or government entities seek substantial or indeterminate damages, restitution, disgorgement or penalties. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, determination of issues related to class certification and the calculation of damages or other relief, and by addressing novel or unsettled legal questions relevant to the proceedings or investigations in question, before a loss or additional loss or range of loss or additional range of loss can be reasonably estimated for a proceeding or investigation.

Subject to the foregoing, the Firm believes, based on current knowledge and after consultation with counsel, that the outcome of such proceedings and investigations will not have a material adverse effect on the financial condition of the Firm, although the outcome of such proceedings or investigations could be material to the Firm's operating results and cash flows for a particular period depending on, among other things, the level of the Firm's revenues or income for such period.

While the Firm has identified below certain proceedings that the Firm believes to be material, individually or collectively, there can be no assurance that additional material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

Residential Mortgage and Credit Crisis Related Matters

On 15 July 2010, China Development Industrial Bank ("**CDIB**") filed a complaint against the Firm, styled *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated et al.*, which is pending in the Supreme Court of the State of New York, New York County ("**Supreme Court of NY**"). The complaint relates to a \$275 million CDS referencing the super senior portion of the STACK 2006-1 CDO.

The complaint asserts claims for common law fraud, fraudulent inducement and fraudulent concealment and alleges that the Firm misrepresented the risks of the STACK 2006-1 CDO to CDIB, and that the Firm knew that the assets backing the CDO were of poor quality when it entered into the CDS with CDIB. The complaint seeks compensatory damages related to the approximately \$228 million that CDIB alleges it has already lost under the CDS, rescission of CDIB's obligation to pay an additional \$12 million, punitive damages, equitable relief, pre- and post-judgment interest, fees and costs. On 28 February 2011, the court denied the Firm's motion to dismiss the complaint. On 21 December 2018, the court denied the Firm's motion for summary judgment and granted in part the Firm's motion for sanctions related to the spoliation of evidence. On 18 January 2019, CDIB filed a motion to clarify and resettle the portion of the court's 21 December 2018 order

granting spoliation sanctions. On 24 January 2019, CDIB filed a notice of appeal from the court's 21 December 2018 order, and on 25 January 2019, the Firm filed a notice of appeal from the same order. On 7 March 2019, the court denied the relief that CDIB sought in a motion to clarify and resettle the portion of the court's 21 December 2018 order granting spoliation sanctions. On 5 December 2019, the Appellate Division, First Department ("**First Department**") heard the parties' cross-appeals.

On 17 May 2013, plaintiff in *IKB International S.A. in Liquidation, et al. v. Morgan Stanley, et al.* filed a complaint against the Firm and certain affiliates in the Supreme Court of NY. The complaint alleges that defendants made material misrepresentations and omissions in the sale to plaintiff of certain mortgage pass-through certificates backed by securitisation trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by the Firm to plaintiff was approximately \$133 million. The complaint alleges causes of action against the Firm for common law fraud, fraudulent concealment, aiding and abetting fraud, and negligent misrepresentation, and seeks, among other things, compensatory and punitive damages. On 29 October 2014, the court granted in part and denied in part the Firm's motion to dismiss. All claims regarding four certificates were dismissed. After these dismissals, the remaining amount of certificates allegedly issued by the Firm or sold to plaintiff by the Firm was approximately \$116 million. On 11 August 2016, the First Department affirmed the trial court's order denying in part the Firm's motion to dismiss the complaint.

On 2 July 2013, Deutsche Bank, in its capacity as trustee, became the named plaintiff in *Federal Housing Finance Agency, as Conservator for the Federal Home Loan Mortgage Corporation, on behalf of the Trustee of the Morgan Stanley ABS Capital I Inc. Trust, Series 2007-NC1 (MSAC 2007-NC1) v. Morgan Stanley ABS Capital I Inc.*, and filed a complaint in the Supreme Court of NY styled *Deutsche Bank National Trust Company, as Trustee for the Morgan Stanley ABS Capital I Inc. Trust, Series 2007-NC1 v. Morgan Stanley ABS Capital I, Inc.* On 3 February 2014, the plaintiff filed an amended complaint, which asserts claims for breach of contract and breach of the implied covenant of good faith and fair dealing and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately \$1.25 billion, breached various representations and warranties. The amended complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, unspecified damages, rescission and interest. On 12 April 2016, the court granted in part and denied in part the Firm's motion to dismiss the amended complaint, dismissing all claims except a single claim alleging failure to notify, regarding which the motion was denied without prejudice. On 9 December 2016, the Firm renewed its motion to dismiss that notification claim. On 17 January 2017, the First Department affirmed the lower court's 12 April 2016 order. On 13 April 2017, the First Department denied plaintiff's motion for leave to appeal to the Court of Appeals. On 8 March 2018, the trial court denied the Firm's renewed motion to dismiss the notification claims.

On 8 July 2013, U.S. Bank National Association, in its capacity as trustee, filed a complaint against the Firm styled *U.S. Bank National Association, solely in its capacity as Trustee of the Morgan Stanley Mortgage Loan Trust 2007-2AX (MSM 2007-2AX) v. Morgan Stanley Mortgage Capital Holdings LLC, Successor-by-Merger to Morgan Stanley Mortgage Capital Inc. and GreenPoint Mortgage Funding, Inc.*, pending in the Supreme Court of NY. The complaint asserts claims for breach of contract and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately \$650 million, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, unspecified damages and interest. On 24 November 2014, the court granted in part and denied in part the Firm's motion to dismiss the complaint. On 13 August 2018, the Firm filed a motion to renew its motion to dismiss. On 4 April 2019, the court denied the Firm's motion to renew its motion to dismiss.

On 6 November 2013, Deutsche Bank, in its capacity as trustee, became the named plaintiff in *Federal Housing Finance Agency, as Conservator for the Federal Home Loan Mortgage Corporation, on behalf of the Trustee of the Morgan Stanley ABS Capital I Inc. Trust, Series 2007-NC3 (MSAC 2007-NC3) v. Morgan Stanley Mortgage Capital Holdings LLC*, and filed a complaint in the Supreme Court of NY styled *Deutsche Bank National Trust Company, solely in its capacity as Trustee for Morgan Stanley ABS Capital I Inc. Trust, Series 2007-NC3 v. Morgan Stanley Mortgage Capital Holdings LLC, as Successor-by-Merger to Morgan Stanley Mortgage Capital Inc.* The complaint asserts claims for breach of contract and breach of the implied covenant of good

faith and fair dealing and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately \$1.3 billion, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, unspecified damages, rescission, interest and costs. On 12 April 2016, the court granted the Firm's motion to dismiss the complaint, and granted the plaintiff the ability to seek to replead certain aspects of the complaint. On 17 January 2017, the First Department affirmed the lower court's order granting the motion to dismiss the complaint. On 9 January 2017, plaintiff filed a motion to amend its complaint. On 13 April 2017, the First Department denied plaintiff's motion for leave to appeal to the Court of Appeals. On 8 March 2018, the trial court granted plaintiff's motion to amend its complaint to include failure to notify claims. On 19 March 2018, the Firm filed an answer to plaintiff's amended complaint.

On 23 September 2014, FGIC filed a complaint against the Firm in the Supreme Court of NY styled *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. et al.* relating to the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4. The complaint asserts claims for breach of contract and fraudulent inducement and alleges, among other things, that the loans in the trust breached various representations and warranties and defendants made untrue statements and material omissions to induce FGIC to issue a financial guaranty policy on certain classes of certificates that had an original balance of approximately \$876 million. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, compensatory, consequential and punitive damages, attorneys' fees and interest. On 23 January 2017, the court denied the Firm's motion to dismiss the complaint. On 24 February 2017, the Firm filed a notice of appeal of the denial of its motion to dismiss the complaint and perfected its appeal on 22 November 2017. On 13 September 2018, the First Department affirmed in part and reversed in part the lower court's order denying the Firm's motion to dismiss the complaint. On 20 December 2018, the First Department denied plaintiff's motion for leave to appeal to the Court of Appeals or, in the alternative, for reargument.

On 23 January 2015, Deutsche Bank National Trust Company, in its capacity as trustee, filed a complaint against the Firm styled *Deutsche Bank National Trust Company solely in its capacity as Trustee of the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 v. Morgan Stanley Mortgage Capital Holdings LLC as Successor-by-Merger to Morgan Stanley Mortgage Capital Inc., and Morgan Stanley ABS Capital I Inc.*, pending in the Supreme Court of NY. The complaint asserts claims for breach of contract and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately \$1.05 billion, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, compensatory, consequential, rescissory, equitable and punitive damages, attorneys' fees, costs and other related expenses, and interest. On 11 December 2015, the court granted in part and denied in part the Firm's motion to dismiss the complaint. On 19 October 2018, the court granted the Firm's motion for leave to amend its answer and to stay the case pending resolution of Deutsche Bank National Trust Company's appeal to the Court of Appeals in another case styled *Deutsche Bank National Trust Company v. Barclays Bank PLC* regarding the applicable statute of limitations. On 17 January 2019, the First Department reversed the trial court's order to the extent that it had granted in part the Firm's motion to dismiss the complaint. On 4 June 2019, the First Department granted the Firm's motion for leave to appeal its 17 January 2019 decision to the Court of Appeals.

Antitrust Related Matters

The Firm and other financial institutions are responding to a number of governmental investigations and civil litigation matters related to allegations of anticompetitive conduct in various aspects of the financial services industry, including the matters described below.

Beginning in February of 2016, the Firm was named as a defendant in multiple purported antitrust class actions now consolidated into a single proceeding in the United States District Court for the Southern District of New York ("SDNY") styled *In Re: Interest Rate Swaps Antitrust Litigation*. Plaintiffs allege, inter alia, that the Firm, together with a number of other financial institution defendants, violated U.S. and New York state antitrust laws from 2008 through December of 2016 in connection with their alleged efforts to prevent the development of electronic exchange-based platforms for interest rates swaps trading. Complaints were filed both on behalf of a purported class of investors who purchased interest rates swaps from defendants, as well as on behalf of two swap

execution facilities that allegedly were thwarted by the defendants in their efforts to develop such platforms. The consolidated complaints seek, among other relief, certification of the investor class of plaintiffs and treble damages. On 28 July 2017, the court granted in part and denied in part the defendants' motion to dismiss the complaints.

In August of 2017, the Firm was named as a defendant in a purported antitrust class action in the United States District Court for the SDNY styled *Iowa Public Employees' Retirement System et al. v. Bank of America Corporation et al.* Plaintiffs allege, *inter alia*, that the Firm, together with a number of other financial institution defendants, violated U.S. antitrust laws and New York state law in connection with their alleged efforts to prevent the development of electronic exchange-based platforms for securities lending. The class action complaint was filed on behalf of a purported class of borrowers and lenders who entered into stock loan transactions with the defendants. The class action complaint seeks, among other relief, certification of the class of plaintiffs and treble damages. On 27 September 2018, the court denied the defendants' motion to dismiss the class action complaint.

European Matters

On 11 October 2011, an Italian financial institution, Banco Popolare Società Cooperativa ("**Banco Popolare**"), filed a civil claim against the Firm in the Milan courts, styled *Banco Popolare Società Cooperativa v Morgan Stanley & Co. International plc & others*, related to its purchase of €100 million of bonds issued by Parmalat. The claim asserted by Banco Popolare alleges, among other things, that the Firm was aware of Parmalat's impending insolvency and conspired with others to deceive Banco Popolare into buying bonds by concealing both Parmalat's true financial condition and certain features of the bonds from the market and Banco Popolare. Banco Popolare seeks damages of €76 million (approximately \$85 million) plus damages for loss of opportunity and moral damages. The Firm filed its answer on 20 April 2012. On 11 September 2018, the court dismissed in full the claim against the Firm. On 11 March 2019 the plaintiff filed an appeal in the Court of Appeal of Milan. On 31 May 2019, the Firm filed its response to the plaintiff's appeal. An appeal hearing is scheduled to take place on 16 September 2020 in the Court of Appeal of Milan.

On 22 June 2017, the public prosecutor for the Court of Accounts for the Republic of Italy filed a claim against the Firm styled *Case No. 2012/00406/MNV*, which is pending in the Regional Prosecutor's Office at the Judicial Section of the Court of Auditors for Lazio, Italy. The claim relates to certain derivative transactions between the Republic of Italy and the Firm. The transactions were originally entered into between 1999 and 2005, and were restructured (and certain of the transactions were terminated) in December 2011 and January 2012. The claim alleges, *inter alia*, that the Firm effectively acted as an agent of the state in connection with these transactions and asserts claims related to, among other things, whether the Ministry of Finance was authorised to enter into these transactions, whether the transactions were appropriate and whether the Firm's conduct related to the termination of certain transactions was proper. The prosecutor is seeking damages through an administrative process against the Firm for €2.76 billion (approximately \$3.1 billion). On 30 March 2018, the Firm filed its defense to the claim. On 15 June 2018, the court issued a decision declining jurisdiction and dismissing the claim against the Firm. A hearing of the public prosecutor's appeal was held on 10 January 2019. On 7 March 2019, the Appellate Division of the Court of Accounts for the Republic of Italy issued a decision affirming the decision below declining jurisdiction and dismissing the claim against the Firm. On 19 April 2019, the public prosecutor filed an appeal with the Italian Supreme Court seeking to overturn this decision. On 14 June 2019, the Firm filed its response to the public prosecutor's appeal.

In matters styled *Case number 15/3637* and *Case number 15/4353*, the Dutch Tax Authority ("**Dutch Authority**") has challenged in the District Court in Amsterdam the prior set-off by the Firm of approximately €124 million (approximately \$139 million) plus accrued interest of withholding tax credits against the Firm's corporation tax liabilities for the tax years 2007 to 2013. The Dutch Authority alleges that the Firm was not entitled to receive the withholding tax credits on the basis, *inter alia*, that a Firm subsidiary did not hold legal title to certain securities subject to withholding tax on the relevant dates. The Dutch Authority has also alleged that the Firm failed to provide certain information to the Dutch Authority and keep adequate books and records. On 26 April 2018, the District Court in Amsterdam issued a decision dismissing the Dutch Authority's claims. On 4 June 2018, the Dutch Authority filed an appeal before the Court of Appeal in

Amsterdam in matters re-styled *Case number 18/00318* and *Case number 18/00319*. On 26 June and 2 July 2019, a hearing of the Dutch Tax Authority's appeal was held.

On 5 October 2017, various institutional investors filed a claim against the Firm and another bank in a matter now styled *Case number B-803-18 (previously BS 99-6998/2017)*, in the City Court of Copenhagen, Denmark concerning their roles as underwriters of the initial public offering ("IPO") in March 2014 of the Danish company OW Bunker A/S. The claim seeks damages of DKK 534,270,456 (approximately \$80 million) plus interest in respect of alleged losses arising from investing in shares in OW Bunker, which entered into bankruptcy in November 2014. Separately, on 29 November 2017, another group of institutional investors joined the Firm and another bank as defendants to pending proceedings in the High Court of Eastern Denmark against various other parties involved in the IPO in a matter styled *Case number B-2073-16*. The claim brought against the Firm and the other bank has been given its own *Case number B-2564-17*. The investors claim damages of DKK 767,235,885 (approximately \$115 million) plus interest, from the Firm and the other bank on a joint and several basis with the Defendants to these proceedings. Both claims are based on alleged prospectus liability; the second claim also alleges professional liability of banks acting as financial intermediaries. On 8 June 2018, the City Court of Copenhagen, Denmark ordered that the matters now styled *Case number B-803-18, B-2073-16* and *Case number B-2564-17* be heard together before the High Court of Eastern Denmark. On 29 June 2018, the Firm filed its defense to the matter now styled *Case number B-2564-17*. On 4 February 2019, the Firm filed its defense to the matter now styled *Case number B-803-18*.

The following matters were terminated during or following the quarter ended 31 December 2019:

On 30 December 2013, Wilmington Trust Company, in its capacity as trustee for Morgan Stanley Mortgage Loan Trust 2007-12, filed a complaint against the Firm styled *Wilmington Trust Company v. Morgan Stanley Mortgage Capital Holdings LLC et al.*, pending in the Supreme Court of NY. The complaint asserted claims for breach of contract and alleged, among other things, that the loans in the trust, which had an original principal balance of approximately \$516 million, breached various representations and warranties. The complaint sought, among other relief, unspecified damages, attorneys' fees, interest and costs. On 28 February 2014, defendants filed a motion to dismiss the complaint, which was granted in part and denied in part on 14 June 2016. Plaintiff filed a notice of appeal of that order on 17 August 2016. On 11 July 2017, First Department affirmed in part and reversed in part an order granting in part and denying in part the Firm's motion to dismiss. On 10 August 2017, plaintiff filed a motion for leave to appeal that decision. On 26 September 2017, the First Department denied plaintiff's motion for leave to appeal to the Court of Appeals. On 31 October 2018 the parties entered into an agreement to settle the litigation. On 10 September 2019, the court entered a final judgment and order granting final approval of the settlement. On 11 November 2019, the parties filed a stipulation of voluntary discontinuance, dismissing the action with prejudice.

On 19 September 2014, FGIC filed a complaint against the Firm in the Supreme Court of NY, styled *Financial Guaranty Insurance Company v. Morgan, Stanley ABS Capital Inc. et al.*, relating to a securitization issued by Basket of Aggregated Residential NIMS 2007-1 Ltd. The complaint asserted claims for breach of contract and alleges, among other things that the net interest margin securities ("NIMS") in the trust breached various representations and warranties. FGIC issued a financial guaranty policy with respect to certain notes that had an original balance of approximately \$475 million. The complaint sought, among other relief, specific performance of the NIMS breach remedy procedures in the transaction documents, unspecified damages, reimbursement of certain payments made pursuant to the transaction documents, attorneys' fees and interest. On 24 November 2014, the Firm filed a motion to dismiss the complaint, which the court denied on 19 January 2017. On 24 February 2017, the Firm filed a notice of appeal of the denial of its motion to dismiss the complaint and perfected its appeal on 22 November 2017. On 13 September 2018, the court affirmed the lower court's order denying the Firm's motion to dismiss the complaint. On 13 November 2019, the parties entered into an agreement to settle the litigation. On 4 December 2019, the parties filed a stipulation of voluntary discontinuance, dismissing, the action with prejudice.

Beginning on 25 March 2019, the Firm was named as a defendant in a series of putative class action complaints filed in the Southern District of NY, the first of which is styled *Alaska Electrical Pension Fund v. BofA.Secs., Inc., et al.* Each complaint alleges a conspiracy to fix prices and

restrain competition in the market for unsecured bonds issued by the following Government-Sponsored Enterprises, the Federal National Mortgage Associate, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Banks Funding Corporation, and the Federal Home Loan Banks. The purported class period for each suit is from 1 January 2012 to 1 June 2018. Each complaint raises a claim under Section 1 of the Sherman Act and seeks, among other things, injunctive relief and treble compensatory damages. On 23 May 2019, plaintiffs filed a consolidated amended class action complaint styled *In re GSE Bonds Antitrust Litigation*, with a purported class period from 1 January 2009 to 1 January 2016. On 13 June 2019 the defendants filed a joint motion to dismiss the consolidated amended complaint. On 29 August 2019, the court denied the Firm's motion to dismiss. On 15 December 2019, the Firm and certain other defendants entered into a stipulation of settlement to resolve the action as against each of them in its entirety. On 3 February 2020, the court granted preliminary approval of that settlement.

- (ii) The following is an extract from the section entitled "Legal Proceedings" on page 84 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended 31 March 2020. References in this extract to "the Firm" are references to Morgan Stanley together with its consolidated subsidiaries.

The following new matters and developments have occurred since previously reporting certain matters in the Firm's 2019 Form 10-K. See also the disclosures set forth under "Legal Proceedings" in the 2019 Form 10-K.

Residential Mortgage and Credit Crisis Related Matter

On 19 March 2020, the Firm filed a motion for partial summary judgement in Deutsche Bank National Trust Company solely in its capacity as Trustee of the Morgan Stanley ABS Capital I Inc. Trust 2007-MCH v Morgan Stanley Mortgage Capital Holdings LLC as successor-by-Merger to Morgan Stanley Mortgage Capital Inc and Morgan Stanley ABS Capital I Inc.

- (iii) The following is an extract from the section entitled "Legal Proceedings" on page 90 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended 30 June 2020. References in this extract to "the Firm" are references to Morgan Stanley together with its consolidated subsidiaries.

The following new matters and developments have occurred since previously reporting certain matters in the Firm's 2019 Form 10-K and the Firm's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2020 (the "**First Quarter Form 10-Q**"). See also the disclosures set forth under "Legal Proceedings" in the 2018 Form 10-K and the First Quarter Form 10-Q.

Residential Mortgage and Credit Crisis Related Matters

On 21 May 2020, the First Department, modified the order of the Supreme Court of NY in *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated, et al.*, to deny the Firm's motion for sanctions relating to spoliation of evidence and otherwise affirmed the denial of the Firm's motion for summary judgement. On 19 June 2020, the Firm moved for leave to appeal the First Department's decision to the Court of Appeals.

European Matters

Tax

On 12 May 2020, the Court of Appeal in Amsterdam granted the Dutch Authority's appeal in matters re-styled *Case number 18/00318* and *Case number 18/00319*. On 22 June 2020, the Firm filed an appeal against the decision of the Court of Appeal in Amsterdam before the Dutch High Court.

Other

On 14 July 2020, the Italian Supreme Court in the matter styled *Case number 2012/00406/MNV* scheduled a hearing to take place on 17 November 2020.

- (iv) The following is an extract from the section entitled "Legal Proceedings" on page 91 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended 30 September 2020. References in

this extract to "the Firm" are references to Morgan Stanley together with its consolidated subsidiaries.

The following development has occurred since previously reporting certain matters in the Firm's 2019 Form 10-K and the Firm's Quarterly Reports on Form 10-Q for the quarterly period ended 31 March 2020 (the "**First Quarter Form 10-Q**") and the quarterly period ended 30 June 2020 (the "**Second Quarter Form 10-Q**"). See also the disclosures set forth under "Legal Proceedings" in the 2019 Form 10-K, First Quarter Form 10-Q and Second Quarter Form 10-Q.

Residential Mortgage and Credit Crisis Related Matters

On 24 July 2020, the First Department in *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated, et al.* denied the Firm's motion for leave to appeal to the First Department's decision denying the Firm's motion for sanctions relating to spoliation of evidence and otherwise affirming the order of the Supreme Court of NY denying the Firm's motion for summary judgment.

On 2 September 2020, the parties in *U.S. Bank National Association, solely in its capacity as Trustee of the Morgan Stanley Mortgage Loan Trust 2007-2AX (MSM 2007-2AX) v. Morgan Stanley Mortgage Capital Holdings LLC, Successorby - Merger to Morgan Stanley Mortgage Capital Inc. and GreenPoint Mortgage Funding, Inc.* entered into a settlement agreement, which was approved in a Trust Instructional Proceeding on 20 October 2020.

European Matters

The plaintiff and the Firm are due to file final submissions in the Court of Appeal of Milan in the matter styled *Banco Popolare Società Cooperativa v. Morgan Stanley & Co. International plc & others* by 23 November 2020.

Save as disclosed in:

- (a) the section entitled "*Legal Proceedings*" on pages 159-163 and in the paragraphs beginning with "*Legal*" under the heading "*Contingencies*" under the heading "*Commitments, Guarantees and Contingencies*" in "*Notes to Consolidated Financial Statements*" on pages 124-126 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2019;
- (b) the section entitled "*Legal Proceedings*" on page 84 and in the paragraphs beginning with "*Legal*" under the heading "*Contingencies*" under the heading "*Commitments, Guarantees and Contingencies*" in "*Notes to Consolidated Financial Statements (Unaudited)*" on pages 69 – 71 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2020;
- (c) the section entitled "*Legal Proceedings*" on page 90 and in the paragraphs beginning with "*Legal*" under the heading "*Contingencies*" under the heading "*Commitments, Guarantees and Contingencies*" in "*Notes to Consolidated Financial Statements (Unaudited)*" on pages 74-76 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 June 2020;
- (d) the section entitled "*Legal Proceedings*" on page 91 and in the paragraphs beginning with "*Legal*" under the heading "*Contingencies*" under the heading "*Commitments, Guarantees and Contingencies*" in "*Notes to Consolidated Financial Statements (Unaudited)*" on pages 75-77 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2020; and
- (e) in this section "*Legal Proceedings and Contingencies*" of the Registration Document,

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

8. ADDITIONAL INFORMATION

Auditors

The consolidated financial statements of Morgan Stanley and subsidiaries as of 31 December 2018 and 31 December 2019 and for each of the years in the period ended 31 December 2019 and 31 December 2018, and the effectiveness of internal control over financial reporting as of 31 December 2019, which are incorporated in this Registration Document, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm registered with the Public Company Accounting Oversight Board (United States of America), as stated in their reports dated 27 February 2020, which are incorporated herein by reference.

Trend Information

The business of Morgan Stanley in the past has been, and in the future may continue to be, materially affected by many factors, including: 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 and energy markets; the level of individual investor participation in the global markets as well as the level of client assets; the flow of investment capital into or from assets under management or supervision; the level and volatility of equity, fixed income and commodity prices, interest rates, inflation and 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; technological changes instituted by Morgan Stanley, its competitors or counterparties and technological risks, business continuity and related operational risks, including breaches or other disruptions of its or a third party's (or third parties thereof) operations or systems; risk associated with cybersecurity threats, including data protection and cybersecurity risk management; Morgan Stanley's ability to manage effectively its capital and liquidity, including non-objections to Morgan Stanley's capital plans by its banking regulators; the impact of current, pending and future legislation or changes thereto, regulation (including capital, leverage, funding, liquidity and recovery and resolution requirements) and its ability to address such requirements; uncertainty concerning fiscal or monetary policies established by central banks and financial regulators, government shutdowns, debt ceilings or funding; changes to global trade policies, tariffs, interest rates, reforms of LIBOR and other interest rate benchmarks; legal and regulatory actions, including litigation and enforcement, in the U.S. and worldwide; changes in tax laws and regulations globally; the effectiveness of Morgan Stanley's risk management processes; Morgan Stanley's ability to effectively respond to an economic downturn, or other market disruptions; the effect of social, economic and political conditions and geopolitical events, including the U.K.'s withdrawal from the E.U. ("**Brexit**"), and sovereign risk; the actions and initiatives of current and potential competitors as well as governments, central banks, regulators and self-regulatory organisations; Morgan Stanley's ability to provide innovative products and services and execute its strategic initiatives, and costs related thereto, including with respect to the operational or technological integration related to such innovative and strategic initiatives; the performance and results of Morgan Stanley's acquisitions, divestitures, joint ventures, strategic alliances, or other strategic arrangements and related integrations; investor, consumer and business sentiment and confidence in the financial markets; Morgan Stanley's reputation and the general perception of the financial services industry; climate-related incidents, pandemics and acts of war or terrorism; 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.

There has been no material change in the prospects of Morgan Stanley since 31 December 2019.

Significant Change

There has been no significant change in the financial performance or position of Morgan Stanley since 30 September 2020 (the date of the latest interim report and accounts of Morgan Stanley).

Share Capital

The authorised share capital of Morgan Stanley at 30 June 2020 comprised 3,500,000,000 ordinary shares of nominal value U.S. \$0.01 and 30,000,000 preferred stock of nominal value U.S. \$0.01.

The issued, non-assessable and fully paid up share capital of Morgan Stanley at 31 December 2019 comprised 2,038,893,979 ordinary shares of nominal value U.S. \$0.01.

Certificate of Incorporation

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

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

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

10. FINANCIAL INFORMATION

Required Capital

Morgan Stanley's required capital ("**Required Capital**") estimation is based on the Required Capital framework, an internal capital adequacy measure. Common equity attribution to the business segments is based on capital usage calculated under the Required Capital framework, as well as each business segment's relative contribution to Morgan Stanley's total Required Capital.

The Required Capital framework is a risk-based and leverage use-of-capital measure, which is compared with Morgan Stanley's regulatory capital to ensure that Morgan Stanley maintains an amount of going concern capital after absorbing potential losses from stress events, where applicable, at a point in time. The amount of capital allocated to the business segments is generally set at the beginning of each year and remains fixed throughout the year until the next annual reset unless a significant business change occurs (e.g., acquisition or disposition). Morgan Stanley defines the difference between Morgan Stanley's total average common equity and the sum of the average common equity amounts allocated to Morgan Stanley's business segments as Parent common equity ("**Parent common equity**"). Morgan Stanley generally holds Parent common equity for prospective regulatory requirements, organic growth, acquisitions and other capital needs.

The Required Capital framework is expected to evolve over time in response to changes in the business and regulatory environment, for example, to incorporate changes in stress testing or enhancements to modeling techniques. Morgan Stanley will continue to evaluate the framework with respect to the impact of future regulatory requirements, as appropriate.

The following table presents the Average Common Equity Attribution for 2017, 2018 and 2019⁽¹⁾:

	2019	2018	2017
	Average Common Equity Attribution	Average Common Equity Attribution	Average Common Equity Attribution
		<i>(dollars in billions)</i>	
Institutional Securities.....	\$40.4	\$40.8	\$40.2
Wealth Management	18.2	16.8	17.2
Investment Management	2.5	2.6	2.4
Parent.....	11.6	9.8	10.0
Total	\$72.7	\$70.0	\$69.8

(1) Average common equity is a non-GAAP financial measure.

Overview of 2019 Financial Results

Consolidated Results. Morgan Stanley reported net revenues of \$41,419 million in 2019 compared with \$40,107 million in 2018. For 2019, net income applicable to Morgan Stanley was \$9,042 million, or \$5.19 per diluted common share, compared with \$8,748 million, or \$4.73 per diluted common share, in 2018.

Results for 2019 and 2018 include intermittent net discrete tax benefits of \$348 million and \$203 million or \$0.21 and \$0.12 per diluted common share, respectively, primarily associated with remeasurement of

reserves and related interest as a result of new information pertaining to the resolution of multi-jurisdiction tax examinations.

Excluding the intermittent net discrete tax items, net income applicable to Morgan Stanley was \$8,694 million, or \$4.98 per diluted common share in 2019, compared with \$8,545 million, or \$4.61 per diluted common share, in 2018.

Non-interest expenses. Compensation and benefits expenses of \$18,837 million in 2019 increased 7% from \$17,632 million in 2018. The 2019 results reflect increases in the fair value of investments to which certain deferred compensation plans are referenced, carried interest, salaries, and severance-related costs. These increases were partially offset by decreases in discretionary incentive compensation and the roll-off of certain acquisition related employee retention loans.

Non-compensation expenses of \$11,281 million in 2019 were relatively unchanged from \$11,238 million in 2018, with increased investment in technology offset by lower professional services expenses.

Business Segment Results. Institutional Securities net revenues of \$20,386 million in 2019 were relatively unchanged from 2018, reflecting a mixed market backdrop, with lower revenues from Equity sales and trading and Investment banking offset by higher Fixed income and Other sales and trading revenues.

Wealth Management net revenues of \$17,737 million in 2019 increased 3% from 2018, primarily reflecting higher Transactional revenues due to gains related to investments associated with certain deferred compensation plans.

Investment Management net revenues of \$3,763 million in 2019 increased 37% from 2018, primarily reflecting higher Investments revenues, principally driven by an underlying investment's initial public offering within an Asia private equity fund.

2018 Compared with 2017

Consolidated Results. Morgan Stanley reported net revenues of \$40,107 million in 2018 compared with \$37,945 million in 2017. For 2018, net income applicable to Morgan Stanley was \$8,748 million, or \$4.73 per diluted common share, compared with \$6,111 million, or \$3.07 per diluted common share, in 2017.

Results for 2018 include intermittent net discrete tax benefits of \$203 million, or \$0.12 per diluted common share, primarily associated with the remeasurement of reserves and related interest due to the resolution of multi-jurisdiction tax examinations. In addition, the effective tax rate in 2018 is lower than in 2017, primarily as a result of the enactment of the Tax Act.

Results for 2017 included an intermittent net discrete tax provision of \$968 million, or \$0.53 per diluted common share, primarily related to the impact of the Tax Act, partially offset by net discrete tax benefits related to the remeasurement of reserves and related interest due to new information regarding the status of multi-year IRS tax examinations.

Non-interest expenses. Compensation and benefits expenses of \$17.632 million in 2018 increased 3% from \$17,166 million in 2017. The 2018 results reflected increases in discretionary incentive compensation mainly driven by higher revenues and a reduction in the portion of discretionary incentive compensation subject to deferral ("**compensation deferral modification**"), as well as salaries across all business segments, the formulaic payout to Wealth Management representatives, and amortisation of deferred cash and equity awards. These increases were partially offset by a decrease in the fair value of investments to which certain deferred compensation plans are referenced.

Non-compensation expenses were \$11,238 million in 2018 compared with \$10,376 million in 2017, representing an 8% increase. This increase was primarily a result of higher volume-related expenses, the gross presentation of certain expenses due to the adoption of the accounting update "*Revenue from Contracts with Customers*" and increased investment in technology, partially offset by lower litigation expenses.

Business Segment Results. Institutional Securities net revenues of \$20,582 million in 2018 increased 9% from 2017, primarily reflecting higher revenues from both sales and trading and Investment banking.

Wealth Management net revenues of \$17,242 million in 2018 increased 2% from 2017, primarily reflecting growth in Asset management revenues, partially offset by reduced Trading revenues.

Investment Management net revenues of \$2,746 million in 2018 increased 6% from 2017, primarily reflecting higher Asset management revenues, partially offset by lower investment gains.

DESCRIPTION OF MORGAN STANLEY & CO. INTERNATIONAL PLC

1. INFORMATION ABOUT MORGAN STANLEY & CO. INTERNATIONAL PLC

History and Development of Morgan Stanley & Co. International plc

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

MSI plc was incorporated in England and Wales with registered number 2068222 on 28 October 1986. MSI plc was incorporated as a company limited by shares under the Companies Act 1985 and operates under the Companies Act 2006. MSI plc was re-registered as a public limited company on 13 April 2007.

Registered office

MSI plc's registered office is at 25 Cabot Square, Canary Wharf, London E14 4QA and the telephone number of its registered office is +44 20 7425 8000.

Webpage

MSI plc's webpage is www.morganstanley.com/about-us-ir. The information contained on Morgan Stanley's website shall not form part of this Registration Document, unless such information has been expressly incorporated herein.

Legal and commercial name

MSI plc's legal and commercial name is Morgan Stanley & Co. International plc.

Legal Entity Identifier (LEI)

MSI plc's LEI is 4PQUHN3JPFQFNF3BB653.

Credit Ratings

MSI plc has been assigned the following credit ratings:

	Short-Term Debt	Long-Term Debt	Rating Outlook
Moody's	P-1	Aa3	Stable
S&P	A-1	A+	Stable

The meaning of the above credit ratings is as follows:

	Short-Term Debt	Long-Term Debt
Moody's	Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.	Obligations rated A are considered upper-medium-grade and are subject to low credit risk. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.
S&P	A short-term obligation rated 'A-1' is rated in the highest category by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is strong. This indicates that the obligor's capacity to meet its financial commitments on these obligations is extremely strong.	An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong. Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to

show relative standing within the rating categories.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Recent Events

No recent event particular to MSI plc has occurred which is to a material extent relevant to the evaluation of its solvency.

2. OVERVIEW OF THE ACTIVITIES

MSI plc is the parent entity of a group of companies including MSI plc and all of its subsidiary and associated undertakings ("**MSI plc Group**"). The principal activity of the MSI plc Group is the provision of financial services to corporations, governments and financial institutions.

MSI plc operates globally with a particular focus in Europe. It operates branches in the Dubai International Financial Centre, the Netherlands, Poland, the Qatar Financial Centre, South Korea and Switzerland.

As a key contributor to the execution of the Morgan Stanley Group's Institutional Securities global strategy, the MSI plc Group provides capital raising; financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; corporate lending; sales, trading, financing and market-making activities in equity and fixed income products, including foreign exchange and commodities; and investment activities.

3. ORGANISATIONAL STRUCTURE

MSI plc's ultimate U.K. parent undertaking is Morgan Stanley International Limited ("**MSI**") and MSI plc's ultimate parent undertaking and controlling entity is Morgan Stanley, which, together with MSI plc and Morgan Stanley's other consolidated subsidiaries, form the Morgan Stanley Group.

MSI plc is owned directly by Morgan Stanley Investments (UK) (100 per cent. holding).

There are substantial inter-relationships between MSI plc and Morgan Stanley as well as other companies in the Morgan Stanley Group, including the provision of funding, capital, services and logistical support to or by MSI plc, as well as common or shared business or operational platforms or systems, including employees. As a consequence of such inter-relationships, and of the participation of both MSI plc and other Morgan Stanley Group companies in the global financial services sector, factors which could affect the business and condition of Morgan Stanley or other companies in the Morgan Stanley Group may also affect the business and condition of MSI plc. Any such effect could be direct, for example, where economic or market factors directly affect the markets in which MSI plc and other companies in the Morgan Stanley Group operate, or indirect, for example where any factor affects the ability of other companies in the Morgan Stanley Group to provide services or funding or capital to MSI plc or, directly or indirectly, to place business with MSI plc. Similarly, any development affecting the reputation or standing of Morgan Stanley or other companies in the Morgan Stanley Group may have an indirect effect on MSI plc. Such inter-relationships should therefore be taken into account in any assessment of MSI plc.

Please see "*Description of Morgan Stanley*" for information on the Morgan Stanley Group.

4. MANAGEMENT OF MORGAN STANLEY & CO. INTERNATIONAL PLC

Directors of MSI plc

<u>Name</u>	<u>Principal outside activity</u>
Simon Peter Ball	Director of MSI plc, Morgan Stanley International Limited, Morgan Stanley Bank International Limited and Non-Executive Director of AIB Mortgage Bank, Commonwealth Games England and Birmingham Organising Committee for the 2022 Commonwealth Games Ltd.

Name	Principal outside activity
Jonathan Bloomer	Independent Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Bank International Limited. Chairman of Arrow Global Group PLC and SDL Property Services Group Ltd. Independent Director of Change Living Limited and Change Real Estate Limited.
David Cannon	Independent Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Bank International Limited.
Terri Duhon	Independent Director of MSI plc, Morgan Stanley International Limited, Morgan Stanley Bank International Limited and Morgan Stanley Investment Management Limited. Non-Executive Director of Rathbone Brothers plc and Rathbone Investment Management Limited.
Arun Kohli	Director of MSI plc, Morgan Stanley International Limited, Morgan Stanley Bank International Limited, Morgan Stanley Asia Limited and Morgan Stanley Hong Kong Securities Limited.
Kim Maree Lazaroo	Director of MSI plc, Morgan Stanley International Limited, Morgan Stanley Bank International Limited, Morgan Stanley & Co. Limited, Morgan Stanley France S.A., Morgan Stanley Group (Europe), Morgan Stanley Investments (UK) and Morgan Stanley Securities Limited. Member of the Supervisory Board of Morgan Stanley Europe Holding SE and Morgan Stanley Europe SE.
Mary Phibbs	Independent Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Bank International Limited. Director of Canadian Pension Plan Investment Board.
David Russell	Director of MSI plc, Morgan Stanley International Limited, RMB Morgan Stanley (Proprietary) Limited, Morgan Stanley (France) SA. And Morgan Stanley France Holdings I S.A.S.
Noreen Philomena Whyte	Director of MSI plc, Morgan Stanley International Limited, Morgan Stanley Bank International Limited and European Principal Assets Limited.
Clare Eleanor Woodman	Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Huaxin Securities Co. Ltd. Non-Executive Director of UK Finance Limited, The City UK and the Banking Standards Board.
Paul David Taylor	Independent Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Bank International Limited.
Salvatore Orlacchio	Director of MSI plc and Morgan Stanley International Limited.
Aryasomayajula Venkata Chandra Sekhar	Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Bank International Limited.

The business address of the directors is 25 Cabot Square, Canary Wharf, London E14 4QA.

There are no potential conflicts of interests between any duties to MSI plc of its directors and their private interests and/or other duties.

5. BOARD PRACTICES

MSI established an audit committee (the "**MSI Audit Committee**") in September 2003. The current remit of the MSI Audit Committee is to assist the Board of MSI in monitoring: (i) the integrity of the financial statements of MSI, its FCA regulated subsidiaries, namely: Morgan Stanley Bank International Limited, MSI plc, Morgan Stanley Investment Management Limited and Morgan Stanley Investment Management (ACD) Limited ("**Regulated Subsidiaries**"), (ii) the systems of internal controls, (iii) compliance with legal and regulatory requirements, (iv) the qualifications and independence of external auditors for MSI and its Regulated Subsidiaries, (v) the performance of Morgan Stanley's internal and external auditors, and (vi) the efficacy of Morgan Stanley's policies and structures for conflict management in Europe.

The MSI Audit Committee reports to the Board of MSI on a quarterly basis. The MSI Audit Committee comprises Paul Taylor, Simon Ball, Jonathan Bloomer, David Cannon, Terri Duhon and Mary Phibbs. Paul Taylor, Simon Ball, Jonathan Bloomer, David Cannon, Terri Duhon and Mary Phibbs are not officers or employees of the Morgan Stanley Group and are independent members of the MSI Audit Committee. The MSI Audit Committee members are appointed by the Board of Directors of MSI.

MSI plc complies with the corporate governance requirements as required by the corporate laws of the United Kingdom.

6. MAJOR SHAREHOLDERS

Major Shareholders

MSI plc's share capital is owned as follows:

<u>Share Class</u>	<u>Shareholder</u>	<u>Shares Held (% of Class)</u>
GBP 1.00 Ordinary Shares	Morgan Stanley Investments (UK)	17,615,107 (100%)
USD 1.00 Ordinary Shares	Morgan Stanley Investments (UK)	10,935,105,148 (100%)
USD 1.00 Class A Non-Voting Ordinary Shares	Morgan Stanley Investments (UK)	1,500,000,000 (100%)

MSI plc ultimate parent undertaking and controlling entity is Morgan Stanley. For information regarding the beneficial ownership of Morgan Stanley's common stock, please see the section entitled "*Principal Shareholders*" in "*Description of Morgan Stanley*" above.

7. LEGAL PROCEEDINGS

The following is an extract from Note 17 entitled "Provisions" – Litigation matters on pages 100-103 of MSI plc's report and financial statements for the year ended 31 December 2019:

Litigation matters

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

The MSI plc Group is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding the MSI plc Group's business, and involving, among other matters, sales and trading activities, financial products or offerings sponsored, underwritten or sold by the MSI plc Group, and accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

The MSI plc Group contests liability and/or the amount of damages as appropriate in each pending matter. Where available information indicates that it is probable a liability had been incurred at the date of the

financial statements and the MSI plc Group can reasonably estimate the amount of that loss, the MSI plc Group accrues the estimated loss by a charge to income. The MSI plc Group's future legal expenses may fluctuate from period to period, given the current environment regarding government investigations and private litigation affecting global financial services firms, including the MSI plc Group.

In many proceedings and investigations, however, it is inherently difficult to determine whether any loss is probable or even possible, or to estimate the amount of any loss. The MSI plc Group cannot predict with certainty if, how or when such proceedings or investigations will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for proceedings and investigations where the factual record is being developed or contested or where plaintiffs or government entities seek substantial or indeterminate damages, restitution, disgorgement or penalties. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, determination of issues related to class certification and the calculation of damages or other relief, and by addressing novel or unsettled legal questions relevant to the proceedings or investigations in question, before a loss or additional loss or range of loss or additional loss can be reasonably estimated for a proceeding or investigation.

Subject to the foregoing, the MSI plc Group believes, based on current knowledge and after consultation with counsel, that the outcome of such proceedings and investigations will not have a material adverse effect on the financial condition of the MSI plc Group, although the outcome of such proceedings or investigations could be material to the MSI plc Group's operating results and cash flows for a particular period depending on, among other things, the level of the MSI plc Group's revenues or income for such period.

While the MSI plc Group has identified below certain proceedings that the MSI plc Group believes to be material, individually or collectively, there can be no assurance that additional material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

On 15 July 2010, CDIB filed a complaint against the MSI plc Group and another Morgan Stanley Group undertaking, styled *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated et al.*, which is pending in the Supreme Court of NY. The complaint relates to a \$275 million credit default swap ("CDS") referencing the super senior portion of the STACK 2006-1 collateralised debt obligation ("CDO"). The complaint asserts claims for common law fraud, fraudulent inducement and fraudulent concealment and alleges that the MSI plc Group and another Morgan Stanley Group undertaking misrepresented the risks of the STACK 2006-1 CDO to CDIB, and that the MSI plc Group and another Morgan Stanley Group undertaking knew that the assets backing the CDO were of poor quality when it entered into the CDS with CDIB. The complaint seeks compensatory damages related to the approximately \$228 million that CDIB alleges it has already lost under the CDS, rescission of CDIB's obligation to pay an additional \$12 million, punitive damages, equitable relief, pre-and post-judgment interest, fees and costs. On 28 February 2011, the court denied the MSI plc Group's and another Morgan Stanley Group undertaking's motion to dismiss the complaint. On 21 December 2018, the court denied the MSI plc Group's and another Morgan Stanley Group affiliate's motion for summary judgment and granted in part the MSI plc Group's and another Morgan Stanley Group affiliate's motion for sanctions related to the spoliation of evidence. On 18 January 2019, CDIB filed a motion to clarify and resettle the portion of the court's 21 December 2018 order granting spoliation sanctions. On 24 January 2019, CDIB filed a notice of appeal from the court's 21 December 2018 order, and on 25 January 2019, the MSI plc Group and another Morgan Stanley Group affiliate filed a notice of appeal from the same order. On 7 March 2019, the court denied the relief that CDIB sought in its motion to clarify and resettle the portion of the court's 21 December 2018 order granting spoliation sanctions. On 5 December 2019, the Appellate Division, First Department heard the parties' cross-appeals.

On 11 October 2011, an Italian financial institution, Banco Popolare, filed a civil claim against the MSI plc Group and another Morgan Stanley Group affiliate in the Milan courts, styled *Banco Popolare Società Cooperativa v Morgan Stanley & Co. International plc & others*, related to its purchase of €100 million of bonds issued by Parmalat. The claim asserted by Banco Popolare alleges, among other things, that the MSI plc Group and another Morgan Stanley Group affiliate was aware of Parmalat's impending insolvency and conspired with others to deceive Banco Popolare into buying bonds by concealing both Parmalat's true financial condition and certain features of the bonds from the market and Banco Popolare. Banco Popolare seeks damages of €76 million (approximately \$91 million) plus damages for loss of opportunity and moral damages. The MSI plc Group and another Morgan Stanley Group affiliate filed its answer on 20 April 2012. On 11 September 2018, the court dismissed in full the claim against the MSI plc Group and another Morgan Stanley Group affiliate. On 11 March 2019, the plaintiff filed an appeal against the court's decision. On 31

May 2019, MSI plc Group and another Morgan Stanley Group affiliate filed their response to the plaintiff's appeal. An appeal hearing is scheduled to take place on 16 September 2020.

On 22 June 2017, the public prosecutor for the Court of Accounts for the Republic of Italy filed a claim against the MSI plc Group styled *Case No. 2012/00406/MNV*, which is pending in the Regional Prosecutor's Office at the Judicial Section of the Court of Auditors for Lazio, Italy. The claim relates to certain derivative transactions between the Republic of Italy and the MSI plc Group and another Morgan Stanley Group affiliate. The transactions were originally entered into between 1999 and 2005 and were restructured (and certain of the transactions were terminated) in December 2011 and January 2012. The claim alleges, inter alia, that the MSI plc Group effectively acted as an agent of the estate in connection with these transactions and asserts claims related to, among other things, whether the Ministry of Finance was authorised to enter into these transactions, whether the transactions were appropriate and whether the MSI plc Group's conduct related to the termination of certain transactions was proper. The prosecutor is seeking damages through an administrative process against the MSI plc Group for €2.76 billion (approximately \$3.2 billion). On 30 March 2018, the MSI plc Group filed its defence to the claim. On 15 June 2018, the court issued a decision declining jurisdiction and dismissing the claim against the MSI plc Group. A hearing of the public prosecutor's appeal was held on 10 January 2019. On 7 March 2019, the Appellate Division of the Court issued a decision declining jurisdiction and dismissing the claim against the MSI plc Group. On 19 April 2019, the public prosecutor filed an appeal with the Italian Supreme Court seeking to overturn this decision. On 14 June 2019, MSI plc Group filed its response to the public prosecutor's appeal.

In matters styled *Case number 15/3637* and *Case number 15/4353*, the Dutch Authority has challenged in the District Court in Amsterdam the prior set-off by a subsidiary undertaking of the MSI plc Group of approximately €124 million (approximately \$142 million) plus accrued interest of withholding tax credits against the subsidiary undertaking of the MSI plc Group's corporation tax liabilities for the tax years 2007 to 2013. The Dutch Authority alleges that the subsidiary undertaking of the MSI plc Group was not entitled to receive the withholding tax credits on the basis, inter alia, that the subsidiary undertaking of the MSI plc Group subsidiary did not hold legal title to certain securities subject to withholding tax on the relevant dates. The Dutch Authority has also alleged that the subsidiary undertaking of the MSI plc Group failed to provide certain information to the Dutch Authority and keep adequate books and records. On 26 April 2018, the District Court in Amsterdam issued a decision dismissing the Dutch Authority's claims. On 4 June 2018, the Dutch Authority filed an appeal before the Court of Appeal in Amsterdam in matters re-styled *Case number 18/00318* and *Case number 18/00319*. A hearing of the Dutch Authority's appeal was held on 26 June 2019 and 2 July 2019.

On 5 October 2017, various institutional investors filed a claim against the MSI plc Group and another bank in a matter now styled *Case number B-803-18* (previously *BS 99-6998/2017*), in the City Court of Copenhagen, Denmark concerning their roles as underwriters of the IPO in March 2014 of the Danish company OW Bunker A/S. The claim seeks damages of DKK 534,270,456 (approximately \$82 million) plus interest in respect of alleged losses arising from investing in shares in OW Bunker, which entered into bankruptcy in November 2014. Separately, on 29 November, 2017, another group of institutional investors joined the MSI plc Group and another bank as defendants to pending proceedings in the High Court of Eastern Denmark against various other parties involved in the IPO in a matter styled *Case number B-2073-16*. The claim brought against the MSI plc Group and the other bank has been given its own *Case number B-2564-17*. The investors claim damages of DKK 767,235,885 (approximately \$118 million) plus interest, from the MSI plc Group and the other bank on a joint and several basis with the defendants to these proceedings. Both claims are based on alleged prospectus liability; the second claim also alleges professional liability of banks acting as financial intermediaries. On 8 June 2018, the City Court of Copenhagen, Denmark ordered that the matters now styled *Case number B-803-18*, *B-2073-16* and *Case number B-2564-17* be heard together before the High Court of Eastern Denmark. On 29 June 2018, the MSI plc Group filed its defence to the matter now styled *Case number B-2564-17*. On 4 February 2019, the MSI plc Group filed its defence to the matter now styled *Case number B-803-18*.

The Group and other financial institutions are responding to a number of governmental investigations and civil litigation matters related to allegations of anticompetitive conduct in various aspects of the financial services industry, including the matter described below.

Beginning in February of 2016, the Group and certain Morgan Stanley Group affiliates were named as a defendant in multiple purported antitrust class actions now consolidated into a single proceeding in the United States District Court for the Southern District of New York styled *In Re: Interest Rate Swaps Antitrust Litigation*. Plaintiffs allege, inter alia, that the MSI plc Group and certain Morgan Stanley Group

affiliates, together with a number of other financial institution defendants violated United States and New York state antitrust laws from 2008 through December of 2016 in connection with their alleged efforts to prevent the development of electronic exchange-based platforms for interest rates swaps trading. Complaints were filed both on behalf of a purported class of investors who purchased interest rates swaps from defendants, as well as on behalf of two swap execution facilities that allegedly were thwarted by the defendants in their efforts to develop such platforms. The consolidated complaints seek, among other relief, certification of the investor class of plaintiffs and treble damages. On 28 July 2017, the court granted in part and denied in part the defendants' motion to dismiss the complaints.

The following is an extract from Note 11 entitled "Provisions" – Litigation matters on pages 35-36 of MSI plc's half-yearly financial report for the period ending 30 June 2020:

On 21 May 2020, the Appellate Division, First Department ("**First Department**"), modified the order of the Supreme Court of the State of New York, New York County in *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated, et al.*, to deny the Group's and another Morgan Stanley Group affiliate's motion for sanctions relating to spoliation of evidence and otherwise affirmed the denial of the Group's and another Morgan Stanley Group affiliate's motion for summary judgment. On 19 June 2020, the Group and another Morgan Stanley Group affiliate moved for leave to appeal the First Department's decision to the New York Court of Appeals.

On 14 July 2020, the Italian Supreme Court in the matter styled *Case number 2012/00406/MNV* scheduled a hearing to take place on 17 November 2020.

Save as disclosed under:

- (a) the section entitled "*Legal Proceedings*" on pages 159-163 and in the paragraphs beginning with "*Legal*" under the heading "*Contingencies*" under the heading "*Commitments, Guarantees and Contingencies*" in "*Notes to Consolidated Financial Statements*" on pages 124-126 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2019;
- (b) the section entitled "*Legal Proceedings*" on page 84 and in the paragraphs beginning with "*Legal*" under the heading "*Contingencies*" under the heading "*Commitments, Guarantees and Contingencies*" in "*Notes to Consolidated Financial Statements (Unaudited)*" on pages 69 – 71 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2020;
- (c) the section entitled "*Legal Proceedings*" on page 90 and in the paragraphs beginning with "*Legal*" under the heading "*Contingencies*" under the heading "*Commitments, Guarantees and Contingencies*" in "*Notes to Consolidated Financial Statements (Unaudited)*" on pages 74-76 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 June 2020;
- (d) the section entitled "*Legal Proceedings*" on page 91 and in the paragraphs beginning with "*Legal*" under the heading "*Contingencies*" under the heading "*Commitments, Guarantees and Contingencies*" in "*Notes to Consolidated Financial Statements (Unaudited)*" on pages 75-77 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2020;
- (e) the section entitled "*Litigation Matters*" under the heading "*Provisions*" in "*Notes to Consolidated Financial Statements*" on pages 100 – 103 of MSI plc's report and financial statements for the year ended 31 December 2019;
- (f) the section entitled "*Litigation Matters*" under the heading "*Provisions*" in "*Notes to Consolidated Financial Statements*" on pages 35-36 of MSI plc's half-yearly financial report for the period ending 30 June 2020; and
- (g) in this section "*Litigation matters*" of the Registration Document,

there are no governmental, legal or arbitration proceedings involving MSI plc Group (including any such proceedings which are pending or threatened of which MSI plc is aware) during the 12-month period before the date of this Registration Document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the MSI plc Group.

8. ADDITIONAL INFORMATION

Auditors

MSI plc's report and accounts for the financial years ended 31 December 2019 and 31 December 2018 have been audited by Deloitte LLP of 1 New Street Square, London EC4A 3HQ who are a firm of registered auditors and a member firm of the Institute of Chartered Accountants in England and Wales for institute by-laws purposes.

Trend Information

There has been no material adverse change in the prospects of MSI plc since 31 December 2019.

Significant Change

There has been no significant change in the financial performance or position of the MSI plc Group since 30 June 2020 (the date of the latest interim report and accounts of MSI plc).

Capital Structure

As of 31 December 2019 MSI plc had the following issued and fully paid up share capital:

- (i) £17,615,107 divided into 17,615,107 ordinary shares of £1 par value each (the "**GBP 1.00 Ordinary Shares**"). Each GBP Ordinary Share is entitled to one vote within its class. The GBP Ordinary Shares as a class are entitled to 0.161 per cent. of the votes at shareholder meetings.
- (ii) U.S.\$10,935,105,148 divided into 10,935,105,148 ordinary shares of U.S.\$1 par value each (the "**USD 1.00 Ordinary Shares**"). Each USD Ordinary Share is entitled to one vote within its class. The USD Ordinary Shares as a class are entitled to 99.839 per cent. of the votes at shareholder meetings.
- (iii) U.S. \$1,500,000,000 divided into 1,500,000,000 class A ordinary shares of U.S.\$1 par value each (the "**USD 1.00 Class A Non-Voting Ordinary Shares**"). The holders of the USD Class A Non-Voting Ordinary Shares are not entitled to vote at Shareholders meetings of MSI plc.

Articles of Association

Pursuant to the Companies Act 2006, MSI plc's objects are now unrestricted. The Issuer does not have a specific purpose or objects clause in its articles of association. The articles of association were last amended on 26 February 2019.

DESCRIPTION OF MORGAN STANLEY B.V.

1. INFORMATION ABOUT MORGAN STANLEY B.V.

History and Development

Morgan Stanley B.V. 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 Dutch Chamber of Commerce (*Kamer van Koophandel*) under number 34161590. It has its corporate seat in Amsterdam, The Netherlands.

Registered office

MSBV's registered office is at Luna Arena, Herikerbergweg 238, 1101 CM, Amsterdam, The Netherlands. Its telephone number is +31 20 57 55 600.

Webpage

MSBV's webpage is www.morganstanley.com/about-us-ir. The information contained on Morgan Stanley's website shall not form part of this Registration Document, unless such information has been expressly incorporated herein.

Legal and commercial name

MSBV's legal and commercial name is Morgan Stanley B.V.

Legal Entity Identifier (LEI)

MSBV's LEI is KG1FTTDCK4KNVM3OHB52.

Legislation

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

Credit Ratings

MSBV has not been assigned a credit rating.

2. OVERVIEW OF ACTIVITIES

Principal Activities

MSBV's principal activity is the issuance of financial instruments including notes, certificates and warrants and the hedging of obligations arising pursuant to such issuances.

Principal Markets

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

3. ORGANISATIONAL STRUCTURE

MSBV has no subsidiaries. It is ultimately controlled by Morgan Stanley.

4. MANAGEMENT OF MSBV

The current directors of MSBV, their offices, if any, within MSBV, and their principal outside activity, if any, are listed below. The business address of each director is Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands.

<u>Name</u>	<u>Title</u>	<u>Principal Outside Activity</u>
H. Herrmann	Director	Executive Director of Morgan Stanley. Director of Fundlogic (Jersey) Limited, Morgan Stanley Islamic Finance Limited, Morgan Stanley Finance II Limited and Archimedes Investments Cooperatieve U.A.
S. Ibanez	Director	Executive Director of Morgan Stanley.
P.J.G de Reus	Director	Employee of TMF Netherlands B.V. Director of Archimedes Investments Cooperatieve U.A.
A. Doppenberg	Director	Employee and managing director of TMF Netherlands B.V. and TMF Management B.V.
TMF Management B.V.	Director	Dutch corporate service provider
Directors of TMF Management B.V.		
A. Doppenberg	Director	Employee and managing director of TMF Netherlands B.V.
R. Arendsen	Director	Employee and managing director of TMF Netherlands B.V.
M.F.C. van der Werff	Director	Employee and managing director of TMF Netherlands B.V.

There are no potential conflicts of interests between any duties to MSBV of its directors and their private interests and/or other duties.

5. BOARD PRACTICES

MSBV established an audit committee (the "**MSBV Audit Committee**") in April 2015. The current remit of the MSBV Audit Committee is:

- (i) inform the management board of the company of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- (ii) monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
- (iii) monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the company, without breaching its independence;
- (iv) monitor the statutory audit of the Annual Accounts, in particular, its performance;
- (v) review and monitor the independence of the Accountant and in particular the provision of additional services to the company; and
- (vi) be responsible for the procedure for the selection of the Accountant and recommend the Accountant.

The MSBV Audit Committee reports to the Board of MSBV on a semi annual basis. The MSBV Audit Committee currently comprises Mr Adrian Masterson, Ms Victoria Worster and Mr Gert Huizing. Mr Masterson and Mr Huizing are not officers or employees of the Morgan Stanley Group and are independent members of the MSBV Audit Committee. The MSBV Audit Committee members are appointed by the General Meeting of Shareholders of MSBV.

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

MSBV qualifies as an organisation of public interest pursuant to Dutch and EU law, and has established its own audit committee which complies with the applicable corporate governance rules and composition requirements as detailed in the Articles of Association of MSBV.

6. MAJOR SHAREHOLDERS

Archimedes Investments Cooperatieve U.A. (a Morgan Stanley Group company) holds the majority of shares in MSBV. Morgan Stanley International Holdings Inc. and Morgan Stanley Jubilee Investments Ltd. each hold one share in MSBV.

MSBV is ultimately controlled by Morgan Stanley. MSBV is not aware of any control measures with respect to such shareholder control. For information regarding the beneficial ownership of Morgan Stanley's common stock, please see the section entitled "*Principal Shareholders*" in "*Description of Morgan Stanley*" above.

All decisions to issue securities are taken by the Board of MSBV and MSBV earns an arm's length remuneration on the issuance of its securities.

7. LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings involving MSBV (including any such proceedings which are pending or threatened of which MSBV is aware) during the 12-month period before the date of this Registration Document which may have, or have had in the recent past, a significant effect on the financial position or profitability of MSBV.

8. ADDITIONAL INFORMATION

Auditors

Deloitte Accountants B.V., independent auditors and certified public accountants of Gustav Mahlerlaan 2970, 1081 LA Amsterdam, The Netherlands, a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*), have audited the financial statements of MSBV for the years ended 31 December 2018 and 31 December 2019 and unqualified opinions have been reported thereon.

This document does not contain any other information that has been audited by Deloitte Accountants B.V.

Trend Information

MSBV intends to continue issuing securities and entering into hedges in respect of such issues of securities. There has been no material adverse change in the prospects of MSBV since 31 December 2019.

Significant Change

There has been no significant change in the financial performance or position of MSBV since 30 June 2020 (the date of the latest interim report and accounts of MSBV).

Share Capital

The share capital of MSBV is divided into ordinary shares of nominal value EUR 100.

The issued, allotted and fully paid up share capital of MSBV comprises 150,180 ordinary shares of nominal value EUR 100.

Articles of Association

MSBV's objects and purposes are set out in Article 3 of its Articles of Association and enable it to issue, sell, purchase, transfer and accept warrants, derivatives, certificates, debt securities, equity securities and/or similar securities or instruments and to enter into hedging arrangements in connection with such securities and instruments. Furthermore its objects are to finance businesses and companies, to borrow, to lend and to raise funds as well as to enter into agreements in connection with the aforementioned, to render guarantees, to bind the company and to pledge its assets for obligations of the companies and enterprises with which it forms a group and on behalf of third parties and to trade in currencies, securities and items of property in general, as well as everything pertaining to the foregoing, relating thereto or conductive thereto all in the widest sense of the word.

The articles of association were last amended on 11 April 2018.

DESCRIPTION OF MORGAN STANLEY FINANCE LLC

1. INFORMATION ABOUT MORGAN STANLEY FINANCE LLC

History and Development

Morgan Stanley Finance LLC was originally formed as a limited liability company pursuant to the Delaware Limited Liability Company Act on 27 March 2002 for an unlimited duration under the name of Morgan Stanley Tower LLC with registration number 3507392. On 8 January 2016 Morgan Stanley Tower LLC changed its name to Morgan Stanley Finance, LLC. On 12 January 2016 Morgan Stanley Finance, LLC changed its name to Morgan Stanley Finance LLC.

Registered office

MSFL's registered address is at The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. MSFL's principal place of business is 1585 Broadway, New York, NY 10036. Its phone number is 212-761-4000.

Webpage

MSFL's webpage is www.morganstanley.com/about-us-ir. The information contained on Morgan Stanley's website shall not form part of this Registration Document, unless such information has been expressly incorporated herein.

Legal and commercial name

MSFL's legal and commercial name is Morgan Stanley Finance LLC.

Legal Entity Identifier (LEI)

MSFL's LEI is 5493003FCPSE9RKT4B56.

Legislation

MSFL was formed under, and subject to, the laws of the state of Delaware, United States.

Credit Ratings

MSFL has been assigned the following credit ratings:

	Long-Term Debt	Rating Outlook
Fitch	A	Stable
Moody's	A2	Stable
S&P	BBB+	Stable

Long-Term Debt

Fitch	High credit quality. 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
Moody's	Obligations rated A are considered upper-medium-grade and are subject to low credit risk. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.
S&P	An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. Ratings

from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

2. OVERVIEW OF ACTIVITIES

Principal Activities

MSFL's principal activity is the issuance of securities.

Principal Markets

MSFL primarily conducts its business from the United States.

3. ORGANISATIONAL STRUCTURE

MSFL has no subsidiaries. It is a directly owned subsidiary of Morgan Stanley. In February 2016, MSFL was converted into a finance subsidiary of Morgan Stanley.

4. MANAGEMENT OF MSFL

The current managers of MSFL, their offices, if any, within MSFL and their principal outside activity, if any, are listed below. The business address of each manager is 1585 Broadway, New York, NY 10036.

<u>Name</u>	<u>Title</u>	<u>Principal Outside Activity</u>
Kevin Woodruff	President and Manager	Managing Director of Morgan Stanley
Nikki Tippins	Manager	Managing Director of Morgan Stanley
Joshua Schanzer	Manager	Executive Director of Morgan Stanley

There are no potential conflicts of interests between any duties to MSFL of its managers and their private interests and/or other duties.

5. BOARD PRACTICES

MSFL is not required to have an audit committee separate from that of its parent.

MSFL considers itself to be in compliance with all Delaware laws relating to corporate governance that are applicable to it.

6. MAJOR SHAREHOLDERS

MSFL is fully and directly owned by Morgan Stanley. For information regarding the beneficial ownership of Morgan Stanley's common stock, please see the section entitled "*Principal Shareholders*" in "*Description of Morgan Stanley*" above.

7. LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings involving MSFL (including any such proceedings which are pending or threatened of which MSFL is aware) during the 12-month period before the date of this Registration Document which may have, or have had in the recent past, a significant effect on the financial position or profitability of MSFL.

8. **ADDITIONAL INFORMATION**

Auditors

Deloitte & Touche LLP, 30 Rockefeller Plaza, New York, NY 10112, United States, an independent registered public accounting firm registered with the Public Company Accounting Oversight Board (United States of America) have audited the financial statements of MSFL as of and for the year ended 31 December 2018; and as of and for the year ended 31 December 2019, and unqualified opinions have been reported thereon, which include an explanatory paragraph referring to significant transactions with affiliates.

This document does not contain any other information in respect of MSFL that has been audited by Deloitte & Touche LLP.

Trend Information

MSFL intends to continue issuing securities. There has been no material adverse change in the prospects of MSFL since 31 December 2019.

Significant Change

There has been no significant change in the financial performance or position of MSFL since 30 June 2020 (the date of the latest interim report and accounts of MSFL).

Capitalisation

MSFL is authorised to issue a single class of limited liability company interests. The issued, allotted and fully paid capital of MSFL is USD 1,000. Each limited liability interest is entitled to one vote with respect to matters the members are entitled to vote for.

Limited Liability Company Agreement

MSFL's purpose is set out in Article 1.2 of its Limited Liability Company Agreement dated 27 March 2002 (as amended) and includes any activity for which limited liability companies may be organised in the State of Delaware. Such activities include the issuance of securities.

The Limited Liability Company Agreement was last amended on 21 January 2016.

SUBSIDIARIES OF MORGAN STANLEY*
AS OF 31 DECEMBER 2019

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of certain other subsidiaries of Morgan Stanley are omitted because, considered in the aggregate as a single subsidiary, they would not constitute a "significant subsidiary" as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934.

Company	Jurisdiction of Incorporation or Formation
Morgan Stanley	Delaware
Morgan Stanley Hedging Co. Ltd.	Cayman Islands
Morgan Stanley Holdings LLC	Delaware
Morgan Stanley Principal Funding, Inc.	Delaware
Morgan Stanley Senior Funding, Inc.	Delaware
Morgan Stanley Capital Management, LLC	Delaware
Morgan Stanley Capital Group Inc.	Delaware
Morgan Stanley Domestic Holdings, Inc.	Delaware
Morgan Stanley & Co. LLC	Delaware
Prime Dealer Services Corp.	Delaware
Morgan Stanley Capital Services LLC	Delaware
Morgan Stanley Delta Holdings LLC	New York
Morgan Stanley Bank, N.A.	Federal Charter
Morgan Stanley Private Bank, National Association	Federal Charter
Morgan Stanley Services Group Inc.	Delaware
Morgan Stanley Smith Barney LLC	Delaware
MS Financing LLC	Delaware
Morgan Stanley Investment Management Inc.	Delaware
Morgan Stanley Fixed Income Ventures Inc.	Delaware
Morgan Stanley Strategic Investments, Inc.	Delaware
Morgan Stanley International Holdings Inc.	Delaware
Archimedes Investments Cooperatieve U.A.	Netherlands
Morgan Stanley (Australia) Securities Holdings Pty Limited	Australia
Morgan Stanley Australia Securities Limited	Australia
Morgan Stanley Asia Holdings Limited	Cayman Islands
Morgan Stanley (Hong Kong) Holdings Limited	Hong Kong
Morgan Stanley Hong Kong 1238 Limited	Hong Kong
Morgan Stanley Asia Limited	Hong Kong
Morgan Stanley Bank Asia Limited	Hong Kong
MSJL Holdings Limited	Cayman Islands
Morgan Stanley Japan Holdings Co., Ltd.	Japan
Morgan Stanley MUFG Securities Co., Ltd.	Japan
Morgan Stanley International Limited	United Kingdom
Morgan Stanley Europe Holding SE	Germany
Morgan Stanley Europe SE	Germany
Morgan Stanley Bank AG	Germany
Morgan Stanley France Holdings I S.A.S.	France
Morgan Stanley France S.A.	France
Morgan Stanley Investments (UK)	United Kingdom
Morgan Stanley & Co. International plc	United Kingdom
Morgan Stanley Bank International Limited	United Kingdom
Morgan Stanley Investment Management Limited	United Kingdom
Morgan Stanley UK Limited	United Kingdom
MSL Incorporated	Delaware
Morgan Stanley Uruguay Ltda.	Uruguay

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of certain other subsidiaries of Morgan Stanley are omitted because, considered in the aggregate as a single subsidiary, they would not constitute a "significant subsidiary" as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934.

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