

REGISTRATION DOCUMENT

Morgan Stanley

MORGAN STANLEY

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

MORGAN STANLEY & CO. INTERNATIONAL plc

(incorporated with limited liability in England and Wales)

and

MORGAN STANLEY B.V.

(incorporated with limited liability in The Netherlands)

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**") which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg as a registration document issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg 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**"), and Morgan Stanley B.V. ("**MSBV**") as issuers or obligors in respect of debt or derivative securities.

Prospective investors should consider the factors relating to Morgan Stanley, MSI plc and MSBV described in the section entitled "*Risk Factors*", commencing on page 1 of this Registration Document.

Each of the Responsible Persons accepts responsibility for the information contained in the relevant document and confirms that, to the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained in the relevant document is in accordance with the facts and contains 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 4 to 7 in the section entitled "*Information Incorporated by Reference*" set out at pages 17-19; and (B) the sections entitled "*Description of Morgan Stanley & Co. International plc*" and "*Selected Financial Information of Morgan Stanley & Co. International plc*" at pages 68-73; and "*Description of Morgan Stanley B.V.*" and "*Selected Financial Information of Morgan Stanley B.V.*" at pages 74-77, (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 to 3 and 6 and 7 in the section entitled "*Information Incorporated by Reference*" set out at pages 15-19; and (B) the sections entitled "*Description of Morgan Stanley*" and "*Selected Financial Information of Morgan Stanley*" at pages 21-67; "*Description of Morgan Stanley B.V.*" and "*Selected Financial Information of Morgan Stanley B.V.*" at pages 74-77; and "*Subsidiaries of Morgan Stanley*" at pages 78-92; and (iii) MSBV with regard to the MSBV registration document (the "MSBV Registration Document") which comprises this Registration Document with the exception of (A) Items 1-5 in the section entitled "*Information Incorporated by Reference*" set out at pages 15-19; and (B) the sections entitled "*Description of Morgan Stanley*" and "*Selected Financial Information of Morgan Stanley*" at pages 21-67; "*Description of Morgan Stanley & Co. International plc*" and "*Selected Financial Information of Morgan Stanley & Co. International plc*" at pages 68-73; and "*Subsidiaries of Morgan Stanley*" at pages 78-92.

MORGAN STANLEY

12 June 2015

Important Notices

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 and MSBV 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 Directive and relevant implementing measures 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 or MSBV (or for which any of Morgan Stanley, MSI plc or MSBV is an obligor) and, where appropriate, the final terms containing information with respect to such debt or derivative securities (the "Final Terms").

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 or MSBV, any trustee or any dealer appointed in relation to any issue of debt or derivative securities by Morgan Stanley, MSI plc or MSBV or for which any of Morgan Stanley, MSI plc or MSBV 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 or MSBV 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 and MSBV 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 or MSBV (or in relation to which Morgan Stanley, MSI plc or MSBV 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 or MSBV (or for which Morgan Stanley, MSI plc or MSBV 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 or MSBV (or for which Morgan Stanley, MSI plc or MSBV 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 (the "Treaty").

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RISK FACTORS

Prospective investors should read the entire Registration Document and any relevant securities note (and where appropriate, any relevant final terms and summary). 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, Morgan Stanley & Co. International plc ("**MSI plc**") and Morgan Stanley B.V. ("**MSBV**") believes that the factors described below represent the principal risks with respect to each of Morgan Stanley, MSI plc and MSBV.*

Risks Relating to Morgan Stanley, MSI plc and MSBV

Morgan Stanley is the ultimate parent company of the Morgan Stanley group of companies (Morgan Stanley and its consolidated subsidiaries, the "**Morgan Stanley Group**"). MSBV and MSI plc are both part of 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 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 principal risks with respect to Morgan Stanley described below will also represent the principal risks with respect to MSI plc and MSBV, either as individual entities or as part of the Morgan Stanley Group.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by Morgan Stanley.

Morgan Stanley's results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors.

Morgan Stanley's results of operations may be materially affected by market fluctuations due to global and economic conditions and other factors. Morgan Stanley's results of operations in the past have been, and in the future may be, materially affected by many factors, including the effect of economic and political conditions and geopolitical events; the effect of market conditions, particularly in the global equity, fixed income, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate and energy markets; the impact of current, pending and future legislation (including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**")), regulation (including capital, leverage and liquidity requirements), policies (including fiscal and monetary) and legal and regulatory actions in the U.S. and worldwide; the level and volatility of equity, fixed income and commodity prices (including oil prices), interest rates, currency values and other market indices; the availability and cost of both credit and capital as well as the credit ratings assigned to Morgan Stanley's unsecured short-term and long-term debt; investor, consumer and business sentiment and confidence in the financial markets; the performance of its acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements (including with Mitsubishi UFJ Financial Group, Inc. ("**MUFG**")); its reputation and the general perception of the financial services industry; inflation, natural disasters, pandemics and acts of war or terrorism; the actions and initiatives of current and potential competitors, as well as governments, regulators and self-regulatory organisations; the effectiveness of its risk management policies; and technological changes and risks and cybersecurity risks (including cyber attacks and business continuity risks); 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. These factors also may have an adverse impact on its ability to achieve its strategic objectives.

The results of Morgan Stanley's Institutional Securities business segment, particularly results relating to its involvement in primary and secondary markets for all types of financial products, are subject to substantial fluctuations due to a variety of factors, such as those enumerated above that Morgan Stanley cannot control or predict with great certainty. These fluctuations impact results by causing variations in new business flows 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 its principal investments. During periods of unfavorable 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. In addition, fluctuations in global market activity could impact 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 its Investment Management business segment.

Morgan Stanley may experience declines in the value of its financial instruments and other losses related to volatile and illiquid market conditions.

Market volatility, illiquid market conditions and disruptions in the credit markets make it extremely difficult to value certain of Morgan Stanley's financial instruments, particularly during periods of market displacement. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these instruments in future periods. 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 securities portfolio, 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, as seen in the last several years, 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, block trading, underwriting and lending businesses in the event of unfavorable market movements. 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.

Credit Risk

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

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 entering into swap or other derivative contracts under which counterparties have obligations to make payments to Morgan Stanley; extending credit to clients through various lending commitments; 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.

While Morgan Stanley believes current valuations and reserves adequately address its perceived levels of risk, there is a possibility that adverse difficult economic conditions may negatively impact its clients and its current credit exposures. In addition, as a clearing member of several central counterparties, Morgan Stanley finances its customer positions and it could be held responsible for the defaults or misconduct of its customers. 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 generally.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. For example, increased centralisation of trading activities through particular clearing houses, central agents or exchanges as required by provisions of 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 agencies, clearing houses, banks, securities firms and exchanges, with which Morgan Stanley interacts with on a daily basis, and therefore could adversely affect Morgan Stanley.

Operational Risk.

Operational risk refers to the risk of loss, or of damage to Morgan Stanley's reputation, resulting from inadequate or failed processes, people and systems or from external events (*e.g.*, fraud, theft, legal and compliance risks 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 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 operational or security systems, that could adversely affect its businesses or reputation.

Morgan Stanley's businesses are highly dependent on its ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In some of Morgan Stanley's businesses, the transactions it processes are complex. In addition, Morgan Stanley may introduce new products or services or change processes, resulting in new operational risk that it may not fully appreciate or identify. The technology used is increasingly complex and relies on the continued effectiveness of the programming code and integrity of the data to process the trades. Morgan Stanley performs the functions required to operate its different businesses either by itself or through agreements with third parties. Morgan Stanley relies on the ability of its employees, its internal systems and systems at technology centers operated by unaffiliated third parties to process a high volume of transactions.

As a major participant in the global capital markets, Morgan Stanley maintains extensive controls to reduce the risk of incorrect valuation or risk management of its trading positions due to flaws in data, models, systems or processes or due to fraud. Nevertheless, such risk cannot be completely eliminated.

Morgan Stanley also faces the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries it uses to facilitate its securities transactions. In the event of a breakdown or improper operation of Morgan Stanley's or a third party's systems or improper or unauthorised action by third parties or its employees, it could suffer financial loss, an impairment to its liquidity, 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.

Despite the business contingency plans Morgan Stanley has in place, there can be no assurance that such plans will fully mitigate all potential business continuity risks to it. Morgan Stanley's ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its business 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 Mumbai, Budapest, Glasgow and Baltimore. This may include a disruption involving physical site access, cyber incidents, terrorist activities, disease pandemics, catastrophic events, natural disasters, extreme weather events, electrical, environmental, computer servers, communications or other services it uses, Morgan Stanley's employees or third parties with whom it conducts business.

Although Morgan Stanley devotes significant resources to maintaining and upgrading its systems and networks with measures such as intrusion and detection prevention systems, monitoring firewalls to safeguard critical business applications, and supervising third party providers that have access to its systems, there is no guarantee that these measures or any other measures can provide absolute security. The increased use of smartphones, tablets and other mobile devices as well as cloud computing may also heighten these and other operational risks. Like other financial services firms, Morgan Stanley and its third party providers continue to be the subject of attempted unauthorized access, 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 and other events. These threats may derive from human error, fraud or malice on the part of Morgan Stanley's employees or third parties, including third party providers, or may result from accidental technological failure. Additional challenges are posed by external extremist parties, including foreign state actors, in some circumstances as a means to promote political ends. Any of these parties may also attempt to fraudulently induce employees, customers, clients, third parties or other users of Morgan Stanley's systems to disclose sensitive information in order to gain access to its data or that of its customers or clients. There can be no assurance that such unauthorised access or cyber incidents will not occur in the future, and they could occur more frequently and on a more significant scale.

If one or more of these events occur, it could result in a security impact on Morgan Stanley's systems and jeopardise its or its clients', partners' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, its and its third party providers' computer systems. Furthermore, such events could cause interruptions or malfunctions in Morgan Stanley's, its clients', partners', counterparties' or third parties' operations, which could result in reputational damage with its clients and the market, client dissatisfaction, additional costs to Morgan Stanley (such as repairing systems or adding new personnel or protection technologies), regulatory investigations, litigation or enforcement or regulatory fines or penalties, all or any of which could adversely affect its business, financial condition or results of operations.

Given Morgan Stanley's global footprint and the high volume of transactions it processes, the large number of clients, partners and counterparties with which it does business, and the increasing sophistication of cyber attacks, a cyber attack could occur without detection for an extended period of time. In addition, Morgan Stanley expects that any investigation of a cyber attack will be inherently unpredictable and it may take time before any investigation is complete and full and reliable information is available. During such time Morgan Stanley may not know the extent of the harm or how best to remediate it and certain errors or actions may be repeated or compounded before they are discovered and rectified, 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, it may not be able to recover sufficiently, or at all, under such provisions to adequately offset any losses. In addition, although Morgan Stanley maintains insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses.

Liquidity and Funding Risk

Liquidity and funding 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 and funding risk also encompasses its ability to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern.

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. 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 the remaining sovereign debt issues in Europe or fiscal matters in the U.S., could impair its 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 its 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 it, or it 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 and trading portfolios, to meet maturing liabilities. 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 its results of operations, cash flows and financial condition.

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

The cost and availability of unsecured financing generally are impacted by Morgan Stanley's short-term and long-term credit ratings. The rating agencies are continuing to monitor certain issuer specific factors that are important to the determination of Morgan Stanley's credit ratings, including governance, the level and quality of earnings, capital adequacy, funding and liquidity, risk appetite and management, asset quality, strategic direction, and business mix. Additionally, the rating agencies will look at other industry-wide factors such as regulatory or legislative changes, macro-economic environment, and perceived levels of government 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") derivative transactions, including credit derivatives and interest rate swaps. In connection with certain OTC trading agreements and certain other agreements associated with the 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 us to sustain losses and impair our liquidity by requiring Morgan Stanley 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 Investor Services ("Moody's") and Standard & Poor's Rating Services ("S&P"). At 31 December 2014, the future potential collateral amounts and termination payments that could be called or required by counterparties, exchanges and clearing organizations in the event of one-notch or two-notch downgrade scenarios based on the relevant contractual downgrade triggers were \$1,856 million and an incremental \$2,984 million, respectively.

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

Morgan Stanley is a holding company 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, 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 broker-dealer subsidiaries, are subject to laws, regulations and self-regulatory organisation rules that authorise regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfers 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 its ability to access funds that Morgan Stanley 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 or repurchase Morgan Stanley's stock. The Office of the Comptroller of the Currency (the "OCC"), the Federal Reserve and the Federal Deposit Insurance

Corporation (the "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. Subsidiary Banks.

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 economy. Global market and economic conditions have been particularly disrupted and volatile in the last several years and continue to be, including as a result of the European sovereign debt crisis, and uncertainty regarding U.S. fiscal matters. In particular, its 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 (the "E.U.") and other international markets and economies could adversely affect its liquidity and financial condition and the willingness of certain counterparties and customers to do business with it.

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. In today's environment of rapid and possibly transformational regulatory change, Morgan Stanley also views regulatory change as a component of legal, regulatory and compliance risk.

The financial services industry is subject to extensive regulation, which is undergoing major changes that 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 it 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.

In response to the financial crisis, legislators and regulators, both in the U.S. and worldwide, have adopted, continue to propose and are in the process of adopting, finalising and implementing a wide range of financial market reforms that are resulting in major changes to the way Morgan Stanley's global operations are regulated and conducted. In particular, as a result of these reforms, Morgan Stanley is, or will become, subject to (among other things) significantly revised and expanded regulation and supervision, more intensive scrutiny of its businesses and any plans for expansion of those businesses, new activities limitations, a systemic risk regime that imposes heightened capital and liquidity requirements and other enhanced prudential standards, new resolution regimes and resolution planning requirements, new restrictions on activities and investments imposed by the Volcker Rule, and comprehensive new derivatives regulation. While certain portions of these reforms are effective, others are still subject to final rulemaking or transition periods. Many of the changes required by these reforms could materially impact the profitability of its businesses and the value of assets Morgan Stanley 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 Morgan Stanley to raise capital, including in ways that may adversely impact its shareholders or creditors. In addition, regulatory requirements that are being proposed by foreign policymakers and regulators may be inconsistent or conflict with regulations that Morgan Stanley is subject to in the U.S. and, if adopted, may adversely affect it. While there continues to be uncertainty about the full impact of these changes, Morgan Stanley does know that it is and will continue to be subject to a more complex regulatory framework, and will incur costs to comply with new requirements as well as to monitor for compliance in the future.

For example, the Volcker Rule provisions of the Dodd-Frank Act will have an impact on it, including potentially limiting various aspects of Morgan Stanley's business. Morgan Stanley is continuing its review of activities that may be affected by the Volcker Rule and is taking steps to establish the necessary

compliance programs to comply with the Volcker Rule. Given the complexity of the new framework, the full impact of the Volcker Rule is still uncertain and will ultimately depend on the interpretation and implementation by the five regulatory agencies responsible for its oversight.

The financial services industry faces substantial litigation and is subject to extensive regulatory 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. Interventions by 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 its ability to engage in, or impose limitations on, certain of its businesses. The number of these investigations and proceedings, as well as the amount of penalties and fines sought, has increased substantially in recent years with regard to many firms in the financial services industry, including Morgan Stanley. Significant regulatory 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 U.S. Securities and Exchange Commission (the "SEC") or the U.S. 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 it. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or in financial distress. 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.

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, it 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, it may be required to repurchase such assets or make other payments related to such assets if such representations and warranties were breached. Between 2004 and 31 December 2014, it sponsored residential mortgage-backed securities transactions containing approximately \$148.0 billion of residential loans, primarily in the U.S. Of that amount, Morgan Stanley made representations and warranties concerning approximately \$47.0 billion of loans and agreed to be responsible for the representations and warranties made by third-party sellers, many of which are now insolvent, on approximately \$21.0 billion of loans. At 31 December 2014, the current unpaid principal balance ("UPB") for all the U.S. residential loans subject to such representations and warranties was approximately \$15.5 billion and the cumulative losses associated with such loans were approximately \$14.1 billion. Morgan Stanley did not make, or otherwise agree to be responsible, for the representations and warranties made by third party sellers on approximately \$79.9 billion of residential loans that it securitized during that time period. Morgan Stanley has not made representations and warranties on loans deposited into any U.S. RMBS transactions since 2007.

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 ("CMBS"). Between 2004 and 31 December 2014, Morgan Stanley originated approximately \$56.0 billion and \$7.0 billion of U.S. and non-U.S. commercial mortgage loans, respectively, that were placed into CMBS sponsored by it. At 31 December 2014, the current UPB for all U.S. commercial mortgage loans subject to such representations and warranties was \$33.7 billion. At 31 December 2014, the current UPB when known for all non-U.S. commercial mortgage loans, subject to such

representations and warranties, was approximately \$1.8 billion and the UPB at the time of sale when the current UPB is not known was \$0.4 billion.

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 subject it to extensive regulation, potential catastrophic events and environmental risks and regulation that may expose it to significant costs and liabilities.

In connection with the commodities activities in Morgan Stanley's Institutional Securities business segment, Morgan Stanley engages in the production, storage, transportation, marketing and trading of several commodities, including metals (base and precious), crude oil, oil products, natural gas, electric power, emission credits, coal, freight, liquefied natural gas and related products and indices. In addition, Morgan Stanley is an electricity power marketer in the U.S. and owns electricity generating facilities in the U.S. and owns a minority interest in Heidmar Holdings LLC, which owns a group of companies that provide international marine transportation and U.S. marine logistics services. As a result of these activities, Morgan Stanley is subject to extensive and evolving energy, commodities, environmental, health and safety and other governmental laws and regulations. In addition, liability may be incurred without regard to fault under certain environmental laws and regulations for the remediation of contaminated areas. Further, through these activities Morgan Stanley is exposed to regulatory, physical and certain indirect risks associated with climate change. Morgan Stanley's commodities business also exposes it to the risk of unforeseen and catastrophic events, including natural disasters, leaks, spills, explosions, release of toxic substances, fires, accidents on land and at sea, wars, and terrorist attacks that could result in personal injuries, loss of life, property damage, and suspension of operations.

Although Morgan Stanley has attempted to mitigate its pollution and other environmental risks by, among other measures, adopting appropriate policies and procedures for power plant operations, monitoring the quality of petroleum storage facilities and transport vessels 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, its financial condition, results of operations and cash flows may be adversely affected by these events.

Morgan Stanley continues to engage in discussions with the Federal Reserve regarding its commodities activities, as the United States Bank Holding Company Act of 1956 (as amended) (the "**BHC Act**") provides a grandfather exemption for "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 United States" and provided that certain other conditions that are within its reasonable control are satisfied. If the Federal Reserve were to determine that any of its commodities activities did not qualify for the BHC Act grandfather exemption, then Morgan Stanley would likely be required to divest any such activities that did not otherwise conform to the BHC Act.

Morgan Stanley also expects the other laws and regulations affecting its commodities business to increase in both scope and complexity. During the past several years, intensified scrutiny of certain energy markets by federal, state and local authorities in the U.S. and abroad and 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. For example, the U.S. and the E.U. have increased their focus on the energy markets which has resulted in increased regulation of companies participating in the energy markets, including those engaged in power generation and liquid hydrocarbons trading. In addition, new regulation of OTC derivatives markets in the U.S. and similar legislation proposed or adopted abroad will impose significant new costs and impose new 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, or between an employee on the one hand and Morgan Stanley or a client on the other. Morgan Stanley has policies, procedures and controls that are designed to address potential conflicts of interest. 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 its clients being less willing to enter into transactions in which a conflict may occur and could adversely affect its 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. Its status as a bank holding company supervised by the Federal Reserve subjects Morgan Stanley to direct Federal Reserve scrutiny with respect to transactions between its U.S. Subsidiary Banks and their affiliates.

Risk Management

Morgan Stanley's risk management strategies may not be fully effective in mitigating its risk exposures in all market environments or against all types of risk.

Morgan Stanley has devoted significant resources to develop its risk management policies and procedures and expects to continue to do so in the future. Nonetheless, its risk management strategies, including its hedging strategies, may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. As its businesses change

and grow, and the markets in which Morgan Stanley operates evolve, its risk management strategies 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. For example, market conditions during the financial crisis involved unprecedented dislocations and highlighted the limitations inherent in using historical information to manage risk. Management of market, credit, liquidity, operational, 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 sale 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.

Competitive Environment

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

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, electronic trading and clearing platforms, financial data repositories, sponsors of mutual funds, hedge funds, energy companies and other companies offering financial or ancillary services in the U.S., globally and through the internet. Morgan Stanley competes on the basis of several factors, including transaction execution, capital or access to capital, products and services, innovation, 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 its 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. 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, thereby putting it at a competitive disadvantage.

Automated trading markets 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 and other automated trading platforms 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, mark-ups or comparable fees.

Morgan Stanley's ability to retain and attract qualified employees is critical to the success of its business and the failure to do so may materially adversely affect its performance.

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 does so at rates or in forms necessary to maintain its competitive position, or if compensation costs required to attract and retain employees become more expensive, its performance, including its competitive position, 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 its ability to hire or retain the most qualified employees.

International Risk

Morgan Stanley is subject to numerous political, economic, legal, 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 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 enhanced risk that transactions it structures might not be legally enforceable in all cases.

Various emerging market countries have experienced severe political, economic and 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 its businesses and increase volatility in financial markets generally.

The emergence of a disease pandemic or other widespread health emergency, or concerns over the possibility of such an emergency as well as natural disasters, terrorist activities or military actions, could create economic and financial disruptions in emerging markets and other areas throughout the world, and could lead to operational difficulties (including travel limitations) that could impair its ability to manage 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 OFAC and similar multi-national bodies and governmental agencies worldwide, as well as applicable anti-corruption laws in the jurisdictions in which it operates. 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.

Acquisition, Divestiture and Joint Venture Risk

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

In connection with past or future acquisitions, divestitures, joint ventures or strategic alliances (including with MUFG), 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. 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.

For example, the ownership arrangements relating to Morgan Stanley's joint venture in Japan with MUFG of their respective investment banking and securities businesses are complex. MUFG and Morgan Stanley have integrated their respective Japanese securities businesses by forming two joint venture companies, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("MUMSS") and Morgan Stanley MUFG Securities Co., Ltd. ("MSMS").

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 its acquisitions or divestitures will be successfully integrated or disaggregated or yield all of the positive benefits 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 it 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 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.

For more information regarding the regulatory environment in which Morgan Stanley operates, see also "*Business—Supervision and Regulation*" in Part I, Item 1, page 7 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2014, which has been incorporated by reference on pages 16 and 17 of this Registration Document.

Risk factors specific to MSBV and MSI plc

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.

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.

Applicable Resolution Powers

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 UK banks and investment firms (such as MSI plc) to HM Treasury, the Bank of England, the Prudential Regulation Authority and the United Kingdom Financial Conduct Authority (each a "**relevant UK Regulatory Authority**") in circumstances where the relevant UK 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 UK) 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 UK 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 UK 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 UK Regulatory Authority include (but are not limited to) a "bail-in" power.

The "bail-in" power gives the relevant UK 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 UK) 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 UK) 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 UK 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 UK 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 UK 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 UK 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 UK 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 UK 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 the 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 the HM Treasury has made regulations governing compensation arrangements upon the exercise of a bail-in power. Notwithstanding the foregoing, the exercise by the relevant UK 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 UK 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.

INFORMATION INCORPORATED BY REFERENCE

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

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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.

For the purposes of Article 28.4 of the Commission Regulation (EU) No 809/2004, any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this 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>
Morgan Stanley	
1. Quarterly Report on Form 10-Q for the quarter ended 31 March 2015	Exhibits
2. Annual Report on Form 10-K for the year ended 31 December 2014	Exhibits
Morgan Stanley & Co. International plc	
3. Report and Financial Statements for the year ended 31 December 2014	Pages 1 to 14
4. Report and Financial Statements for the year ended 31 December 2013	Pages 1 to 14
Morgan Stanley B.V.	
5. Report and Financial Statements for the year ended 31 December 2014	Pages 1 to 7
6. Report and Financial Statements for the year ended 31 December 2013	Pages 1 to 7

Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2014 (at pages 103-104), 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 Standard & Poor's Ratings Services through its business unit S&P.

DBRS is not established in the European Economic Area ("**EEA**") but the ratings it has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited, which is established in 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 from time to time (the "**CRA Regulation**") by the relevant competent authority.

Fitch is not established in the EEA but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, 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 rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Limited, which is 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 in the EU.

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

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 and MSBV (www.morganstanleyiq.eu).

Each of Morgan Stanley, MSI plc and MSBV will, at its principal executive offices (in the case of Morgan Stanley) or at its registered office (in the case of MSI plc or MSBV) 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 or MSBV);
- (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);
- (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);
- (e) all reports, letters, and other documents, historical financial information, valuations and statements (if any) prepared by any expert at the request of any such company which is included or referred to in this Registration Document; and
- (f) the historical financial information of such company (or such company and its subsidiary undertakings) for each of the two financial years preceding the publication of this Registration Document.

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 United States Securities and Exchange Commission (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/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. On 31 May 1997, Morgan Stanley Group, Inc. was merged with and into Dean Witter Discover & Co. ("**Dean Witter Discover**") in a merger of equals. At that time, Dean Witter Discover changed its corporate name to Morgan Stanley, Dean Witter, Discover & Co. ("**MSDWD**"). On 24 March 1998, MSDWD changed its corporate name to Morgan Stanley Dean Witter & Co, and to Morgan Stanley on 20 June 2002. 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.A., and its principal executive offices at 1585 Broadway, New York, NY 10036, U.S.A., telephone number +1 (212) 761 4000.

Legal and commercial name

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

The following is an extract from the section entitled "*Supervision and Regulation*" in Part 1, Item 1 of the Annual Report on Form 10-K for the year ended 31 December 2014 of 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. Moreover, in response to the 2007–2008 financial crisis, legislators and regulators, both in the U.S. and worldwide, have adopted, continue to propose and are in the process of adopting, finalising and implementing a wide range of reforms that are resulting in major changes to the way Morgan Stanley is regulated and conducts its business. These reforms include the Dodd-Frank Act; risk-based capital, leverage and liquidity standards adopted by the Basel Committee on Banking Supervision (the "**Basel Committee**"), including Basel III, and the national implementation of those standards; and new resolution regimes that are being developed in the U.S. and other jurisdictions. While certain portions of these reforms are effective, others are still subject to final rulemaking or transition periods.

It is likely that 2015 and subsequent years will see further material 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 business, financial condition, results of operations and cash flows for a particular future period.

Financial Holding Company

Consolidated Supervision

Morgan Stanley has operated as a bank holding company and financial holding company under the BHC Act since September 2008. As a bank holding company, Morgan Stanley is subject to comprehensive consolidated supervision, regulation and examination by the Federal Reserve. As a result of the Dodd-Frank Act, the Federal Reserve also gained heightened authority to examine, prescribe regulations and take action with respect to all of Morgan Stanley's subsidiaries. In particular, as a result of the Dodd-Frank Act, Morgan Stanley is, or will become, subject to (among other things) significantly revised and expanded regulation and supervision, to more intensive scrutiny of its businesses and plans for expansion of those businesses, to new activities limitations, to a systemic risk regime that imposes heightened capital and liquidity requirements, to new 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 to comprehensive new 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 places limits on the activities of bank holding companies and financial holding companies, and grants the Federal Reserve authority to limit Morgan Stanley's ability to conduct activities. Morgan Stanley must obtain Federal Reserve Board approval before engaging in certain banking and other financial activities both in the U.S. and internationally. Since becoming a bank holding company, Morgan Stanley has disposed of certain nonconforming assets and conformed certain activities to the requirements of the BHC Act.

In addition, Morgan Stanley continues to engage in discussions with the Federal Reserve regarding its commodities activities, as the BHC Act also grandfathered "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 United States" and provided that certain other conditions that are within Morgan Stanley's reasonable control are satisfied. If the Federal Reserve were to determine that any of Morgan Stanley's commodities activities did not qualify for the BHC Act grandfather exemption, then Morgan Stanley would likely be required to divest any such activities that did not otherwise conform to the BHC Act. At this time, Morgan Stanley believes, based on its interpretation of applicable law, that (i) such commodities activities qualify for the BHC Act grandfather exemption or otherwise conform to the BHC Act, and (ii) if the Federal Reserve were to determine otherwise, any required divestment would not have a material adverse impact on its financial condition. After issuing an advance notice of proposed rulemaking in January 2014 on certain aspects of financial holding companies' physical commodities activities and merchant banking investments in nonfinancial companies, the Federal Reserve stated that it is considering a range of possible actions to address the risks associated with these activities and investments, including additional capital, risk management and reporting requirements, and indicated that it will issue a formal notice of rulemaking regarding such matters in 2015.

Activities Restrictions under the Volcker Rule. In December 2013, U.S. regulators issued final regulations to implement the Volcker Rule. The Volcker Rule will, over time, prohibit "banking entities," including Morgan Stanley and its affiliates, from engaging in certain prohibited "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 will also require banking entities to either restructure or unwind certain investments and relationships with "covered funds," as defined in the Volcker Rule, subject to certain exemptions and exclusions. Banking entities have until 21 July 2015 to bring all of their activities and investments into conformance with the Volcker Rule, subject to certain extensions. In addition, the Volcker Rule requires banking entities to establish comprehensive compliance programs designed to help ensure and monitor compliance with restrictions under the Volcker Rule.

The Volcker rule also requires that certain deductions be made from a bank holding company's Tier 1 capital for certain investments in covered funds. These deductions do not yet apply and in any event must be reconciled by the applicable regulators with the U.S. Basel III capital requirements discussed below.

Morgan Stanley is taking steps to establish the necessary compliance programs to comply with the Volcker Rule. Given the complexity of the new framework, the full impact of the Volcker Rule is still uncertain and will ultimately depend on the interpretation and implementation by the five regulatory agencies responsible for its oversight.

Capital and Liquidity Standards. The Federal Reserve establishes capital requirements for Morgan Stanley and evaluates its compliance with such capital requirements. The OCC establishes similar capital requirements and standards for Morgan Stanley's U.S. Subsidiary Banks.

The current risk-based and leverage capital framework governing Morgan Stanley and its U.S. Subsidiary Banks based on the Basel III capital standards established by the Basel Committee, as modified in certain respects by the U.S. banking agencies, and is referred to herein as "U.S. Basel III." Morgan Stanley and its U.S. Subsidiary Banks became subject to U.S. Basel III on 1 January 2014. Aspects of U.S. Basel III, such as the minimum risk-based capital ratio requirements, new capital buffers, and certain deductions from and adjustments to capital, will be phased in over several years. Prior to 1 January 2014, Morgan Stanley and its U.S. Subsidiary Banks calculated regulatory capital ratios using the U.S. banking regulators' U.S. Basel I-based rules ("**U.S. Basel I**") as supplemented by rules that implemented the Basel Committee's market risk capital framework amendment, commonly referred to as "**Basel 2.5**."

U.S. Basel III, which is aimed at increasing the quality and amount of regulatory capital, established Common Equity Tier 1 capital as a new tier of capital, increases minimum required risk-based capital ratios, provides for capital buffers above those minimum ratios, narrows the eligibility criteria for regulatory capital instruments,

provides for new regulatory capital deductions and adjustments, modifies methods for calculating risk-weighted assets (“**RWAs**”) – the denominator of risk-based capital ratios – by, among other things, increasing counterparty credit risk capital requirements and, introduces a supplementary leverage ratio.

On a fully phased in basis, Morgan Stanley will be subject to the following minimum capital ratios under U.S. Basel III: Common Equity Tier 1 capital ratio of 4.5%; Tier 1 capital ratio of 6.0%; total capital ratio of 8.0%; Tier 1 leverage ratio of 4.0%; and supplementary leverage ratio of 3.0%. In addition, on a fully phased in basis by 2019, Morgan Stanley will also be subject to a greater than 2.5% Common Equity Tier 1 capital conservation buffer and, if deployed by banking regulators, up to a 2.5 % Common Equity Tier 1 countercyclical buffer. The capital conservation buffer and countercyclical capital buffer, if any, apply over each of Morgan Stanley’s Common Equity Tier 1, Tier 1 and total risk-based capital ratios. Failure to maintain such buffers will result in restrictions on Morgan Stanley’s ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers. The Federal Reserve may require Morgan Stanley and its peer financial holding companies to maintain risk and leverage-based capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a financial holding company’s particular condition, risk profile and growth plans.

Effective from 1 January 2015, the Morgan Stanley’s U.S. Subsidiary Banks qualify as “well-capitalised” under the higher capital requirements in U.S. Basel III, by maintaining a total risk-based capital ratio (total capital to risk-weighted assets) of at least 10%, a Tier 1 risk-based capital ratio of at least 8%, a Common Equity Tier 1 risk-based capital ratio of at least 6.5%, and a Tier 1 leverage ratio (Tier 1 capital to average total consolidated assets) of at least 5%.

In addition, under U.S. Basel III, new items (including certain investments in the capital instruments of unconsolidated financial institutions) are deducted from the respective tiers of regulatory capital, and certain existing regulatory deductions and adjustments are modified or are no longer applicable. Most of these capital deductions are subject to a phase in schedule and will be fully phased in by 2018. Unrealised gains and losses on available-for-sale securities are reflected in Common Equity Tier 1 capital, subject to a phase in schedule.

On 21 February 2014, the Federal Reserve and the OCC approved Morgan Stanley’s and its U.S. Subsidiary Banks’ respective use of the U.S. Basel III advanced internal ratings-based approach for determining credit risk capital requirements and advanced measurement approaches for determining operational risk capital requirements to calculate and publicly disclose their risk-based capital ratios beginning with the second quarter of 2014, subject to the “capital floor” discussed below (the “**Advanced Approach**”). As an Advanced Approach banking organisation, the Company is required to compute risk-based capital ratios using both (i) standardized approaches for calculating credit risk RWAs and market risk RWAs (the “**Standardised Approach**”); and (ii) an advanced internal ratings-based approach for calculating credit risk RWAs, an advanced measurement approach for calculating operational risk RWAs, and an advanced approach for calculating market risk RWAs under U.S. Basel III.

To implement a provision of the Dodd-Frank Act, U.S. Basel III subjects Advanced Approach banking organisations that have been approved by their regulators to exit the parallel run, such as Morgan Stanley, to a permanent “capital floor.” In 2014, as a result of the capital floor, an Advanced Approach banking organization’s binding risk-based capital ratios were the lower of its ratios computed under the Advanced Approach and U.S. Basel I as supplemented by Basel 2.5. Beginning on 1 January 2015, the Company’s ratios for regulatory purposes are the lower of the capital ratios computed under the Advanced Approach or the Standardized Approach under U.S. Basel III. The U.S. Basel III Standardised Approach modifies certain U.S. Basel I-based methods for calculating RWAs and prescribes new standardised risk weights for certain types of assets and exposures. The capital floor applies to the calculation of the minimum risk-based capital requirements as well as the capital conservation buffer and, if deployed by banking regulators, the countercyclical capital buffer. The methods for calculating each of Morgan Stanley’s risk-based capital ratios will change through 1 January 2022 as U.S. Basel III’s revisions to the numerator and denominator are phased in and as Morgan Stanley calculates RWAs using the Advanced Approach and the Standardised Approach. These ongoing methodological changes may result in differences in Morgan Stanley’s reported capital ratios from one reporting period to the next that are independent of changes to its capital base, asset composition, off-balance sheet exposures or risk profile.

U.S. Basel III also requires Morgan Stanley and its U.S. Subsidiary Banks to comply with supplementary leverage ratio requirements, which U.S. banking regulators increased in 2014 above standards established by the Basel Committee. Specifically, beginning in 2018, Morgan Stanley must maintain a Tier 1 supplementary leverage capital buffer of greater than 2% in addition to the 3% minimum supplementary leverage ratio (for a total of greater than 5%), in order to avoid limitations on capital distributions, including dividends and stock repurchases, and

discretionary bonus payments to executive officers. In addition, beginning in 2018, to be considered “well-capitalised” Morgan Stanley’s U.S. Subsidiary Banks must maintain a supplementary leverage ratio of 6%. The denominator of the supplementary leverage ratio, as revised by the U.S. banking agencies in 2014 to conform with revised leverage standards adopted by the Basel Committee, is based on the average daily balance of consolidated on-balance sheet assets under generally accepted accounting principles in the U.S. (“**U.S. GAAP**”) less certain amounts deducted from Tier 1 capital at quarter-end and the average month-end balance of certain off-balance sheet exposures associated with derivatives (including centrally cleared derivatives and sold credit protection), repo-style transactions and other off-balance sheet items during the calendar quarter. The enhanced supplementary leverage ratio standards will become effective for both the Company and its U.S. Subsidiary Banks on 1 January 2018 with quarterly public disclosure beginning on 1 January 2015.

Although U.S. Basel III is in effect, the U.S. banking agencies and the Basel Committee have each proposed, or are considering proposing, revisions to the regulatory capital framework that would modify the regulatory capital standards governing Morgan Stanley and its U.S. Subsidiary Banks. In December 2014, the Federal Reserve issued a proposed rule that would impose risk-based capital surcharges on U.S. bank holding companies that are identified as global systemically important banks (“**G-SIBs**”). Although the Federal Reserve’s proposal is based upon the Basel Committee’s international G-SIB surcharge framework, the methodologies proposed by the Federal Reserve generally would result in G-SIB surcharges that are higher than the levels required by the Basel Committee framework and would directly take into account the extent of each U.S. G-SIB’s reliance on short-term wholesale funding. Under the proposal, a bank holding company identified as a G-SIB would calculate its G-SIB surcharge under two methods. The first would consider the G-SIB’s size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity, which is generally consistent with the methodology developed by the Basel Committee. The second method would use similar inputs, but would replace substitutability with use of short-term wholesale funding and generally would result in higher surcharges than the Basel Committee framework. A G-SIB’s surcharge would be the higher of the surcharges determined under the two methods. Under the proposal, the G-SIB surcharge must be satisfied using Common Equity Tier 1 capital and would function as an extension of the capital conservation buffer. The Federal Reserve estimates that its proposal could result in G-SIB surcharges ranging from 1.0% to 4.5% of a G-SIB’s RWAs. The proposal would be phased in between 1 January 2016 and 1 January 2019.

The Basel Committee is in the process of considering revisions to various provisions of the Basel III framework that, if adopted by the U.S. banking agencies, could result in substantial changes to U.S. Basel III. In particular, the Basel Committee has finalized a new methodology for calculating counterparty credit risk exposures, the standardised approach for measuring counterparty credit risk exposures (“**SA-CCR**”); has finalized a revised framework establishing capital requirements for securitisations; and has proposed revisions to various regulatory capital standards. In each case, the impact of these revised standards on Morgan Stanley and its U.S. Subsidiary Banks is uncertain and depends on future rulemakings by the U.S. banking agencies.

In addition to capital regulations, the U.S. banking agencies and the Basel Committee have adopted, or are in the process of considering, liquidity standards. The Basel Committee has developed two standards intended for use in liquidity risk supervision, the Liquidity Coverage Ratio (“**LCR**”) and the Net Stable Funding Ratio (“**NSFR**”). The LCR generally requires banking organisations to maintain an amount of high-quality liquid assets that is no less than 100% of their total net cash outflows arising from significant stress over a prospective 30 calendar-day period.

In September 2014, U.S. banking regulators issued a final rule to implement the LCR in the U.S. (“**U.S. LCR**”). The U.S. LCR applies to Morgan Stanley and its U.S. Subsidiary Banks. The U.S. LCR is more stringent in certain respects than the Basel Committee’s version of the LCR as it includes a generally narrower definition of debt and equity securities that qualify as high-quality liquid assets, different methodologies and assumptions for calculating net cash outflows during the 30-day stress period, a maturity mismatch add-on, and a shorter, two-year phase-in period that ends on 31 December 2016. Additionally, under the U.S. LCR, a banking organisation must submit a liquidity compliance plan to its primary federal banking agency if it fails to maintain the minimum U.S. LCR requirement for three consecutive business days. Beginning on 1 January 2015, Morgan Stanley and its U.S. Subsidiary Banks are required to maintain a minimum U.S. LCR of 80%. This minimum requirement will increase to 90% beginning on 1 January 2016, and will be fully phased in at 100% beginning on 1 January 2017. Morgan Stanley and its U.S. Subsidiary Banks must calculate their respective LCR on a monthly basis during the period between 1 January 2015 and 30 June 2015, and on each business day starting on 1 July 2015.

The NSFR is defined as the ratio of the amount of available stable funding to the amount of required stable funding. The standard’s objective is to reduce funding risk over a one-year horizon by requiring banking organisations to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

In October 2014, the Basel Committee finalized revisions to the original December 2010 version of the NSFR. The U.S. banking agencies are expected to issue a proposal to implement the NSFR in the U.S. Morgan Stanley continues to evaluate the NSFR and its potential impact on Morgan Stanley's current liquidity and funding requirements.

Capital Planning and Stress Tests. Pursuant to the Dodd-Frank Act, the Federal Reserve has adopted capital planning and stress test requirements for large bank holding companies, including Morgan Stanley, which form part of the Federal Reserve's annual Comprehensive Capital Analysis and Review ("**CCAR**") framework. Under the Federal Reserve's capital plan rule, Morgan Stanley must submit an annual capital plan to the Federal Reserve, taking into account the results of separate stress tests designed by Morgan Stanley and the Federal Reserve.

The capital plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution (i.e., payments of dividends or stock repurchases), and any similar action that the Federal Reserve determines could impact the bank holding company's consolidated capital. The capital plan must include a discussion of how the bank holding company will maintain capital above the minimum regulatory capital ratios, including the minimum ratios under U.S. Basel III that are phased in over the planning horizon, and above a Tier 1 common risk-based capital ratio of 5 per cent., and serve as a source of strength to its subsidiary U.S. depository institutions under supervisory stress scenarios. The capital plan rule requires that such companies receive no objection from the Federal Reserve before making a capital distribution. In addition, even with an approved capital plan, the bank holding company must seek the approval of the Federal Reserve before making a capital distribution if, among other reasons, the bank holding company would not meet its regulatory capital requirements after making the proposed capital distribution. In addition to capital planning requirements, the OCC, the Federal Reserve and the Federal Deposit Insurance Corporation ("**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. Subsidiary Banks, 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. Subsidiary Banks under circumstances which Morgan Stanley would not otherwise decide to do so.

In addition, the Federal Reserve's final rule on stress testing under the Dodd-Frank Act requires Morgan Stanley to conduct semi-annual company-run stress tests. The rule also subjects Morgan Stanley to annual supervisory tests conducted by the Federal Reserve.

Morgan Stanley submitted its 2015 annual capital plan to the Federal Reserve in January 2015 and received no objection to the plan. In March 2015, the Federal Reserve published summary results of the Dodd-Frank Act and CCAR supervisory stress tests of each large banking company including Morgan Stanley. As required, Morgan Stanley disclosed a summary of the results of its company-run stress tests on 11 March 2015.

The Dodd-Frank Act also requires each of Morgan Stanley's U.S. Subsidiary Banks to conduct an annual stress test. MSBNA submitted its 2015 annual company-run stress tests to the OCC in January 2015 and MSPBNA submitted its 2015 annual company-run stress tests to the OCC in March 2015.

See also "*Capital and Liquidity Standards*" above.

Systemic Risk Regime. The Dodd-Frank Act established a regulatory framework applicable to financial institutions deemed to pose systemic risks. Bank holding companies with \$50 billion or more in consolidated assets, such as Morgan Stanley, became automatically subject to the systemic risk regime in July 2010. A new oversight body, the Financial Stability Oversight Council (the "**FSOC**"), can recommend prudential standards, reporting and disclosure requirements for systemically important financial institutions to the Federal Reserve. The FSOC is also empowered to designate systemically important payment, clearing and settlement activities of financial institutions, subjecting them to prudential supervision and regulation and, assisted by the new Office of Financial Research within the U.S. Department of the Treasury ("**U.S. Treasury**") (established by the Dodd-Frank Act), can gather data and reports from financial institutions, including Morgan Stanley.

The systemic risk regime established by the Dodd-Frank Act, provides that, if the Federal Reserve determines that a systemically important financial institution poses a "grave threat" to U.S. financial stability, the Federal Reserve, with the FSOC's approval, must limit that institution's ability to merge, restrict its ability to offer financial products, require it to terminate activities, impose conditions on activities or, as a last resort, require it to dispose of assets. The Federal Reserve also has the ability to establish further standards, including those regarding contingent capital, enhanced public disclosures, and limits on short-term debt, including off-balance sheet exposures.

In February 2014, the Federal Reserve issued final rules to implement certain requirements of the Dodd-Frank Act's enhanced prudential standards. Effective on 1 January 2015, the final rules require bank holding companies with \$50 billion or more in total consolidated assets, such as Morgan Stanley, to 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. In addition, the final rules require institutions to comply with a range of risk management and corporate governance requirements, such as establishment of a risk committee of the board of directors and appointment of a chief risk officer, both of which Morgan Stanley already has. Under the final rules, upon a grave threat determination by the FSOC, the Federal Reserve must require the affected bank holding company to maintain a debt-to-equity ratio of no more than 15-to-1 if the FSOC considers it necessary to mitigate the risk.

In addition, the Federal Reserve has proposed rules that would limit the aggregate exposure of each bank holding company with \$500 billion or more in total consolidated assets, such as Morgan Stanley, and each company designated by the FSOC, to each other such institution to 10% of the aggregate capital and surplus of each institution, and limit the aggregate exposure of such institutions to any other unaffiliated counterparty to 25% of the institution's aggregate capital and surplus. The proposed rules would also create a new early remediation framework to address financial distress or material management weaknesses determined with reference to four levels of early remediation, including heightened supervisory review, initial remediation, recovery, and resolution assessment, with specific limitations and requirements tied to each level. The Federal Reserve has stated that it will issue, at a later date, final rules establishing single counterparty credit limits and an early remediation framework.

See also "*Capital 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 submit to the Federal Reserve and the FDIC an annual 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 of Morgan Stanley. On 5 August 2014, the Federal Reserve and the FDIC notified Morgan Stanley and 10 other large banking organizations that certain shortcomings in their 2013 resolution plans must be addressed in the 2015 resolution plans, which must be submitted on or before 1 July 2015. If the Federal Reserve and the FDIC were to determine that Morgan Stanley's resolution plan is not credible or would not facilitate an orderly resolution and Morgan Stanley does not cure the plan's deficiencies, it or any of its subsidiaries may be subjected to more stringent capital, leverage, or liquidity requirements or restrictions on its growth, activities, or operations, or it may be required to divest assets or operations.

In addition, MSBNA must submit to the FDIC an annual resolution plan that describes MSBNA's strategy for a rapid and orderly resolution in the event of a material financial distress or failure of MSBNA. On 17 December 2014, the FDIC issued guidance regarding the resolution plans for insured depository institutions such as MSBNA, including requirements with respect to failure scenarios and the development and analysis of a range of realistic resolution strategies.

Further, Morgan Stanley is required to submit an annual recovery plan to the Federal Reserve that outlines the steps that management could take over time to reduce risk, increase liquidity, and conserve capital in times of prolonged stress.

Certain of Morgan Stanley's foreign subsidiaries are also subject to resolution and recovery planning requirements in the jurisdictions in which they operate.

Under the Dodd-Frank Act, certain financial companies, including bank holding companies such as Morgan Stanley and certain covered subsidiaries, can be subjected to resolution under an orderly liquidation authority with the FDIC appointed as receiver. A financial company whose largest U.S. subsidiary is a broker or dealer could be resolved under this authority only upon the recommendation of two-thirds of the FRB and two-thirds of the SEC Commissioners, on their own initiative or at the request of the U.S. Treasury Secretary, and in consultation with the FDIC as well as a determination by the U.S. Treasury Secretary in consultation with the President of the U.S.

The orderly liquidation authority rulemaking is proceeding in stages, with some regulations now finalized and others planned but not yet proposed. If Morgan Stanley were subject to the orderly liquidation authority, the FDIC would have considerable powers, including (i) the power to remove officers and directors responsible for Morgan Stanley's failure and to appoint new directors and officers; (ii) the power to assign assets and liabilities to a third party or bridge financial company without the need for creditor consent or prior court review; (iii) the ability to differentiate

among creditors, including by treating junior creditors better than senior creditors, subject to a minimum recovery right to receive at least what they would have received in bankruptcy liquidation; and (iv) broad powers to administer the claims process to determine distributions from the assets of the receivership. In December 2013, the FDIC released its proposed single point of entry strategy for resolution of a systemically important financial institution under the orderly liquidation authority. The strategy involves placing the top-tier U.S. holding company in receivership and keeping its operating subsidiaries open and out of insolvency proceedings by transferring the operating subsidiaries to a new bridge holding company, recapitalising the operating subsidiaries and imposing losses on the shareholders and creditors of the holding company in receivership according to their statutory order of priority.

The Federal Reserve has indicated that it may also introduce a requirement that certain large bank holding companies maintain a minimum amount of long-term debt at the holding company level to facilitate orderly resolution of those firms. In November 2014, the Financial Stability Board (“**FSB**”) issued a policy proposal to establish a minimum international standard for total loss-absorbing capacity (“**TLAC**”) for G-SIBs, in addition to regulatory capital requirements, in order to enhance the loss-absorbing and recapitalisation capacity of such institutions in resolution. The FSB’s proposed minimum TLAC requirement would be set within the range of 16% to 20% of RWAs (excluding any applicable regulatory capital buffers, which would continue to be required in addition to the minimum TLAC requirement) and at least twice the minimum Basel III Tier 1 leverage ratio requirement. Regulators may also impose an additional TLAC requirement taking into account the G-SIB’s recovery and resolution plans, systemic footprint, business model, risk profile and organisational structure. The minimum TLAC requirement would apply to each entity to which resolution tools would be applied within a G-SIB. The FSB has proposed eligibility criteria for liabilities to qualify as TLAC and a requirement that TLAC-eligible liabilities be subordinated to non-TLAC-eligible liabilities. In addition, certain material entities that are not resolution entities would be subject to an internal TLAC requirement. According to the FSB, the conformance period for the TLAC requirement would not begin prior to 1 January 2019.

On 12 November 2014, Morgan Stanley and certain of its subsidiaries adhered to the International Swaps and Derivatives Association (“**ISDA**”) 2014 Resolution Stay Protocol (the “**Protocol**”), which applies to OTC derivatives traded under ISDA Master Agreements. The Protocol overrides certain cross-default rights and certain other default rights related to the entry of an adhering dealer party or its affiliates into certain resolution proceedings. The Federal Reserve is expected to promulgate regulations implementing portions of the Protocol related to U.S. Bankruptcy Code and certain other matters, which are anticipated to take effect in 2016 or 2017.

As with other major financial companies, the combined effects of the orderly liquidation authority and of the FSB’s TLAC proposal and requirements that may be enacted by the Federal Reserve and the FDIC to facilitate the orderly resolution of G-SIBs, may make more uncertain recoveries by creditors of the parent holding company in the event of its resolution.

U.S. Subsidiary Banks.

U.S. Banking Institutions. MSBNA, primarily a wholesale commercial bank, offers commercial lending and certain retail securities-based lending services in addition to deposit products. Certain foreign exchange activities are also conducted by MSBNA. MSBNA is an FDIC-insured national bank, that is subject to supervision, regulation and examination by the OCC.

MSPBNA offers certain mortgage and other secured lending products primarily for customers of its affiliate retail broker-dealer, Morgan Stanley Smith Barney LLC (“**MSSB LLC**”). MSPBNA also offers certain deposit products, as well as prime brokerage custody services. MSPBNA is an FDIC-insured national bank that is subject to supervision, regulation and examination by the OCC.

Effective 1 October 2013, the lending limits applicable to Morgan Stanley's U.S. Subsidiary Banks were revised to take into account credit exposure arising from derivative transactions, securities lending, securities borrowing and repurchase and reverse repurchase agreements with third parties.

In September 2014, the OCC issued final risk governance guidelines to establish heightened standards for large national banks, and guidelines apply to both MSBNA and MSPBNA. The final guidelines set minimum standards for the design and implementation of a bank's risk governance framework and the oversight of that framework by a 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" ("PCA") with respect to a depository institution if that institution does not meet certain capital adequacy standards. Current PCA 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, subject to limitations, authorized to take appropriate action at the holding company level. In addition, as described above, under the systemic risk regime, Morgan Stanley will become subject to an early remediation protocol in the event of financial distress. The Dodd-Frank Act also formalised the requirement that bank holding companies, such as Morgan Stanley, 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. Subsidiary Banks are subject to Sections 23A and 23B of the Federal Reserve Act, which impose restrictions on "covered transactions" with any affiliates. "Covered transactions" include any extension of credit to, purchase of assets from, and certain other transactions with an affiliate. These restrictions limit the total amount of credit exposure that Morgan Stanley's U.S. Subsidiary Banks may have to any one affiliate and to all affiliates, as well as collateral requirements, and they require all such transactions to be made on market terms. Effective July 2012, derivatives, securities borrowing and securities lending transactions between Morgan Stanley's U.S. Subsidiary Banks and their affiliates became subject to these restrictions. These reforms place limits on Morgan Stanley's U.S. Subsidiary Banks' ability to engage in derivatives, repurchase agreements and securities lending transactions with other affiliates of Morgan Stanley. The Federal Reserve has indicated that it will propose a rulemaking to implement these more recent restrictions, but has not yet done so.

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 bank holding company. 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. In 2010, the FDIC adopted a restoration plan to replenish the reserve fund over a multi-year period. Under the Dodd-Frank Act, some of the restoration must be paid for exclusively by large depository institutions, including MSBNA, and FDIC deposit insurance assessments are calculated using a new methodology that generally favors banks that are mostly funded by deposits.

Institutional Securities and Wealth Management.

Broker-Dealer and Investment Adviser Regulation. Morgan Stanley's primary U.S. broker-dealer subsidiaries, MS&Co. and MSSB LLC, 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, 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.

In addition, MSSB LLC is a registered investment adviser with the SEC. MSSB LLC's relationship with its investment advisory clients is subject to the fiduciary and other obligations imposed on investment advisors 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 with broad administrative powers to address non-compliance, including the power to restrict or limit MSSB LLC 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 Dodd-Frank Act includes various provisions that affect the regulation of broker-dealer sales practices and customer relationships. For example, the SEC is authorised to adopt a fiduciary duty applicable to broker-dealers when providing personalised investment advice about securities to retail customers. The U.S. Department of Labor is considering revisions to regulations under the Employee Retirement Income Security Act of 1974 that could subject broker-dealers to a fiduciary duty and prohibit specified transactions for a wider range of customer interactions. These developments may impact the manner in which affected businesses are conducted, decrease profitability and increase potential liabilities.

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 subsidiaries of Morgan Stanley are subject to the SEC's net capital rule and the net capital requirements of various exchanges, other regulatory authorities and self-regulatory organisations. Many non-U.S. regulatory authorities and exchanges also have rules relating to capital and, in some cases, liquidity requirements that apply to Morgan Stanley's non-U.S. broker-dealer subsidiaries. These rules are generally designed to measure 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 - Capital and Liquidity Standards*" above. Rules of FINRA and other self-regulatory organisations also impose limitations and requirements on the transfer of member organisations' assets.

Compliance with regulatory capital requirements may limit Morgan Stanley's operations requiring the intensive use of capital. Such requirements restrict Morgan Stanley's ability to withdraw capital from its broker-dealer subsidiaries, which in turn may limit its ability to pay dividends, repay debt, or redeem or purchase shares of its own outstanding stock. Any change in such rules or the imposition of new rules affecting the scope, coverage, calculation or amount of capital requirements, or a significant operating loss or any unusually large charge against capital, could adversely affect Morgan Stanley's ability to pay dividends or to expand or maintain present business levels. In addition, such rules may require Morgan Stanley to make substantial capital infusions into one or more of its broker-dealer subsidiaries in order for such subsidiaries to comply with such rules.

MS&Co. and MSSB LLC are members of the Securities Investor Protection Corporation ("**SIPC**"), which provides protection for customers of broker-dealers against losses in the event of the insolvency of a broker-dealer. SIPC protects customers' eligible securities held by a member broker-dealer up to \$500,000 per customer for all accounts in the same capacity subject to a limitation of \$250,000 for claims for uninvested cash balances. To supplement this SIPC coverage, each of MS&Co. and MSSB LLC have purchased additional protection for the benefit of their customers in the form of an annual policy issued by certain underwriters and various insurance companies that provides protection for each eligible customer above SIPC limits subject to an aggregate firmwide cap of \$1 billion with no per client sublimit for securities and a \$1.9 million per client limit for the cash portion of any remaining shortfall. As noted under "*Financial Holding Company—Systemic Risk Regime*" above, the Dodd-Frank Act contains special provisions for the orderly liquidation of covered financial institutions (which could potentially include MS&Co. and/or MSSB LLC). While these provisions are generally intended to provide customers of covered broker-dealers with protections at least as beneficial as they would enjoy in a broker-dealer liquidation proceeding under the Securities Investor Protection Act, the details and implementation of such protections are subject to further rulemaking.

The SEC adopted rules requiring broker-dealers to maintain risk management controls and supervisory procedures with respect to providing access to securities markets, which became fully effective in 2012. In July 2012, the SEC adopted a rule requiring the creation of a consolidated audit trail, which, when implemented, will require broker-dealers to report into one consolidated audit trail comprehensive information about every material event in the lifecycle of every quote, order, and execution in all exchange-listed stocks and options, and may ultimately be expanded to other instruments.

It is possible that the SEC or self-regulatory organisations could propose or adopt additional market structure or other rules for equity and fixed income markets in the future. The provisions, new rules and proposals discussed above could result in increased costs and could otherwise adversely affect trading volumes and other conditions in the markets in which Morgan Stanley operates.

Regulation of Futures Activities and Certain Commodities Activities. MS&Co., as a futures commission merchant, and MSSB LLC, as an introducing broker, are subject to net capital requirements of, and their activities are

regulated by, the U.S. Commodity Futures Trading Commission (the "CFTC"), the National Futures Association (the "NFA"), a registered futures association, and various commodity futures exchanges. MS&Co. and MSSB LLC and certain of their affiliates are registered members of the NFA in various capacities. Rules and regulations of the CFTC, NFA and commodity futures exchanges address obligations related to, among other things, the segregation of customer funds and the holding of a part of a secured amount, the use by futures commission merchants of customer funds, recordkeeping and reporting obligations of futures commission merchants and introducing brokers, risk disclosure, risk management and discretionary trading. Under rules finalised by the CFTC in November 2013 and effective in January 2014, MS&Co. and MSSB LLC are required to incorporate enhanced customer protections as part of their existing customer protection regime.

MS&Co. and MSSB LLC have affiliates that 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. Under CFTC and NFA rules, commodity trading advisors who manage accounts and commodity pool operators that are registered with the NFA must distribute disclosure documents and maintain specified records relating to their activities, and commodity trading advisors and commodity pool operators have certain responsibilities with respect to each pool they advise or operate. 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.

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 energy companies, including those engaged in power generation and liquid hydrocarbons trading. Terminal facilities and other assets relating to Morgan Stanley's commodities activities also are subject to environmental laws both in the U.S. and abroad. In addition, pipeline, transport and terminal operations are subject to state laws in connection with the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by Morgan Stanley or locations to which it has sent wastes for disposal. See also "*Financial Holding Company - Scope of Permitted Activities*" above.

Derivatives Regulation. Through the Dodd-Frank Act, Morgan Stanley faces a comprehensive U.S. regulatory regime for its activities in certain OTC derivatives. The regulation of "swaps" and "security-based swaps" (collectively, "**Swaps**") in the U.S. is being, and will continue to be, effected and implemented through the CFTC, SEC and other agency regulations. The CFTC has completed the majority of its regulations in this area, most of which are in effect. The SEC has not yet adopted the majority of its Swaps regulations.

Subject to certain limited exceptions, the Dodd-Frank Act requires central clearing of certain types of Swaps, public and regulatory reporting, and mandatory trading on regulated exchanges or execution facilities. Reporting requirements for CFTC-regulated Swaps are now in effect and certain types of CFTC-regulated interest rate and index credit default swaps are subject to mandatory central clearing. Certain Swaps are also required to be traded on an exchange or execution facility.

The Dodd-Frank Act also requires the registration of "swap dealers" with the CFTC and "security-based swap dealers" with the SEC (collectively, "**Swaps Entities**"). Certain of Morgan Stanley's subsidiaries have registered with the CFTC as swap dealers and in the future additional subsidiaries may register with the CFTC. One or more subsidiaries of Morgan Stanley will in the future be required to register with the SEC as security-based swap dealers.

Swaps Entities are or will be subject to a comprehensive regulatory regime with new obligations for the Swaps activities for which they are registered, including new capital requirements, a new margin regime for uncleared Swaps and a new segregation regime for collateral of counterparties to uncleared Swaps. Swaps Entities are subject to additional duties, including, among others, internal and external business conduct and documentation standards with respect to their Swaps counterparties and recordkeeping.

The specific parameters of some of these requirements for Swaps have been and continue to be developed through the CFTC, SEC and bank regulator rulemakings. In particular, in September 2014, the CFTC and the U.S. banking regulators re-proposed their rules on margin requirements for uncleared Swaps. The full impact on Morgan Stanley of the U.S. agencies' margin and capital requirements for Swaps Entities will not be known with certainty until the requirements are finalised. In December 2014, the CFTC re-opened the comment period on re-proposed rules that, if finalised as proposed, would limit positions in 28 agricultural, energy and metals commodities, including swaps, futures and options that are economically equivalent to those commodity contracts. Through this re-proposal, the

CFTC is taking steps to institute position limits that were previously finalised in November 2011 but were vacated by a federal court in September 2012.

Although the full impact of U.S. derivatives regulation on Morgan Stanley remains unclear, Morgan Stanley has already, and will continue to, face increased costs and regulatory oversight due to the registration and regulatory requirements indicated above. Complying with the Swaps rules also has required, and will in the future require, Morgan Stanley to change its Swaps businesses, and has required, and will in the future require, extensive systems and personnel changes. Compliance with Swap-related regulatory capital requirements may require Morgan Stanley to devote more capital to its Swaps business.

The E.U. has adopted and implemented certain rules relating to the OTC derivatives market and these rules imposed regulatory reporting beginning in February 2014. The E.U. plans to impose central clearing requirements on OTC derivatives beginning in 2015 and has started reviewing and adopting determinations of equivalence of regulatory regimes for central counterparties and trade repositories, and of risk mitigation requirements. In April 2014, E.U. regulators also proposed margin requirements for uncleared Swaps. In addition, other non-U.S. jurisdictions are in the process of adopting and implementing legislation emanating from the G-20 commitments that will require, among other things, the central clearing of certain OTC derivatives, mandatory reporting of derivatives and bilateral risk mitigation procedures for non-cleared trades. It remains unclear at present how the non-U.S. and U.S. derivatives regulatory regimes will interact.

Credit Risk Retention. In October 2014, federal regulatory agencies issued final rules to implement the credit risk retention requirements of Section 941 of the Dodd-Frank Act, which generally require securitisers of different types of asset-backed securitisations, including transactions backed by residential mortgages, commercial mortgages, and corporate, credit card and auto loans, to retain at least 5% of the credit risk of the assets being securitised. Compliance with respect to new securitisation transactions backed by residential mortgages is required beginning 24 December 2015 and with respect to new securitization transactions backed by other types of assets beginning 24 December 2016. Morgan Stanley continues to evaluate the final rules and assess their impact on its securitization activities.

Non-U.S. Regulation. Morgan Stanley's Institutional Securities businesses also 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. Non-U.S. policy makers and regulators, including the European Commission and European Supervisory Authorities, continue to propose and adopt numerous market reforms, including those that may further impact the structure of banks, and formulate regulatory standards and measures that will be of relevance and importance to Morgan Stanley's European operations. Certain Morgan Stanley subsidiaries are regulated as broker-dealers under the laws of the jurisdictions in which they operate. Subsidiaries engaged in banking and trust 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 United Kingdom ("**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 its activities in the Federal Republic of Germany; Eidgenössische Finanzmarktaufsicht (the Financial Market Supervisory Authority) regulates its activities in Switzerland; the Financial Services Agency, the Bank of Japan, the Japanese Securities Dealers Association and several Japanese securities and futures exchanges, including the Tokyo Stock Exchange, the Osaka Securities Exchange and the Tokyo International Financial Futures Exchange, regulate its activities in Japan; the Hong Kong Securities and Futures Commission, the Hong Kong Monetary Authority and the Hong Kong Exchanges and Clearing Limited regulate its operations in Hong Kong; and the Monetary Authority of Singapore and the Singapore Exchange Limited regulate its business in Singapore.

Regulators in the U.K., E.U. and other major jurisdictions have also finalised or are in the process of proposing or finalising risk-based capital, leverage capital, liquidity, banking structural reforms and other regulatory standards applicable to certain Morgan Stanley subsidiaries that operate in those jurisdictions. For example, Morgan Stanley's primary broker-dealer in the U.K., MSI plc, is subject to regulation and supervision by the PRA with respect to prudential matters. As a prudential regulator, the PRA seeks to promote the safety and soundness of the firms that it regulates and to minimise the adverse effects that such firms may have on the stability of the U.K. financial system. The PRA has broad legal authority to establish prudential and other standards to pursue these objectives, including approvals of relevant regulatory models, as well as to bring public and non-public disciplinary actions against regulated firms to address noncompliance with such standards. MSIP is also regulated and supervised by the FCA with respect to business conduct matters. On 1 January 2014, MSIP became subject to the Capital Requirements Regulation and Capital Requirements Directive (collectively, "**CRD IV**"), which implements the Basel III and other

regulatory requirements for E.U. investment firms, including MSI plc. The European Market Infrastructure Regulation introduces new requirements regarding the central clearing and reporting of derivatives. In addition, the E.U. Bank Recovery and Resolution Directive ("**BRRD**") has established a recovery and resolution framework for E.U. credit institutions and investment firms, including MSI plc. E.U. Member States were required to apply provisions implementing the BRRD as of 1 January 2015, subject to certain exemptions. A recast Markets in Financial Instruments Directive ("**MiFID II**") and a new Markets in Financial Instruments Regulation ("**MiFIR**") have also been adopted and will introduce various trading and market infrastructure reforms in the E.U. MiFID II and MiFIR are to apply from 3 January 2017, subject to certain exemptions.

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 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 it 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. In order to facilitate its asset management business, Morgan Stanley owns a registered U.S. broker-dealer, Morgan Stanley Distribution, Inc., which 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. A number of legal entities within Morgan Stanley's Investment Management business 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. See also "*Institutional Securities and Wealth Management - Broker-Dealer and Investment Adviser Regulation*" and "*Institutional Securities and Wealth Management - Regulation of Futures Activities and Certain Commodities Activities*" above.

As a result of the passage of the Dodd-Frank Act, Morgan Stanley's asset management activities will be subject to certain additional laws and regulations, including, but not limited to, additional reporting and record-keeping requirements (including with respect to clients that are private funds), 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, and certain rules and regulations regarding trading activities, including trading in derivatives markets. Many of these new requirements may increase the expenses associated with Morgan Stanley's asset management activities and/or reduce the investment returns Morgan Stanley is able to generate for its asset management clients.

Morgan Stanley is continuing its review of its asset management activities that may be affected by the Volcker Rule and is taking steps to establish the necessary compliance programs to help ensure and monitor compliance with the Volcker Rule. Morgan Stanley had already taken certain steps to comply with the Volcker Rule prior to the issuance of the final regulations, including, for example, launching new funds that are designed to comply with the Volcker Rule. Given the complexity of the new framework, the full impact of the Volcker Rule is still uncertain, and will ultimately depend on the interpretation and implementation by the five regulatory agencies responsible for its oversight. See also "*Financial Holding Company - Activities Restrictions under the Volcker Rule.*"

Morgan Stanley's Investment Management business is also regulated outside the U.S. For example, the FCA is the primary regulator of Morgan Stanley's business in the U.K.; the Financial Services Agency regulates Morgan Stanley's business in Japan; the Hong Kong Securities and Futures Commission regulates Morgan Stanley's business in Hong Kong; and the Monetary Authority of Singapore regulates Morgan Stanley's business in Singapore.

Anti-Money Laundering and Economic Sanctions

Morgan Stanley's Anti-Money Laundering ("**AML**") program is coordinated on an enterprise-wide basis. In the U.S., for example, 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, bank holding company subsidiaries, broker-dealers, futures commission merchants, introducing brokers and mutual funds to implement AML programs, 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 programs. Morgan Stanley has implemented policies, procedures and internal controls that are designed to comply with all applicable AML laws and regulations. Morgan Stanley has also implemented policies, procedures, and

internal controls that are designed to comply with the regulations and economic sanctions programs 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 the U.S. foreign policy, national security or economic interests, and as applicable similar sanctions programmes imposed by foreign governments or global or regional multilateral organizations, such as the United Nations Security Council and the E.U. Council.

Anti-Corruption

Morgan Stanley is 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 authorizing 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.

Protection of Client Information

Many aspects of Morgan Stanley's business are subject to legal requirements concerning the use and protection of certain customer information, including those adopted pursuant to the Gramm-Leach-Bliley Act and the Fair and Accurate Credit Transactions Act of 2003 in the U.S., the E.U. Data Protection Directive 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.

Research

Both U.S. and non-U.S. regulators continue to focus on research conflicts of interest. Research-related regulations have been implemented in many jurisdictions. In November 2014, FINRA proposed to amend its equity research rules and adopt new rules for debt research. New and revised requirements resulting from these regulations and the global research settlement with U.S. federal and state regulators (to which Morgan Stanley is a party) have necessitated the development or enhancement of corresponding policies and procedures.

Compensation Practices and Other Regulation

Morgan Stanley's compensation practices are subject to oversight by the Federal Reserve. In particular, Morgan Stanley is subject to the Federal Reserve's guidance that is designed to help ensure that incentive compensation paid by banking organisations does not encourage imprudent risk-taking that threatens the organisations' safety and soundness. The scope and content of the Federal Reserve's policies on executive compensation are continuing to develop and may change based on findings from its peer review process, and Morgan Stanley expects that these policies will evolve over a number of years.

Morgan Stanley is subject to the compensation-related provisions of the Dodd-Frank Act, which may impact its compensation practices. Pursuant to the Dodd-Frank Act, among other things, federal regulators, including the Federal Reserve, must prescribe regulations to require covered financial institutions, including Morgan Stanley, to report the structures of all of their incentive-based compensation arrangements and prohibit incentive-based payment arrangements that encourage inappropriate risk taking by providing employees, directors or principal shareholders with compensation that is excessive or that could lead to material financial loss to the covered financial institution. In April 2011, seven federal agencies, including the Federal Reserve, jointly proposed an interagency rule implementing this requirement. Further, pursuant to the Dodd-Frank Act, the SEC must direct listing exchanges to require companies to implement policies relating to disclosure of incentive-based compensation that is based on publicly reported financial information and the clawback of such compensation from current or former executive officers following certain accounting restatements.

In addition to the guidelines issued by the Federal Reserve and referenced above, Morgan Stanley's compensation practices may also be impacted by other regulations, including those relating to the E.U. CRD IV, the Alternative Investment Fund Managers Directive, the fifth Undertakings for Collective Investment in Transferable Securities Directive, the Markets in Financial Instruments Directive and the future second Markets in Financial Instruments Directive and Regulation. Morgan Stanley's compensation practices with respect to certain employees whose activities have a material impact on the risk profile of Morgan Stanley's E.U. operations are subject to the CRD IV and related E.U. and local Member State regulations, including, amongst others, a cap on the ratio of variable remuneration to fixed remuneration and other variable remuneration restrictions. In the U.K., the remuneration of

certain employees of banks and other firms is governed by the Remuneration Codes in the PRA and FCA Handbooks, including since 1 January 2014, provisions that implement the CRD IV as well as additional U.K. requirements.

For a discussion of certain risks relating to Morgan Stanley's regulatory environment, see "*Risk Factors*" above.

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 summary of each of Morgan Stanley's business segments is as follows:

Institutional Securities provides financial advisory and capital-raising 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 securities and related products, including foreign exchange and commodities; and investment activities.

Wealth Management provides brokerage and investment advisory services to individual investors and small-to-medium sized businesses and institutions covering various investment alternatives; financial and wealth planning services; annuity and other insurance products; credit and other lending products; cash management services; and retirement services; and engages in fixed income principal trading, which primarily facilitates clients' trading or investments in such securities.

Investment Management provides a broad array of investment strategies that span the risk/return spectrum across geographies, asset classes and public and private markets to a diverse group of clients across the institutional and intermediary channels as well as high net worth clients.

CanTerm, TransMontaigne and Global Oil Merchanting Business.

On 27 March 2014, Morgan Stanley completed the sale of CanTerm Canadian Terminals Inc. ("**CanTerm**"), a public storage terminal operator for refined products with two distribution terminals in Canada. As a result of Morgan Stanley's level of continuing involvement with CanTerm, the results of CanTerm are reported as a component of continuing operations within Morgan Stanley's Institutional Securities business segment for all periods presented. The gain on sale was approximately \$45 million.

On 1 July 2014, Morgan Stanley completed the sale of its ownership stake in TransMontaigne Inc. , a U.S.-based oil storage, marketing and transportation company, as well as related physical inventory and the assumption of Morgan Stanley's obligations under certain terminal storage contracts, to NGL Energy Partners LP. The gain on sale, which was included in continuing operations, was approximately \$112 million for 2014.

On 11 May 2015, Morgan Stanley announced a definitive agreement to sell the global oil merchanting unit of its commodities division to Castleon Commodities International LLC. The transaction is not expected to have a material impact on the Company's financial results. Among other conditions, it is subject to regulatory approvals in the U.S., the E.U. and certain other jurisdictions. It is targeted to close in the second half of 2015.

Discontinued Operations.

Quilter. On 2 April 2012, Morgan Stanley completed the sale of Quilter & Co. Ltd. ("**Quilter**"), its retail wealth management business in the U.K. Net revenues for Quilter were \$148 million for 2012. Net pre-tax gains (losses) were \$(1) million and \$97 million for 2013 and 2012, respectively, and included a gain of approximately \$108 million in 2012 in connection with the sale. The results of Quilter are reported as discontinued operations within the Company's Wealth Management business segment for all periods presented.

Saxon. On 24 October 2011, Morgan Stanley announced that it had reached an agreement to sell Saxon, a provider of servicing and subservicing of residential mortgage loans, to Ocwen Financial Corporation. The transaction, which was restructured as a sale of Saxon's assets was substantially completed in the second quarter of 2012. Net revenues for Saxon were \$79 million for 2012, and pre-tax losses were \$35 million, \$64 million and \$187 million for 2014, 2013 and 2012, respectively. Pre-tax results for 2012 included a gain of approximately \$51 million

primarily resulting from an increase in the fair value of Saxon and a provision of approximately \$115 million related to a settlement with the Board of Governors of the Federal Reserve concerning the independent foreclosure review related to Saxon. The results of Saxon are reported as discontinued operations with Morgan Stanley's Institutional Securities business segment for all periods presented.

Remaining pre-tax gain (loss) amounts of \$16 million, \$(7) million and \$42 million for 2014, 2013 and 2012, respectively, are included in discontinued operations, primarily related to the prior sale of Morgan Stanley's retail asset management business and a principal investment.

Prior-period amounts have been recast for discontinued operations.

3. ORGANISATIONAL STRUCTURE

Principal Markets

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to a large and diversified group of clients and customers, including corporations, governments, financial 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 centers. At 31 December 2014, Morgan Stanley had 55,802 employees worldwide.

Morgan Stanley's significant regulated U.S. and international subsidiaries include Morgan Stanley & Co. LLC, Morgan Stanley Smith Barney LLC, Morgan Stanley & Co. International plc, Morgan Stanley MUFG Securities Co., Ltd., Morgan Stanley Bank, N.A. ("MSBNA") and Morgan Stanley Private Bank, National Association.

Structure of the Group

For information relating to the structure of the Morgan Stanley Group and for the Subsidiaries List see the section entitled "*Subsidiaries of Morgan Stanley*" set out in Annex I below. Investors can find updated information relating to the structure of the Morgan Stanley Group and the Subsidiaries List on <http://www.sec.gov/Archives/edgar/data/895421/000119312515071980/d869080dex21.htm>.

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.A.

<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	None.
Erskine B. Bowles	Director	Member of the board of directors of Belk Inc., Facebook, Inc. and Norfolk Southern Corporation. Senior advisor of BDT Capital Partners LLC and Carousel Capital, private investment firms.
Thomas H. Glocer	Director	Member of the board of directors of Merck & Co., Inc.
Robert H. Herz	Director	President of Robert H. Herz LLC and member of the board of directors of the Federal National Mortgage Association (Fannie Mae) and Workiva Inc. Serves on the Accounting Standards Oversight Council of Canada and as a member of the Standing Advisory Group of the Public Company Accounting Oversight

<u>Name</u>	<u>Function within Morgan Stanley</u>	<u>Principal Outside Activity</u>
		Board.
Klaus Kleinfeld	Director	Chairman and CEO of Alcoa Inc. and member of the board of directors of Hewlett-Packard Company.
Jami Miscik	Director	President and Vice Chairman of Kissinger Associates, Inc. Member of the President's Intelligence Advisory Board. Member of the board of directors of EMC Corporation.
Donald T. Nicolaisen	Director	Member of the board of directors of MGIC Investment Corporation, Verizon Communications Inc. and Zurich Insurance Group.
Hutham S. Olayan	Director	Principal and director of The Olayan Group, a private multinational enterprise, and President and Chief Executive Officer of The Olayan Group's U.S. operations. Member of the Executive Advisory Board of General Electric.
James W. Owens	Director	Member of the board of directors of Alcoa Inc. and International Business Machines Corporation.
Ryosuke Tamakoshi	Director	Senior Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Masaaki Tanaka	Director	Representative Director and Deputy President of Mitsubishi UFJ Financial Group, Inc.
Perry M. Traquina	Director	Member of the board of directors of eBay Inc.
Laura D. Tyson	Director	Professor of Business Administration and Economics at the Walter A. Haas School of Business, University of California, Berkeley. Member of the board of directors of AT&T Inc., CBRE Group, Inc. and Silver Spring Networks, Inc.
Rayford Wilkins, Jr.	Director	Member of the board of directors of Valero Energy Corporation.

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

Morgan Stanley's subsidiaries may extend credit in the ordinary course of business to certain of its and their 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.

Dealings with Major Shareholders

Each of MUFG and State Street Corporation ("**State Street**") 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 2014, Morgan Stanley engaged in transactions in the ordinary course of business with MUFG and State Street 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.

As part of the global strategic alliance between MUFG and Morgan Stanley, 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, Morgan Stanley MUFG Securities Co., Ltd. ("**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.

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:

<u>Committee</u>	<u>Current Members</u>	<u>Primary Responsibilities</u>
Audit	Robert H. Herz (Chair) Thomas H. Glocer Donald T. Nicolaisen Perry M. Tarquina	<ul style="list-style-type: none">• Oversees the integrity of Morgan Stanley's consolidated financial statements, compliance with legal and regulatory requirements and system of internal controls.• Oversees risk management and risk assessment guidelines in coordination with the Board, Risk Committee and Operations and Technology Committee and reviews the major franchise, legal and compliance risk exposures of the Company.• Selects, determines the compensation of, evaluates and, when appropriate, replaces the independent auditor, and pre-approves audit and permitted non-

Committee	Current Members	Primary Responsibilities
Compensation, Management Development and Succession	Hutham S. Olayan (Chair) Erskine B. Bowles Klaus Kleinfeld James W. Owens	<p>audit services.</p> <ul style="list-style-type: none"> • Oversees the qualifications and independence of the independent auditor and performance of the Morgan Stanley's internal auditor and independent auditor. • 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 the 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. • Reviews Morgan Stanley's incentive compensation arrangements 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.
Nominating and Governance	James W. Owens (Chair) Robert H. Herz Rayford Wilkins, Jr.	<ul style="list-style-type: none"> • Identifies and recommends candidates for election to the Board. • Recommends committee structure and membership.

Committee	Current Members	Primary Responsibilities
		<ul style="list-style-type: none"> • Reviews annually Morgan Stanley's Corporate Governance Policies. • Oversees the annual evaluation of the Lead Director, Board and its committees. • Reviews and approves related person transactions in accordance with Morgan Stanley's Related Person Transactions Policy. • Reviews Morgan Stanley's policies regarding corporate political contributions, as well as Morgan Stanley's philanthropic programs and social responsibility and environmental matters.
Operations and Technology	Thomas H. Glocer (Chair) Jami Miscik Ryosuke Tamakoshi Rayford Wilkins, Jr.	<ul style="list-style-type: none"> • Oversees Morgan Stanley's operations and technology strategy and significant investments in support of such strategy. • Oversees risk management and risk assessment guidelines and policies regarding operations and technology risk.
Risk	Donald T. Nicolaisen (Chair) Jami Miscik Masaaki Tanaka Laura D. Tyson	<ul style="list-style-type: none"> • Oversees Morgan Stanley's risk governance structure. • Oversees risk management and risk assessment guidelines and policies regarding market, credit, operational, reputational, liquidity and funding risk. • Oversees risk tolerance, including risk tolerance levels and capital targets and limits. • Oversees Morgan Stanley's capital, liquidity and funding. • Oversees the performance of the Chief Risk Officer.

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⁾	435,269,905	22.1
7-1, Marunouchi 2-chome	147,766,059	7.5

Name and Address	Shares of Common Stock Beneficially Owned	
	Number	Per cent. ⁽¹⁾
Chiyoda-ku, Tokyo 100-8330, Japan State Street ⁽³⁾ One Lincoln Street, Boston, MA 02111		

- ⁽¹⁾ Percentages based upon the number of shares of common stock outstanding as of the record date, 23 March 2015, and the beneficial ownership of the principal shareholders as reported in SEC filings in notes 2 and 3 below.
- ⁽²⁾ Based on the amended Schedule 13D dated 3 October 2013 filed by MUFG. The amended Schedule 13D discloses that MUFG had sole dispositive and sole voting power with respect to the beneficially owned shares reported, including 3,252,753 shares 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 27 September 2013 for which MUFG disclaims beneficial ownership.
- ⁽³⁾ Based on the Schedule 13G filed on 11 February 2015 (as of 31 December 2014) by State Street and State Street Bank and Trust Company, each acting in various fiduciary and other capacities. The Schedule 13G discloses that State Street had shared dispositive power as to 147,766,059 shares and shared voting power as to 147,146,723 shares; and that 79,324,972 shares beneficially owned by State Street Bank and Trust Company, a subsidiary of State Street, are held as trustee on behalf of the Trust that holds shares of common stock underlying certain restricted stock units awarded to employees under various of Morgan Stanley's equity-based plans.

7. LEGAL PROCEEDINGS AND CONTINGENCIES

(a) Legal Proceedings

The following is an extract from item 3 of Part 1 entitled "Legal Proceedings" of the 2014 Morgan Stanley Annual Report:

In addition to the matters described below, in the normal course of business, Morgan Stanley 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.

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

Morgan Stanley 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 consolidated financial statements and Morgan Stanley can reasonably estimate the amount of that loss, Morgan Stanley accrues the estimated loss by a charge to income. Morgan Stanley expects future litigation accruals in general to continue to be elevated and the changes in accruals from period to period may fluctuate significantly, given the current environment regarding government investigations and private litigation affecting global financial services firms, including Morgan Stanley.

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. Morgan Stanley 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, Morgan Stanley 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 consolidated financial condition of Morgan Stanley, although the outcome of such proceedings or investigations could be material to Morgan Stanley's operating results and cash flows for a particular period depending on, among other things, the level of Morgan Stanley's revenues or income for such period.

Over the last several years, the level of litigation and investigatory activity (both formal and informal) by government and self-regulatory agencies has increased materially in the financial services industry. As a result, Morgan Stanley expects that it may become the subject of increased claims for damages and other relief and, while Morgan Stanley has identified below certain proceedings that Morgan Stanley 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

Regulatory and Governmental Matters. Morgan Stanley has received subpoenas and requests for information from certain federal and state regulatory and governmental entities, including among others various members of the RMBS Working Group of the Financial Fraud Enforcement Task Force, such as the United States Department of Justice, Civil Division and several state Attorney General's Offices, concerning the origination, financing, purchase, securitisation and servicing of subprime and non-subprime residential mortgages and related matters such as residential mortgage backed securities ("**RMBS**"), collateralised debt obligations ("**CDOs**"), structured investment vehicles ("**SIVs**") and credit default swaps backed by or referencing mortgage pass-through certificates. These matters, some of which are in advanced stages, include, but are not limited to, investigations related to Morgan Stanley's due diligence on the loans that it purchased for securitisation, Morgan Stanley's communications with ratings agencies, Morgan Stanley's disclosures to investors, and Morgan Stanley's handling of servicing and foreclosure related issues.

In May 2014, the California Attorney General's Office ("**CAAG**"), which is one of the members of the RMBS Working Group, indicated that it has made certain preliminary conclusions that Morgan Stanley made knowing and material misrepresentations regarding RMBS and that it knowingly caused material misrepresentations to be made regarding the Cheyne SIV, which issued securities marketed to the California Public Employees Retirement System. The CAAG has further indicated that it believes Morgan Stanley's conduct violated California law and that it may seek treble damages, penalties and injunctive relief. Morgan Stanley does not agree with these conclusions and has presented defenses to them to the CAAG.

On 16 September 2014, the Virginia Attorney General's Office filed a civil lawsuit, styled *Commonwealth of Virginia ex rel. Integra REC LLC v. Barclays Capital Inc., et al.*, against Morgan Stanley and several other defendants in the Circuit Court of the City of Richmond related to RMBS. The lawsuit alleges that Morgan Stanley and the other defendants knowingly made misrepresentations and omissions related to the loans backing RMBS purchased by the Virginia Retirement System ("**VRS**"). The complaint alleges VRS suffered total losses of approximately \$384 million on these securities, but does not specify the amount of alleged losses attributable to RMBS sponsored or underwritten by Morgan Stanley. The complaint asserts claims under the Virginia Fraud Against Taxpayers Act, as well as common law claims of actual and constructive fraud, and seeks, among other things, treble damages and civil penalties. On 20 January 2015, the defendants filed a demurrer to the complaint and a plea in bar seeking dismissal of the complaint.

In October 2014, the Illinois Attorney General's Office ("**IL AG**") sent a letter to Morgan Stanley alleging that it knowingly made misrepresentations related to RMBS purchased by certain pension funds affiliated with the State of Illinois and demanding that it pay the IL AG approximately \$88 million. Morgan Stanley does not agree with these allegations and has presented defenses to them to the IL AG.

On 13 January 2015, the New York Attorney General's Office ("**NYAG**"), which is also a member of the RMBS Working Group, indicated that it intends to file a lawsuit related to

approximately 30 subprime securitisations sponsored by Morgan Stanley. NYAG indicated that the lawsuit would allege that Morgan Stanley misrepresented or omitted material information related to the due diligence, underwriting and valuation of the loans in the securitizations and the properties securing them and indicated that its lawsuit would be brought under the Martin Act. Morgan Stanley does not agree with NYAG's allegations and has presented defenses to them to NYAG.

On 25 February 2015, Morgan Stanley reached an agreement in principle with the United States Department of Justice, Civil Division and the United States Attorney's Office for the Northern District of California, Civil Division (collectively, the "**Civil Division**") to pay \$2.6 billion to resolve certain claims that the Civil Division indicated it intended to bring against Morgan Stanley. While Morgan Stanley and the Civil Division have reached an agreement in principle to resolve this matter, there can be no assurance that Morgan Stanley and the Civil Division will agree on the final documentation of the settlement.

Class Actions. On 12 February 2008, a purported class action, styled *Joel Stratte-mcClure, et al. v. Morgan Stanley, et al.*, was filed in the United States District Court for the Southern District of New York (the "**SDNY**") against Morgan Stanley and certain present and former executives asserting claims on behalf of a purported class of persons and entities who purchased shares of Morgan Stanley's common stock during the period 20 June 2007 to 19 December 2007 and who suffered damages as a result of such purchases. The allegations in the amended complaint related in large part to Morgan Stanley's subprime and other mortgage related losses, and also included allegations regarding Morgan Stanley's disclosures, internal controls, accounting and other matters. On 8 August 2011, defendants filed a motion to dismiss the second amended complaint, which was granted on 18 January 2013. On 29 May 2013, the plaintiffs filed an appeal in the United States Court of Appeals for the Second Circuit (the "**Second Circuit**"). On 12 January 2015, the Second Circuit affirmed the dismissal of the action.

On 25 October 2010, Morgan Stanley, certain affiliates and Pinnacle Performance Limited, a special purpose vehicle ("**SPV**"), were named as defendants in a purported class action related to securities issued by the SPV in Singapore, commonly referred to as Pinnacle Notes. The case is styled *Ge Dandong, et al. v. Pinnacle Performance Ltd., et al.* and is pending in the SDNY. The court granted class certification on 17 October 2013. The second amended complaint, filed on 31 January 2014, alleges that the defendants engaged in a fraudulent scheme to defraud investors by structuring the Pinnacle Notes to fail and benefited subsequently from the securities' failure, that the securities' offering materials contained material misstatements or omissions regarding the securities' underlying assets and the alleged conflicts of interest between the defendants and the investors, and asserts common law claims of fraud, aiding and abetting fraud, fraudulent inducement, aiding and abetting fraudulent inducement, and breach of the implied covenant of good faith and fair dealing. Plaintiffs seek damages of approximately \$138.7 million, rescission, punitive damages, and interest. On 17 July 2014, the parties reached an agreement in principle to settle the litigation, which received preliminary court approval on 2 December 2014. The final approval hearing is scheduled for 2 July 2015.

Other Litigation. On 23 December 2009, the Federal Home Loan Bank of Seattle filed a complaint against Morgan Stanley and another defendant in the Superior Court of the State of Washington, styled *Federal Home Loan Bank of Seattle v. Morgan Stanley & Co. Inc., et al.* The amended complaint, filed on 28 September 2010, alleges that defendants made untrue statements and material 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 sold to plaintiff by Morgan Stanley was approximately \$233 million. The complaint raises claims under the Washington State Securities Act and seeks, among other things, to rescind the plaintiff's purchase of such certificates. On 18 October 2010, defendants filed a motion to dismiss the action. By orders dated 23 June 2011 and 18 July 2011, the court denied defendants' omnibus motion to dismiss plaintiff's amended complaint and on 15 August 2011, the court denied Morgan Stanley's individual motion to dismiss the amended complaint. On 7 March 2013, the court granted defendants' motion to strike plaintiff's demand for a jury trial.

On 15 March 2010, the Federal Home Loan Bank of San Francisco filed two complaints against Morgan Stanley and other defendants in the Superior Court of the State of California. These actions are styled *Federal Home Loan Bank of San Francisco v. Credit Suisse Securities (USA) LLC, et al.*, and *Federal Home Loan Bank of San Francisco v. Deutsche Bank Securities Inc. et al.*, respectively. Amended complaints filed on 10 June 2010 allege that defendants made untrue statements and material omissions in connection with the sale to plaintiff of a number of mortgage pass-through certificates backed by securitisation trusts containing residential mortgage loans. The amount of certificates allegedly sold to plaintiff by Morgan Stanley in these cases was approximately \$704 million and \$276 million, respectively. The complaints raise claims under both the federal securities laws and California law and seek, among other things, to rescind the plaintiff's purchase of such certificates. On 11 August 2011, plaintiff's federal securities law claims were dismissed with prejudice. On 9 February 2012, defendants' demurrers with respect to all other claims were overruled. On 20 December 2013, plaintiff's negligent misrepresentation claims were dismissed with prejudice. On 26 January 2015, the plaintiff requested dismissal with prejudice of all remaining claims against Morgan Stanley in the *Federal Home Loan Bank of San Francisco v Credit Suisse Securities (USA) LLC, et al.* action.

On 15 July 2010, The Charles Schwab Corp. filed a complaint against Morgan Stanley and other defendants in the Superior Court of the State of California, styled *The Charles Schwab Corp. v. BNP Paribas Securities Corp., et al.* The complaint alleges that defendants made untrue statements and material omissions in the sale to one of plaintiff's subsidiaries of a number of mortgage pass-through certificates backed by securitisation trusts containing residential mortgage loans. The total amount of certificates allegedly sold to plaintiff's subsidiary by Morgan Stanley was approximately \$180 million. The complaint raises claims under both the federal securities laws and California law and seeks, among other things, to rescind the plaintiff's purchase of such certificates. Plaintiff filed an amended complaint on 2 August 2010. On 22 September 2011, defendants filed demurrers to the amended complaint. On 13 October 2011, plaintiff voluntarily dismissed its claims brought under the Securities Act. On 27 January 2012, the court substantially overruled defendants' demurrers. On 5 March 2012, the plaintiff filed a second amended complaint. On 10 April 2012, Morgan Stanley filed a demurrer to certain causes of action in the second amended complaint, which the court overruled on 24 July 2012. On 24 November 2014, plaintiff's negligent misrepresentation claims were dismissed with prejudice. An initial trial of certain of plaintiff's claims is scheduled to begin in August 2015.

On 15 July 2010, China Development Industrial Bank ("CDIB") filed a complaint against Morgan Stanley, which is 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 credit default swap 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 Morgan Stanley misrepresented the risks of the STACK 2006-1 CDO to CDIB, and that Morgan Stanley knew that the assets backing the CDO were of poor quality when it entered into the credit default swap with CDIB. The complaint seeks compensatory damages related to the approximately \$228 million that CDIB alleges it has already lost under the credit default swap, rescission of CDIB's obligation to pay an additional \$12 million, punitive damages, equitable relief, fees and costs. On 28 February 2011, the court denied Morgan Stanley's motion to dismiss the complaint.

On 15 October 2010, the Federal Home Loan Bank of Chicago filed a complaint against Morgan Stanley and other defendants in the Circuit Court of the State of Illinois, styled *Federal Home Loan Bank of Chicago v. Bank of America Funding Corporation et al.* A corrected amended complaint was filed on 8 April 2011. The corrected amended complaint alleges that defendants made untrue statements and material omissions in the sale to plaintiff of a number of mortgage pass-through certificates backed by securitisation trusts containing residential mortgage loans and asserts claims under Illinois law. The total amount of certificates allegedly sold to plaintiff by Morgan Stanley at issue in the action was approximately \$203 million. The complaint seeks, among other things, to rescind the plaintiff's purchase of such certificates. The defendants filed a motion to dismiss the corrected amended complaint on 27 May 2011, which was denied on 19 September 2012. On 13 December 2013, the court entered an order dismissing all claims related to one of the securitisations at issue. After the dismissal, the remaining amount of certificates

allegedly issued by Morgan Stanley or sold to plaintiff by Morgan Stanley was approximately \$78 million.

On 20 April 2011, the Federal Home Loan Bank of Boston filed a complaint against Morgan Stanley and other defendants in the Superior Court of the Commonwealth of Massachusetts styled *Federal Home Loan Bank of Boston v. Ally Financial, Inc. F/K/A GMAC LLC et al.* An amended complaint was filed on 29 June 2012 and alleges that defendants made untrue statements and material 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 issued by Morgan Stanley or sold to plaintiff by Morgan Stanley was approximately \$385 million. The amended complaint raises claims under the Massachusetts Uniform Securities Act, the Massachusetts Consumer Protection Act and common law and seeks, among other things, to rescind the plaintiff's purchase of such certificates. On 26 May 2011, defendants removed the case to the United States District Court for the District of Massachusetts. On 11 October 2012, defendants filed motions to dismiss the amended complaint, which were granted in part and denied in part on 30 September 2013. On 25 November 2013 and 16 July 2014, respectively, the plaintiff voluntarily dismissed its claims against Morgan Stanley with respect to two of the securitisations at issue. After these voluntary dismissals, the remaining amount of certificates allegedly issued by Morgan Stanley or sold to plaintiff by Morgan Stanley was approximately \$385 million.

On 18 July 2011, the Western and Southern Life Insurance Company and certain affiliated companies filed a complaint against Morgan Stanley and other defendants in the Court of Common Pleas in Ohio, styled *Western and Southern Life Insurance Company, et al. v. Morgan Stanley Mortgage Capital Inc., et al.* An amended complaint was filed on 2 April 2012 and alleges that defendants made untrue statements and material omissions in the sale to plaintiffs of certain mortgage pass-through certificates backed by securitisation trusts containing residential mortgage loans. The amount of the certificates allegedly sold to plaintiffs by Morgan Stanley was approximately \$153 million. The amended complaint raises claims under the Ohio Securities Act, federal securities laws, and common law and seeks, among other things, to rescind the plaintiffs' purchases of such certificates. On 21 May 2012, Morgan Stanley filed a motion to dismiss the amended complaint, which was denied on 3 August 2012. Morgan Stanley filed a motion for summary judgment on 20 January 2015. Trial is currently scheduled to begin in July 2015.

On 4 November 2011, the Federal Deposit Insurance Corporation ("**FDIC**"), as receiver for Franklin Bank S.S.B, filed two complaints against Morgan Stanley in the District Court of the State of Texas. Each was styled *Federal Deposit Insurance Corporation, as Receiver for Franklin Bank S.S.B v. Morgan Stanley & Company LLC F/K/A Morgan Stanley & Co. Inc.* and alleged that Morgan Stanley made untrue statements and material omissions in connection with the sale to plaintiff of mortgage pass-through certificates backed by securitisation trusts containing residential mortgage loans. The amount of certificates allegedly underwritten and sold to plaintiff by Morgan Stanley in these cases was approximately \$67 million and \$35 million, respectively. The complaints each raised claims under both federal securities law and the Texas Securities Act and each seeks, among other things, compensatory damages associated with plaintiff's purchase of such certificates. On 7 June 2012, the two cases were consolidated. Morgan Stanley filed a motion for summary judgment and special exceptions, which was denied in substantial part on 26 April 2013. The FDIC filed a second amended consolidated complaint on May 3, 2013. Morgan Stanley filed a motion for leave to file an interlocutory appeal as to the court's order denying its motion for summary judgment and special exceptions, which was denied on 1 August 2013. On 7 October 2014, the court denied Morgan Stanley's motion for reconsideration of the court's order denying its motion for summary judgment and special exceptions and granted its motion for reconsideration of the court's order denying leave to file an interlocutory appeal. On 21 November 2014, Morgan Stanley filed a motion for summary judgment, which was denied on 10 February 2015. The Texas Fourteenth Court of Appeals denied Morgan Stanley's petition for interlocutory appeal on 25 November 2014. Trial is currently scheduled to begin in July 2015.

On 20 January 2012, Sealink Funding Limited filed a complaint against Morgan Stanley in the Supreme Court of NY, styled *Sealink Funding Limited v. Morgan Stanley, et al.* Plaintiff purports to be the assignee of claims of certain special purpose vehicles ("**SPVs**") formerly

sponsored by SachsenLB Europe. A second amended complaint filed on 20 March 2013 alleges that defendants made untrue statements and material omissions in the sale to the SPVs of certain mortgage pass-through certificates backed by securitisation trusts containing residential mortgage loans. The total amount of certificates allegedly issued by Morgan Stanley and/or sold by Morgan Stanley was approximately \$507 million. The second amended complaint raises common law claims of fraud, fraudulent inducement, and aiding and abetting fraud and seeks, among other things, compensatory and/or rescissory damages as well as punitive damages associated with plaintiffs' purchases of such certificates. On 3 May 2013, Morgan Stanley moved to dismiss the second amended complaint and, on 18 April 2014, the court granted Morgan Stanley's motion. On 1 May 2014, the plaintiff filed a notice of appeal of that decision.

On 25 January 2012, Dexia SA/NV and certain of its affiliated entities filed a complaint against Morgan Stanley in the Supreme Court of NY, styled *Dexia SA/NV et al. v. Morgan Stanley, et al.* An amended complaint was filed on 24 May 2012 and alleges that defendants made untrue statements and material omissions in the sale to plaintiffs of certain mortgage pass-through certificates backed by securitisation trusts containing residential mortgage loans. The total amount of certificates allegedly issued by Morgan Stanley and/or sold to plaintiffs by Morgan Stanley was approximately \$626 million. The amended complaint raises common law claims of fraud, fraudulent inducement, and aiding and abetting fraud and seeks, among other things, compensatory and/or rescissory damages as well as punitive damages associated with plaintiffs' purchases of such certificates. On 16 October 2013, the court granted the defendants' motion to dismiss the amended complaint. On 18 November 2013, plaintiffs filed a notice of appeal of the dismissal. Plaintiffs also filed a motion to renew their opposition to defendants' motion to dismiss, which the court denied on 23 June 2014. On 16 July 2014, plaintiffs filed a notice of appeal of that decision, which has been consolidated with the appeal of the motion to dismiss.

On 25 April 2012, The Prudential Insurance Company of America and certain affiliates filed a complaint against Morgan Stanley and certain affiliates in the Superior Court of the State of New Jersey, styled *The Prudential Insurance Company of America, et al. v. Morgan Stanley, et al.* On 16 October 2012, plaintiffs filed an amended complaint. The amended complaint alleges that defendants made untrue statements and material omissions in connection with the sale to plaintiffs 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 Morgan Stanley is approximately \$1.073 billion. The amended complaint raises claims under the New Jersey Uniform Securities Law, as well as common law claims of negligent misrepresentation, fraud, fraudulent inducement, equitable fraud, aiding and abetting fraud, and violations of the New Jersey RICO statute, and includes a claim for treble damages. On 15 March 2013, the court denied the defendants' motion to dismiss the amended complaint. On 2 January 2015, the court denied defendant's renewed motion to dismiss the amended complaint.

On 7 August 2012, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-4SL and Mortgage Pass-Through Certificates, Series 2006-4SL (together, the "**Trust**") against Morgan Stanley. The matter is styled *Morgan Stanley Mortgage Loan Trust 2006-4SL, et al. v. Morgan Stanley Mortgage Capital Inc.* and is 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 \$303 million, breached various representations and warranties. The complaint seeks, among other relief, rescission of the mortgage loan purchase agreement underlying the transaction, specific performance and unspecified damages and interest. On 8 August 2014, the court granted in part and denied in part the defendants' motion to dismiss.

On 8 August 2012, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-14SL, Mortgage Pass-Through Certificates, Series 2006-14SL, Morgan Stanley Mortgage Loan Trust 2007-4SL and Mortgage Pass-Through Certificates, Series 2007-4SL against Morgan Stanley. The complaint is styled *Morgan Stanley Mortgage Loan Trust 2006-14SL, et al. v. Morgan Stanley Mortgage Capital Holdings LLC, as successor in interest to Morgan Stanley Mortgage Capital Inc.* and is 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 trusts, which had original principal balances of approximately \$354 million and \$305

million respectively, breached various representations and warranties. The complaint seeks, among other relief, rescission of the mortgage loan purchase agreements underlying the transactions, specific performance and unspecified damages and interest. On 9 October 2012, Morgan Stanley filed a motion to dismiss the complaint. On 16 August 2013, the court granted in part and denied in part Morgan Stanley's motion to dismiss the complaint. On 26 September 2013 and 7 October 2013, Morgan Stanley and the plaintiffs, respectively, filed notices of appeal with respect to the court's 16 August 2013 decision.

On 10 August 2012, the FDIC, as receiver for Colonial Bank, filed a complaint against Morgan Stanley and other defendants in the Circuit Court of Montgomery, Alabama styled *Federal Deposit Insurance Corporation as Receiver for Colonial Bank v. Citigroup Mortgage Loan Trust Inc. et al.* The plaintiff filed an amended complaint on 13 September 2013. The complaint alleges that Morgan Stanley made untrue statements and material omissions in connection with the sale to Colonial Bank of a mortgage pass-through certificate backed by a securitization trust containing residential loans. The complaint asserts claims under federal securities law and the Alabama Securities Act and seeks, among other things, compensatory damages. The total amount of the certificate allegedly sponsored, underwritten and/or sold by Morgan Stanley to Colonial Bank was approximately \$65 million. On 12 November 2013, defendants filed a motion to dismiss the amended complaint, which was denied on 10 April 2014.

On 28 September 2012, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-13ARX against Morgan Stanley styled *Morgan Stanley Mortgage Loan Trust 2006- 13ARX v. Morgan Stanley Mortgage Capital Holdings LLC, as successor in interest to Morgan Stanley Mortgage Capital Inc.*, pending in the Supreme Court of NY. U.S. Bank filed an amended complaint on 17 January 2013, which 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 \$609 million, breached various representations and warranties. The amended complaint seeks, among other relief, declaratory judgment relief, specific performance and unspecified damages and interest. On 30 September 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss the amended complaint. On 7 November 2014, plaintiff filed a notice of appeal from the court's 30 September 2014 decision.

On 14 December 2012, Royal Park Investments SA/NV filed a complaint against Morgan Stanley, certain affiliates, and other defendants in the Supreme Court of NY, styled *Royal Park Investments SA/NV v. Merrill Lynch et al.* The complaint alleges that defendants made material misrepresentations and omissions in the sale to plaintiff of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans totaling approximately \$628 million. On 24 October 2013, plaintiff filed a new complaint against Morgan Stanley in the Supreme Court of NY, styled *Royal Park Investments SA/NV v. Morgan Stanley et al.* The new complaint alleges that defendants made material misrepresentations and omissions in the sale to plaintiff of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to plaintiff was approximately \$597 million. The complaint raises common law claims of fraud, fraudulent inducement, negligent misrepresentation, and aiding and abetting fraud and seeks, among other things, compensatory and punitive damages. On 3 February 2014, Morgan Stanley filed a motion to dismiss the complaint.

On 10 January 2013, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-10SL and Mortgage Pass-Through Certificates, Series 2006-10SL against Morgan Stanley. The complaint is styled *Morgan Stanley Mortgage Loan Trust 2006-10SL, et al. v. Morgan Stanley Mortgage Capital Holdings LLC, as successor in interest to Morgan Stanley Mortgage Capital Inc.* and is 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 \$300 million, breached various representations and warranties. The complaint seeks, among other relief, an order requiring Morgan Stanley to comply with the loan breach remedy procedures in the transaction documents, unspecified damages, and interest. On 8 August 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss the complaint.

On 31 January 2013, HSH Nordbank AG and certain affiliates filed a complaint against Morgan Stanley, certain affiliates, and other defendants in the Supreme Court of NY, styled *HSH Nordbank AG et al. v. Morgan Stanley et al.* The complaint alleges that defendants made material misrepresentations and omissions in the sale to plaintiffs of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to plaintiff was approximately \$524 million. The complaint alleges causes of action against Morgan Stanley for common law fraud, fraudulent concealment, aiding and abetting fraud, negligent misrepresentation, and rescission and seeks, among other things, compensatory and punitive damages. On 12 April 2013, defendants filed a motion to dismiss the complaint.

On 14 February 2013, Bank Hapoalim B.M. filed a complaint against Morgan Stanley and certain affiliates in the Supreme Court of NY, styled *Bank Hapoalim B.M. v. Morgan Stanley et al.* The complaint alleges that defendants made material misrepresentations and omissions in the sale to plaintiff of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to plaintiff was approximately \$141 million. The complaint alleges causes of action against Morgan Stanley for common law fraud, fraudulent concealment, aiding and abetting fraud, and negligent misrepresentation, and seeks, among other things, compensatory and punitive damages. On 22 April 2014, the court denied the defendants' motion to dismiss in substantial part. On 18 September 2014, Morgan Stanley filed a notice of appeal from the ruling denying defendants' motion to dismiss.

On 7 March 2013, the Federal Housing Finance Agency filed a summons with notice on behalf of the trustee of the Saxon Asset Securities Trust, Series 2007-1, against Morgan Stanley and an affiliate. The matter is styled *Federal Housing Finance Agency, as Conservator for the Federal Home Loan Mortgage Corporation, on behalf of the Trustee of the Saxon Asset Securities Trust, Series 2007-1 v. Saxon Funding Management LLC and Morgan Stanley* and is pending in the Supreme Court of NY. The notice 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 \$593 million, breached various representations and warranties. The notice seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, unspecified damages, indemnity, and interest.

On 3 May 2013, plaintiffs in *Deutsche Zentral-Genossenschaftsbank AG et al. v. Morgan Stanley et al.* filed a complaint against Morgan Stanley, certain affiliates, and other defendants in the Supreme Court of NY. The complaint alleges that defendants made material misrepresentations and omissions in the sale to plaintiffs of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to plaintiff was approximately \$694 million. The complaint alleges causes of action against Morgan Stanley for common law fraud, fraudulent concealment, aiding and abetting fraud, negligent misrepresentation, and rescission and seeks, among other things, compensatory and punitive damages. On 10 June 2014, the court denied the defendants' motion to dismiss the case. On 4 August 2014, claims regarding two certificates were dismissed by stipulation. After these dismissals, the remaining amount of certificates allegedly issued by Morgan Stanley or sold to plaintiff by Morgan Stanley was approximately \$644 million.

On 17 May 2013, plaintiff in *IKB International S.A. in Liquidation, et al. v. Morgan Stanley, et al.* filed a complaint against Morgan Stanley 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 securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to plaintiff was approximately \$132 million. The complaint alleges causes of action against Morgan Stanley for common law fraud, fraudulent concealment, aiding and abetting fraud, and negligent misrepresentation, and seeks, among other things, compensatory and punitive damages. On 30 October 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss. All claims regarding four certificates were dismissed. After these dismissals, the remaining amount of certificates allegedly issued by Morgan Stanley or sold to plaintiff by Morgan Stanley was approximately \$116 million. On 1

December 2014, Morgan Stanley filed a notice of appeal from the court's 30 October 2014 decision.

On 2 July 2013, the trustee, Deutsche Bank 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 under the caption *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 March 2014, Morgan Stanley filed a motion to dismiss the amended complaint.

On 8 July 2013, plaintiff filed a complaint in *Morgan Stanley Mortgage Loan Trust 2007-2AX, by U.S. Bank National Association, solely in its capacity as Trustee v. Morgan Stanley Mortgage Capital Holdings LLC, as successor-by-merger to Morgan Stanley Mortgage Capital Inc., and Greenpoint Mortgage Funding, Inc.* The complaint, filed in the Supreme Court of NY, 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 22 August 2013, Morgan Stanley a filed a motion to dismiss the complaint, which was granted in part and denied in part on 24 November 2014.

On 5 August 2013, Landesbank Baden-Württemberg and two affiliates filed a complaint against Morgan Stanley and certain affiliates in the Supreme Court of NY styled *Landesbank Baden-Württemberg et al. v. Morgan Stanley et al.* The complaint alleges that defendants made material misrepresentations and omissions in the sale to plaintiffs of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to plaintiffs was approximately \$50 million. The complaint alleges causes of action against Morgan Stanley for, among other things, common law fraud, fraudulent concealment, aiding and abetting fraud, negligent misrepresentation, and rescission based upon mutual mistake, and seeks, among other things, rescission, compensatory damages, and punitive damages. On 4 October 2013, defendants filed a motion to dismiss the complaint.

On 16 August 2013, the plaintiff in *National Credit Union Administration Board v. Morgan Stanley & Co. Incorporated, et al.* filed a complaint against Morgan Stanley and certain affiliates in the United States District Court for the District of Kansas. The complaint alleges that defendants made untrue statements of material fact or omitted to state material facts in the sale to the plaintiff of certain mortgage pass-through certificates issued by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/ or sold by Morgan Stanley to plaintiffs was approximately \$567 million. The complaint alleges causes of action against Morgan Stanley for violations of Section 11 and Section 12(a)(2) of the Securities Act of 1933, violations of the California Corporate Securities Law of 1968, and violations of the Kansas Blue Sky Law and seeks, among other things, rescissionary and compensatory damages. On 27 December 2013, the court granted the defendants' motion to dismiss in substantial part. The surviving claims relate to one certificate purchased by the plaintiff for approximately \$17 million. On 17 November 2014, the plaintiff filed an amended complaint. On 15 December 2014, the defendants filed a motion to dismiss the amended complaint in part.

On 26 August 2013, a complaint was filed against Morgan Stanley and certain affiliates in the Supreme Court of NY, styled *Phoenix Light SF Limited et al v. Morgan Stanley et al.* The complaint alleges that defendants made untrue statements and material omissions in the sale to plaintiffs, or their assignors, of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The total amount of certificates

allegedly issued by Morgan Stanley and/or sold to plaintiffs or their assignors by Morgan Stanley was approximately \$344 million. The complaint raises common law claims of fraud, fraudulent inducement, aiding and abetting fraud, negligent misrepresentation and rescission based on mutual mistake and seeks, among other things, compensatory damages, punitive damages or alternatively rescission or rescissionary damages associated with the purchase of such certificates. The defendants filed a motion to dismiss the complaint on 13 December 2013. On 17 June 2014, the plaintiffs filed an amended complaint. By stipulation dated 18 July 2014, the parties agreed that Morgan Stanley's previously filed motion to dismiss would be deemed to be directed at the amended complaint.

On 23 September 2013, the plaintiff in *National Credit Union Administration Board v. Morgan Stanley & Co. Inc., et al.* filed a complaint against Morgan Stanley and certain affiliates in the SDNY. The complaint alleges that defendants made untrue statements of material fact or omitted to state material facts in the sale to plaintiffs of certain mortgage pass-through certificates issued by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to plaintiffs was approximately \$417 million. The complaint alleges causes of action against Morgan Stanley for violations of Section 11 and Section 12(a)(2) of the Securities Act of 1933, violations of the Texas Securities Act, and violations of the Illinois Securities Law of 1953 and seeks, among other things, rescissionary and compensatory damages. On 22 January 2014, the court granted defendants' motion to dismiss with respect to claims arising under the Securities Act of 1933 and denied defendants' motion to dismiss with respect to claims arising under Texas Securities Act and the Illinois Securities Law of 1953. On 28 April 2014, the court granted in part and denied in part the plaintiff's motion to strike out certain of the defendants' affirmative defences. On 11 July 2014, the defendants filed a motion for reconsideration of the court's order on the motion to dismiss the complaint or, in the alternative, for certification of interlocutory appeal and a stay of all proceedings, which the court denied on 30 September 2014. On 17 November 2014, the plaintiff filed an amended complaint.

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 under the caption *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 16 December 2013, Morgan Stanley filed a motion to dismiss the complaint.

On 24 December 2013, Commerzbank AG London Branch filed a summons with notice against Morgan Stanley and others in the Supreme Court of NY, styled *Commerzbank AG London Branch v. UBS AG et al.* Plaintiff purports to be the assignee of claims of certain other entities. The complaint, which was filed on 20 May 2014, alleges that the defendants made material misrepresentations and omissions in the sale to plaintiff's assignors of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to the plaintiffs' assignors was approximately \$185 million. The complaint asserts causes of action against Morgan Stanley for common law fraud and fraudulent concealment and seeks, among other things, compensatory and punitive damages. Morgan Stanley and other defendants moved to dismiss the complaint on 5 December 2014.

On 30 December 2013, Wilmington Trust Company, in its capacity as trustee for Morgan Stanley Mortgage Loan Trust 2007-12, filed a complaint against Morgan Stanley. The matter is styled *Wilmington Trust Company v. Morgan Stanley Mortgage Capital Holdings LLC et al.* and is 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 \$516 million, breached various representations and warranties. The complaint seeks, among other relief, unspecified damages, interest and costs. On 28 February 2014, the defendants filed a motion to dismiss the complaint.

On 15 January 2014, the FDIC, as receiver for United Western Bank filed a complaint against Morgan Stanley and others in the District Court of the State of Colorado, styled *Federal Deposit Insurance Corporation, as Receiver for United Western Bank v. Banc of America Funding Corp., et al.* The complaint alleges that Morgan Stanley made untrue statements and material omissions in connection with the sale to United Western Bank of mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The amount of certificates allegedly sponsored, underwritten and/or sold to United Western Bank by Morgan Stanley was approximately \$75 million. The complaint raises claims under both federal securities law and the Colorado Securities Act and seeks, among other things, compensatory damages associated with plaintiff's purchase of such certificates. On 14 February 2014, the defendants filed a notice removing the litigation to the United States District Court for the District of Colorado. On 14 March 2014, the plaintiff filed a motion to remand the action. On 30 April 2014, the defendants filed a motion to dismiss the complaint.

On 28 April 2014, Deutsche Bank National Trust Company, in its capacity as trustee for Morgan Stanley Structured Trust I 2007-1, filed a complaint against Morgan Stanley. The matter is styled *Deutsche Bank National Trust Company v. Morgan Stanley Mortgage Capital Holdings LLC* and is pending in the SDNY. 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 \$735 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 compensatory and/or rescissory damages, interest and costs. On 21 July 2014, Morgan Stanley filed a motion to dismiss the complaint.

On 19 September 2014, Financial Guaranty Insurance Company (“FGIC”) filed a complaint against Morgan Stanley in the Supreme Court of the State of New York, New York County (“**Supreme Court of New York**”) styled *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. et al.* The complaint asserts 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 seeks, among other relief, specific performance of the NIM 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, Morgan Stanley filed a motion to dismiss the complaint.

On 19 September 2014, Deutsche Bank National Trust Company, in its capacity as trustee of Morgan Stanley ABS Capital I Inc. Trust, Series 2007-NC4, filed a summons with notice against Morgan Stanley in the Supreme Court of New York styled *Deutsche Bank National Trust Company, solely in its capacity as Trustee of the Morgan Stanley ABS Capital I Inc. Trust, Series 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.* The notice 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 trustee filed its complaint on 23 January 2015, alleging breaches of representations and warranties, the repurchase obligation, and the duty to notify, and seeking, among other relief, specific performance of the loan breach remedy procedures in the transaction documents; compensatory, consequential, rescissory, equitable and/or punitive damages; attorneys’ fees, costs and other related expenses, and interest.

On 23 September 2014, FGIC filed a complaint against Morgan Stanley in the Supreme Court of New York styled *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. et al.* 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 24 November 2014, Morgan Stanley filed a motion to dismiss the complaint.

Other Matters. On a case-by-case basis Morgan Stanley has entered into agreements to toll the statute of limitations applicable to potential civil claims related to RMBS, CDOs and other mortgage-related products and services when Morgan Stanley has concluded that it is in its interest to do so.

On 18 October 2011, Morgan Stanley received a letter from Gibbs & Bruns LLP (the "**Law Firm**"), which is purportedly representing a group of investment advisers and holders of mortgage pass-through certificates issued by RMBS trusts that were sponsored or underwritten by Morgan Stanley. The letter asserted that the Law Firm's clients collectively hold 25 per cent. or more of the voting rights in 17 RMBS trusts sponsored or underwritten by Morgan Stanley and that these trusts have an aggregate outstanding balance exceeding \$6 billion. The letter alleged generally that large numbers of mortgages in these trusts were sold or deposited into the trusts based on false and/or fraudulent representations and warranties by the mortgage originators, sellers and/or depositors. The letter also alleged generally that there is evidence suggesting that Morgan Stanley has failed prudently to service mortgage loans in these trusts. On 31 January 2012, the Law Firm announced that its clients hold over 25 per cent. of the voting rights in 69 RMBS trusts securing over \$25 billion of RMBS sponsored or underwritten by Morgan Stanley, and that its clients had issued instructions to the trustees of these trusts to open investigations into allegedly ineligible mortgages held by these trusts. The Law Firm's press release also indicated that the Law Firm's clients anticipate that they may provide additional instructions to the trustees, as needed, to further the investigations. On 19 September 2012, Morgan Stanley received two purported Notices of Non-Performance from the Law Firm purportedly on behalf of the holders of significant voting rights in various trusts securing over \$28 billion of residential mortgage backed securities sponsored or underwritten by Morgan Stanley. The Notice purports to identify certain covenants in Pooling and Servicing Agreements ("**PSAs**") that the holders allege that the Servicer and Master Servicer failed to perform, and alleges that each of these failures has materially affected the rights of certificateholders and constitutes an ongoing event of default under the relevant PSAs. On 2 November 2012, Morgan Stanley responded to the letters, denying the allegations therein.

Commercial Mortgage Related Matter

On 25 January 2011, Morgan Stanley was named as a defendant in *The Bank of New York Mellon Trust, National Association v. Morgan Stanley Mortgage Capital, Inc.*, a litigation pending in the SDNY. The suit, brought by the trustee of a series of commercial mortgage pass-through certificates, alleges that Morgan Stanley breached certain representations and warranties with respect to an \$81 million commercial mortgage loan that was originated and transferred to the trust by Morgan Stanley. The complaint seeks, among other things, to have Morgan Stanley repurchase the loan and pay additional monetary damages. On 16 June 2014, the court granted Morgan Stanley's supplemental motion for summary judgment. On 17 June 2014, the court entered judgment in Morgan Stanley's favour. On 16 July 2014, the plaintiff filed a notice of appeal.

Matters Related to the CDS Market

On 1 July 2013, the European Commission ("**EC**") issued a Statement of Objections ("**SO**") addressed to twelve financial firms (including Morgan Stanley), the International Swaps and Derivatives Association, Inc. ("**ISDA**") and Markit Group Limited ("**Markit**") and various affiliates alleging that, between 2006 and 2009, the recipients breached European Union competition law by taking and refusing to take certain actions in an effort to prevent the development of exchange traded credit default swap ("**CDS**") products. The SO indicates that the EC plans to impose remedial measures and fines on the recipients. Morgan Stanley and the other recipients filed a response to the SO on 21 January 2014 and attended oral hearings before the EC during the period 12-19 May 2014. Morgan Stanley's oral hearing took place on 15 May 2014. Morgan Stanley filed a supplemental response to the SO on 11 July 2014. Morgan Stanley

and others have also responded to an investigation by the Antitrust Division of the United States Department of Justice related to the CDS market.

Beginning in May 2013, twelve financial firms (including Morgan Stanley), as well as ISDA and Markit, were named as defendants in multiple purported antitrust class actions now consolidated into a single proceeding in the SDNY styled *In Re: Credit Default Swaps Antitrust Litigation*. Plaintiffs allege that defendants violated United States antitrust laws from 2008 to present in connection with their alleged efforts to prevent the development of exchange traded CDS products. The complaints seek, among other relief, certification of a class of plaintiffs who purchased CDS from defendants in the United States, treble damages and injunctive relief. On 4 September 2014, the court granted in part and denied in part the defendants' motion to dismiss the second amended complaint.

The following matters were terminated during or following the quarter ended 31 December 2014

In re Morgan Stanley ERISA Litigation and *Coulter v. Morgan Stanley & Co. Incorporated et al* were purported class action complaints asserting claims on behalf of participants in Morgan Stanley's 401(k) plan and employee stock ownership plan against Morgan Stanley and other parties, including certain present and former directors and officers, under the Employee Retirement Income Security Act of 1974 ("ERISA") relating to Morgan Stanley's subprime and other mortgage related losses. Both cases were dismissed by the SDNY and their dismissal affirmed by the Second Circuit. On 3 December 2014, the time for plaintiffs to pursue a further appeal expired.

In re Morgan Stanley Mortgage Pass-Through Certificates Litigation, which had been pending in the SDNY, was a putative class action involving allegations that, among other things, the registration statements and offering documents related to the offerings of certain mortgage pass-through certificates in 2006 and 2007 contained false and misleading information concerning the pools of residential loans that backed these securitisations. On 18 December 2014, the parties' agreement to settle the litigation received final court approval, and on 19 December 2014, the court entered an order dismissing the action.

In re IndyMac Mortgage-Backed Securities Litigation, which had been pending in the SDNY, was a class action involving allegations that, among other things, the registration statements and offering documents related to the offerings of certain mortgage pass-through certificates contained false and misleading information concerning the pools of residential loans that backed these securitisations. On 3 February 2015, the court issued its final approval of the parties' agreement to settle the litigation and on 23 February 2015, the court entered a final judgment dismissing the action.

Allstate Life Insurance Company, et al. v. Morgan Stanley, et al., which had been pending in the Supreme Court of NY, involved allegations that the defendants made untrue statements and material omissions in the sale to the plaintiff of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. On 16 January 2015, the parties reached an agreement to settle the litigation.

Morgan Stanley First Quarterly Report

The following developments have occurred with respect to certain matters previously reported in the 2014 Morgan Stanley Annual Report, as reported above, or concern new actions that have been filed since 31 December 2014.

Residential Mortgage and Credit Crisis Related Matters.

On 23 February 2015, the plaintiff in *Sealink Funding Limited v. Morgan Stanley, et al.* perfected its appeal of the court's 18 April 2014 decision granting Morgan Stanley's motion to dismiss the second amended complaint.

On 25 February 2015, the court in *National Credit Union Administration Board v. Morgan Stanley & Co. Incorporated, et al.*, pending in the United States District Court for the District of

Kansas, granted in part and denied in part the defendants' motion to dismiss the amended complaint in part. On 23 March 2015, the plaintiff filed a motion seeking reconsideration of the 27 December 2013 order granting the defendants' motion to dismiss in substantial part.

On 24 March 2015, the court in *Federal Deposit Insurance Corporation, as Received for United Western Bank v. Banc of America Funding Corp., et al.*, denied the defendants' motion to dismiss in substantial part.

On 3 April 2015, the court in *Deutsche Bank National Trust Company v. Morgan Stanley Mortgage Capital Holdings LLC*, pending in the United States District Court for the Southern District of New York, granted in part and denied in part the defendant's motion to dismiss the complaint.

On 23 April 2015, the court in *Phoenix Light SF Limited et al v. Morgan Stanley et al.* granted Morgan Stanley's motion to dismiss the amended complaint.

(b) **Contingencies**

The following is an extract of Note 13 from Item 8 of Part II entitled “Contingencies” from the 2014 Morgan Stanley Annual Report

In the normal course of business, Morgan Stanley 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. These actions have included, but are not limited to, residential mortgage and credit crisis related matters. Over the last several years, the level of litigation and investigatory activity (both formal and informal) by governmental and self-regulatory agencies has increased materially in the financial services industry. As a result, Morgan Stanley expects that it may become the subject of increased claims for damages and other relief and, while Morgan Stanley has identified below any individual proceedings where Morgan Stanley believes a material loss to be reasonably possible and reasonably estimable, there can be no assurance that material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be probable or possible and reasonably estimable losses.

Morgan Stanley 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 consolidated financial statements and Morgan Stanley can reasonably estimate the amount of that loss, Morgan Stanley accrues the estimated loss by a charge to income. Morgan Stanley expects future litigation accruals in general to continue to be elevated and the changes in accruals from period to period may fluctuate significantly, given the current environment regarding government investigations and private litigation affecting global financial services firms, including Morgan Stanley.

Morgan Stanley incurred legal expenses of \$3,411 million in 2014, \$1,952 million in 2013 and \$513 million in 2012. The legal expenses incurred in 2014 were primarily due to reserve additions related to an agreement reached in principle with the United States Department of Justice, Civil Division and the U.S. Attorney's Office for the Northern District of California, Civil Division (collectively, the “**Civil Division**”) to pay \$2,600 million to resolve certain claims that the Civil Division indicated it intended to bring against Morgan Stanley, as well as reserves related to certain claims that other members of the RMBS Working Group of the Financial Fraud Enforcement Task Force have indicated they intend to bring against the Company. The legal expenses incurred in 2013 were primarily due to settlements and reserve additions related to various matters, including Morgan Stanley 7 February 2014 agreement to settle the *Federal Housing Finance Agency as Conservator v. Morgan Stanley et al.* litigation for \$1,250 million and Morgan Stanley's 30 January 2014 agreement in principle with the Staff of the Enforcement Division of the SEC to resolve an investigation related to certain subprime RMBS transactions for \$275 million.

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. In addition, even where loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is not always possible to reasonably estimate the size of the possible loss or range of loss.

For certain legal proceedings and investigations, Morgan Stanley cannot reasonably estimate such losses, particularly for proceedings and investigations where the factual record is being developed or contested or where plaintiffs or governmental 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 range of additional loss can be reasonably estimated for a proceeding or investigation.

For certain other legal proceedings and investigations, Morgan Stanley can estimate reasonably possible losses, additional losses, ranges of loss or ranges of additional loss in excess of amounts accrued, but does not believe, based on current knowledge and after consultation with counsel, that such losses will have a material adverse effect on Morgan Stanley's consolidated financial statements as a whole, other than the matters referred to in the following paragraphs.

On 15 March 2010, the Federal Home Loan Bank of San Francisco filed two complaints against Morgan Stanley and other defendants in the Superior Court of the State of California. These actions are styled *Federal Home Loan Bank of San Francisco v. Credit Suisse Securities (USA) LLC, et al.*, and *Federal Home Loan Bank of San Francisco v. Deutsche Bank Securities Inc. et al.*, respectively. Amended complaints filed on 10 June 2010 allege that defendants made untrue statements and material omissions in connection with the sale to plaintiff of a number of mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The amount of certificates allegedly sold to plaintiff by Morgan Stanley in these cases was approximately \$704 million and \$276 million, respectively. The complaints raise claims under both the federal securities laws and California law and seek, among other things, to rescind the plaintiff's purchase of such certificates. On 11 August 2011, plaintiff's federal securities law claims were dismissed with prejudice. The defendants filed answers to the amended complaints on 7 October 2011. On 9 February 2012, defendants' demurrers with respect to all other claims were overruled. On 20 December 2013, plaintiff's negligent misrepresentation claims were dismissed with prejudice. A bellwether trial was scheduled to begin in January 2015. Morgan Stanley was not a defendant in connection with the securitisations at issue in that trial. On 23 May 2014, the plaintiff and the defendants in the bellwether trial filed motions for summary adjudication. On 15 October 2014, these motions were denied. On 29 December 2014 and 13 January 2015, the defendants in the bellwether trial informed the court that they had reached a settlement in principle with the plaintiff. On 25 December 2014, the current unpaid balance of the mortgage pass-through certificates at issue in these cases was approximately \$283 million, and the certificates had incurred actual losses of approximately \$7 million. Based on currently available information, Morgan Stanley believes it could incur a loss for this action up to the difference between the \$283 million unpaid balance of these certificates (plus any losses incurred) and their fair market value at the time of a judgment against Morgan Stanley, or upon sale, plus pre- and post-judgment interest, fees and costs. Morgan Stanley may be entitled to be indemnified for some of these losses and to an offset for interest received by the plaintiff prior to a judgment.

On 15 July 2010, China Development Industrial Bank ("CDIB") filed a complaint against Morgan Stanley, 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 credit default swap 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 Morgan Stanley misrepresented the risks of the STACK 2006-1 CDO to CDIB, and that Morgan Stanley knew that the assets backing the CDO were of poor quality when it entered into the credit default swap with CDIB. The complaint seeks compensatory damages related to the approximately \$228 million that CDIB alleges it has already lost under the credit default swap,

rescission of CDIB's obligation to pay an additional \$12 million, punitive damages, equitable relief, fees and costs. On 28 February 2011, the court denied Morgan Stanley's motion to dismiss the complaint. Based on currently available information, Morgan Stanley believes it could incur a loss of up to approximately \$240 million plus pre- and post-judgment interest, fees and costs.

On 18 July 2011, the Western and Southern Life Insurance Company and certain affiliated companies filed a complaint against Morgan Stanley and other defendants in the Court of Common Pleas in Ohio, styled *Western and Southern Life Insurance Company, et al. v. Morgan Stanley Mortgage Capital Inc., et al.* An amended complaint was filed on 2 April 2012 and alleges that defendants made untrue statements and material omissions in the sale to plaintiffs of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The amount of the certificates allegedly sold to plaintiffs by Morgan Stanley was approximately \$153 million. The amended complaint raises claims under the Ohio Securities Act, federal securities laws, and common law and seeks, among other things, to rescind the plaintiffs' purchases of such certificates. On 21 May 2012, the Morgan Stanley defendants filed a motion to dismiss the amended complaint, which was denied on 3 August 2012. Morgan Stanley filed its answer on 17 August 2012. Morgan Stanley filed a motion for summary judgment on 20 January 2015. Trial is currently scheduled to begin in July 2015. On 25 December 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$110 million, and the certificates had incurred actual losses of approximately \$2 million. Based on currently available information, Morgan Stanley believes it could incur a loss in this action up to the difference between the \$110 million unpaid balance of these certificates (plus any losses incurred) and their fair market value at the time of a judgment against Morgan Stanley, plus pre- and post-judgment interest, fees and costs. Morgan Stanley may be entitled to an offset for interest received by the plaintiff prior to a judgment.

On 25 April 2012, The Prudential Insurance Company of America and certain affiliates filed a complaint against Morgan Stanley and certain affiliates in the Superior Court of the State of New Jersey styled *The Prudential Insurance Company of America, et al. v. Morgan Stanley, et al.* On 16 October 2012, the plaintiffs filed an amended complaint. The amended complaint alleges that defendants made untrue statements and material omissions in connection with the sale to plaintiffs of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley is approximately \$1.073 billion. The amended complaint raises claims under the New Jersey Uniform Securities Law, as well as common law claims of negligent misrepresentation, fraud, fraudulent inducement, equitable fraud, aiding and abetting fraud, and violations of the New Jersey RICO statute, and includes a claim for treble damages. On 15 March 2013, the court denied the defendants' motion to dismiss the amended complaint. On 26 April 2013, the defendants filed an answer to the amended complaint. On 2 January 2015, the court denied the defendants' renewed motion to dismiss the amended complaint. On 25 December 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$605 million, and the certificates had not yet incurred actual losses. Based on currently available information, Morgan Stanley believes it could incur a loss in this action up to the difference between the \$605 million unpaid balance of these certificates (plus any losses incurred) and their fair market value at the time of a judgment against Morgan Stanley, plus pre- and post-judgment interest, fees and costs. Morgan Stanley may be entitled to be indemnified for some of these losses and to an offset for interest received by the plaintiff prior to a judgment.

On 7 August 2012, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-4SL and Mortgage Pass-Through Certificates, Series 2006-4SL (together, the "**Trust**") against Morgan Stanley. The matter is styled *Morgan Stanley Mortgage Loan Trust 2006-4SL, et al. v. Morgan Stanley Mortgage Capital Inc.* and is 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 \$303 million, breached various representations and warranties. The complaint seeks, among other things, relief, rescission of the mortgage loan purchase agreement underlying the transaction, specific performance and unspecified damages and interest. On 8 August 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss. On 3 September 2014, Morgan Stanley filed its answer to the complaint. Based on currently available

information, Morgan Stanley believes that it could incur a loss in this action of up to approximately \$149 million, plus pre- and post-judgment interest, fees and costs.

On 8 August 2012, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-14SL, Mortgage Pass-Through Certificates, Series 2006-14SL, Morgan Stanley Mortgage Loan Trust 2007-4SL and Mortgage Pass-Through Certificates, Series 2007-4SL against Morgan Stanley. The complaint is styled *Morgan Stanley Mortgage Loan Trust 2006-14SL, et al. v. Morgan Stanley Mortgage Capital Holdings LLC, as successor in interest to Morgan Stanley Mortgage Capital Inc.* and is 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 trusts, which had original principal balances of approximately \$354 million and \$305 million respectively, breached various representations and warranties. On 9 October 2012, Morgan Stanley filed a motion to dismiss the complaint. On 16 August 2013, the court granted in part and denied in part Morgan Stanley's motion to dismiss the complaint. On 17 September 2013, Morgan Stanley filed its answer to the complaint. On 26 September 2013, and 7 October 2013, Morgan Stanley and the plaintiffs, respectively, filed notices of appeal with respect to the court's 16 August 2013 decision. The plaintiff is seeking, among other relief, rescission of the mortgage loan purchase agreements underlying the transactions, specific performance and unspecified damages and interest. Based on currently available information, Morgan Stanley believes that it could incur a loss in this action of up to approximately \$527 million, plus pre- and post-interest, fees and costs.

On 28 September 2012, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-13ARX against Morgan Stanley styled *Morgan Stanley Mortgage Loan Trust 2006-13ARX v. Morgan Stanley Mortgage Capital Holdings LLC, as successor in interest to Morgan Stanley Mortgage Capital Inc.*, pending in the Supreme Court of NY. U.S. Bank filed an amended complaint on 17 January 2013, which 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 \$609 million, breached various representations and warranties. The amended complaint seeks, among other relief, declaratory judgment relief, specific performance and unspecified damages and interest. On 25 September 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss. Based on currently available information, Morgan Stanley believes that it could incur a loss in this action of up to approximately \$173 million, plus pre- and post-judgment interest, fees and costs.

On 10 January 2013, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-10SL and Mortgage Pass-Through Certificates, Series 2006-10SL against Morgan Stanley. The complaint is styled *Morgan Stanley Mortgage Loan Trust 2006-10SL, et al. v. Morgan Stanley Mortgage Capital Holdings LLC, as successor in interest to Morgan Stanley Mortgage Capital Inc.* and is 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 \$300 million, breached various representations and warranties. The complaint seeks, among other relief, an order requiring the Company to comply with the loan breach remedy procedures in the transaction documents, unspecified damages, and interest. On 8 August 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss. On 3 September 2014, Morgan Stanley filed its answer to the complaint. Based on currently available information, Morgan Stanley believes that it could incur a loss in this action of up to approximately \$197 million, plus pre- and post-judgment interest, fees and costs.

On 3 May 2013, plaintiffs in *Deutsche Zentral-Genossenschaftsbank AG et al. v. Morgan Stanley et al.* filed a complaint against Morgan Stanley, certain affiliates, and other defendants in the Supreme Court of NY. The complaint alleges that defendants made material misrepresentations and omissions in the sale to plaintiffs of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to plaintiff was approximately \$694 million. The complaint alleges causes of action against Morgan Stanley for common law fraud, fraudulent concealment, aiding and abetting fraud, and negligent misrepresentation, and rescission and seeks, among other things, compensatory and punitive damages. On 10 June 2014, the court denied the defendants' motion to dismiss. On 10 July 2014, Morgan Stanley filed

a renewed motion to dismiss with respect to two certificates at issue in the case. On 4 August 2014, claims regarding two certificates were dismissed by stipulation. After these dismissals, the remaining amount of certificates allegedly issued by Morgan Stanley or sold to the plaintiff by the Company was approximately \$644 million. On 13 October 2014, Morgan Stanley filed its answer to the complaint. On 25 December 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$294 million, and the certificates had incurred actual losses of approximately \$79 million. Based on currently available information, Morgan Stanley believes it could incur a loss in this action up to the difference between the \$294 million unpaid balance of these certificates (plus any losses incurred) and their fair market value at the time of a judgment against Morgan Stanley, or upon sale, plus pre- and post-judgment interest, fees and costs. Morgan Stanley may be entitled to be indemnified for some of these losses.

On 23 September 2013, the plaintiff in *National Credit Union Administration Board v. Morgan Stanley & Co. Inc., et al.* filed a complaint against Morgan Stanley and certain affiliates in the United States District Court for the Southern District of New York. The complaint alleges that defendants made untrue statements of material fact or omitted to state material facts in the sale to the plaintiff of certain mortgage pass-through certificates issued by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to plaintiffs was approximately \$417 million. The complaint alleges causes of action against Morgan Stanley for violations of Section 11 and Section 12(a)(2) of the Securities Act of 1933, violations of the Texas Securities Act, and violations of the Illinois Securities Law of 1953 and seeks, among other things, rescissory and compensatory damages. The defendants filed a motion to dismiss the complaint on 13 November 2013. On 22 January 2014 the court granted defendants' motion to dismiss with respect to claims arising under the Securities Act of 1933 and denied defendants' motion to dismiss with respect to claims arising under Texas Securities Act and the Illinois Securities Law of 1953. On 17 November 2014, the plaintiff filed an amended complaint. On 15 December 2014, the defendants answered the amended complaint. On 25 December 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$208 million, and the certificates had incurred actual losses of \$27 million. Based on currently available information, Morgan Stanley believes it could incur a loss in this action up to the difference between the \$208 million unpaid balance of these certificates (plus any losses incurred) and their fair market value at the time of a judgment against Morgan Stanley, or upon sale, plus pre- and post-judgment interest, fees and costs. Morgan Stanley may be entitled to be indemnified for some of these losses and to an offset for interest received by the plaintiff prior to a judgment.

Morgan Stanley First Quarterly Report

The following developments have occurred with respect to certain matters previously reported in the 2014 Morgan Stanley Annual Report, as reported above, or concern new actions that have been filed since 31 December 2014.

On 15 July 2010, China Development Industrial Bank ("**CDIB**") filed a complaint against Morgan Stanley, 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 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 Morgan Stanley misrepresented the risks of the STACK 2006-1 CDO to CDIB, and that Morgan Stanley knew that the assets backing the CDO were of poor quality when it entered into the credit default swap with CDIB. The complaint seeks compensatory damages related to the approximately \$228 million that CDIB alleges it has already lost under the credit default swap, rescission of CDIB's obligation to pay an addition \$12 million, punitive damages, equitable relief, fees and costs. On 28 February 2011, the court denied Morgan Stanley's motion to dismiss the complaint. Base on currently available information, Morgan Stanley believes it could incur a loss of up to approximately \$240 million plus pre- and post-judgment interest, fees and costs.

On 18 July 2011, the Western and Southern Life Insurance Company and certain affiliated companies filed a complaint against Morgan Stanley and other defendants in the Court of Common Pleas in Ohio, styled *Western and Southern Life Insurance Company, et al. v. Morgan*

Stanley Mortgage Capital Inc., et al. An amended complaint was filed on 2 April 2012 and alleges that defendants made untrue statements and material omissions in the sale to plaintiffs of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The amount of the certificates allegedly sold to plaintiffs by Morgan Stanley was approximately \$153 million. The amended complaint raises claims under the Ohio Securities Act, federal securities laws, and common law and seeks, among other things, to rescind the plaintiffs' purchases of such certificates. Morgan Stanley filed its answer on 17 August 2012. Morgan Stanley filed a motion for summary judgment on 20 January 2015. Trial is currently scheduled to begin in July 2015. On 25 March 2015, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$108 million, and the certificates had incurred actual losses of approximately \$2 million. Based on currently available information, Morgan Stanley believes it could incur a loss in this action up to the difference between the \$108 million unpaid balance of these certificates (plus any losses incurred) and their fair market value at the time of a judgment against Morgan Stanley, or upon sale, plus pre- and post-judgment interest, fees and costs. Morgan Stanley may be entitled to an offset for interest received by the plaintiff prior to a judgment.

On 25 April 2012, The Prudential Insurance Company of America and certain affiliates filed a complaint against Morgan Stanley and certain affiliates in the Superior Court of the State of New Jersey, styled *The Prudential Insurance Company of America, et al. v. Morgan Stanley, et al.* On 16 October 2012, the plaintiffs filed an amended complaint, which alleges that defendants made untrue statements and material omissions in connection with the sale to plaintiffs of certain mortgage pass-through certificates backed by securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley is approximately \$1.073 billion. The amended complaint raises claims under the New Jersey Uniform Securities Law, as well as common law claims of negligent misrepresentation, fraud, fraudulent inducement, equitable fraud, aiding and abetting fraud, and violations of the New Jersey RICO statute, and includes a claim for treble damages. On 26 April 2013, the defendants filed an answer to the amended complaint. On 2 January 2015, the court denied defendants' renewed motion to dismiss the amended complaint. On 25 March 2015, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$598 million, and the certificates had not yet incurred actual losses. Based on currently available information, Morgan Stanley believes it could incur a loss in this action up to the difference between the \$598 million unpaid balance of these certificates (plus any losses incurred) and their fair market value at the time of a judgment against Morgan Stanley, or upon sale, plus pre- and post-judgment interest, fees and costs. Morgan Stanley may be entitled to be indemnified for some of these losses and to an offset for interest received by the plaintiff prior to a judgment.

On 7 August 2012, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-4SL and Mortgage Pass-Through Certificates, Series 2006-4SL (together, the "Trust") against Morgan Stanley. The matter is styled *Morgan Stanley Mortgage Loan Trust 2006-4SL, et al. v. Morgan Stanley Mortgage Capital Inc.* and is 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 \$303 million, breached various representations and warranties. The complaint seeks, among other relief, rescission of the mortgage loan purchase agreement underlying the transaction, specific performance and unspecified damages and interest. On 8 August 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss. On 3 September 2014, Morgan Stanley filed its answer to the complaint. Based on currently available information, Morgan Stanley believes that it could incur a loss in this action of up to approximately \$149 million, plus pre- and post-judgment interest, fees and costs.

On 8 August 2012, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-14SL, Mortgage Pass-Through Certificates, Series 2006-14SL, Morgan Stanley Mortgage Loan Trust 2007-4SL and Mortgage Pass-Through Certificates, Series 2007-4SL against the Company. The complaint is styled *Morgan Stanley Mortgage Loan Trust 2006-14SL, et al. v. Morgan Stanley Mortgage Capital Holdings LLC, as successor in interest to Morgan Stanley Mortgage Capital Inc.* and is 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 trusts, which had original principal balances of approximately \$354 million and \$305

million respectively, breached various representations and warranties. On 16 August 2013, the court granted in part and denied in part Morgan Stanley's motion to dismiss the complaint. On 17 September 2013, Morgan Stanley filed its answer to the complaint. On 26 September 2013, and 7 October 2013, Morgan Stanley and the plaintiffs, respectively, filed notices of appeal with respect to the court's 16 August 2013 decision. The plaintiff is seeking, among other relief, rescission of the mortgage loan purchase agreements underlying the transactions, specific performance and unspecified damages and interest. Based on currently available information, Morgan Stanley believes that it could incur a loss in this action of up to approximately \$527 million, plus pre- and post-interest, fees and costs.

On 28 September 2012, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-13ARX against the Company styled *Morgan Stanley Mortgage Loan Trust 2006-13ARX v. Morgan Stanley Mortgage Capital Holdings LLC, as successor in interest to Morgan Stanley Mortgage Capital Inc.*, pending in the Supreme Court of NY. U.S. Bank filed an amended complaint on 17 January 2013, which 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 \$609 million, breached various representations and warranties. The amended complaint seeks, among other relief, declaratory judgment relief, specific performance and unspecified damages and interest. On 25 September 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss. Based on currently available information, Morgan Stanley believes that it could incur a loss in this action of up to approximately \$173 million, plus pre- and post-judgment interest, fees and costs.

On 10 January 2013, U.S. Bank, in its capacity as Trustee, filed a complaint on behalf of Morgan Stanley Mortgage Loan Trust 2006-10SL and Mortgage Pass-Through Certificates, Series 2006-10SL against the Company. The complaint is styled *Morgan Stanley Mortgage Loan Trust 2006-10SL, et al. v. Morgan Stanley Mortgage Capital Holdings LLC, as successor in interest to Morgan Stanley Mortgage Capital Inc.* and is 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 \$300 million, breached various representations and warranties. The complaint seeks, among other relief, an order requiring Morgan Stanley to comply with the loan breach remedy procedures in the transaction documents, unspecified damages, and interest. On 8 August 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss. On 3 September 2014, Morgan Stanley filed its answer to the complaint. Based on currently available information, Morgan Stanley believes that it could incur a loss in this action of up to approximately \$197 million, plus pre- and post-judgment interest, fees and costs.

On 3 May 2013, the plaintiffs in *Deutsche Zentral-Genossenschaftsbank AG et al. v. Morgan Stanley et al.* filed a complaint against Morgan Stanley, certain affiliates, and other defendants in the Supreme Court of NY. The complaint alleges that defendants made material misrepresentations and omissions in the sale to plaintiffs 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 Morgan Stanley to the plaintiff was approximately \$694 million. The complaint alleges causes of action against Morgan Stanley for common law fraud, fraudulent concealment, aiding and abetting fraud, negligent misrepresentation, and rescission and seeks, among other things, compensatory and punitive damages. On 10 June 2014, the court denied defendants' motion to dismiss. On 4 August 2014, claims regarding two certificates were dismissed by stipulation. After these dismissals, the remaining amount of certificates allegedly issued by Morgan Stanley or sold to plaintiff by Morgan Stanley was approximately \$644 million. On 12 September 2014, Morgan Stanley filed a notice of appeal from the denial of the motion to dismiss. On 12 January 2015, Morgan Stanley filed an amended answer to the complaint. On 25 March 2015, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$289 million, and the certificates had incurred actual losses of approximately \$79 million. Based on currently available information, Morgan Stanley believes it could incur a loss in this action up to the difference between the \$289 million unpaid balance of these certificates (plus any losses incurred) and their fair market value at the time of a judgment against Morgan Stanley, or upon sale, plus pre- and post-judgment interest, fees and costs. Morgan Stanley may be entitled to be indemnified for some of these losses.

On 23 September 2013, the plaintiff in *National Credit Union Administration Board v. Morgan Stanley & Co. Inc., et al.* filed a complaint against Morgan Stanley and certain affiliates in the United States District Court for the Southern District of New York (“SDNY”). The complaint alleges that defendants made untrue statements of material fact or omitted to state material facts in the sale to the plaintiff of certain mortgage pass-through certificates issued by securitisation trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by Morgan Stanley to the plaintiffs was approximately \$417 million. The complaint alleges causes of action against Morgan Stanley for violations of Section 11 and Section 12(a)(2) of the Securities Act of 1933, violations of the Texas Securities Act, and violations of the Illinois Securities Law of 1953 and seeks, among other things, rescissory and compensatory damages. On 22 January 2014, the court granted defendants’ motion to dismiss with respect to claims arising under the Securities Act of 1933 and denied defendants’ motion to dismiss with respect to claims arising under Texas Securities Act and the Illinois Securities Law of 1953. On 17 November 2014, the plaintiff filed an amended complaint. On 15 December 2014, the defendants answered the amended complaint. On 25 March 2015, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$204 million, and the certificates had incurred actual losses of \$28 million. Based on currently available information, Morgan Stanley believes it could incur a loss in this action up to the difference between the \$204 million unpaid balance of these certificates (plus any losses incurred) and their fair market value at the time of a judgment against Morgan Stanley, or upon sale, plus pre- and post-judgment interest, fees and costs. Morgan Stanley may be entitled to be indemnified for some of these losses and to an offset for interest received by the plaintiff prior to a judgment.

On 28 April 2014, Deutsche Bank National Trust Company, in its capacity as trustee for Morgan Stanley Structured Trust I 2007-1, filed a complaint against Morgan Stanley. The matter is styled *Deutsche Bank National Trust Company v. Morgan Stanley Mortgage Capital Holdings LLC* and is pending in the SDNY. 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 \$735 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 compensatory and/or rescissory damages, interest and costs. On 3 April 2015, the court granted in part and denied in part Morgan Stanley’s motion to dismiss. On 17 April 2015, Morgan Stanley filed its answer to the complaint. Based on currently available information, Morgan Stanley believes that it could incur a loss in this action of up to approximately \$292 million, plus pre- and post-judgment interest, fees and costs.

Save as disclosed in:

- (a) the paragraphs beginning with "Residential Mortgage and Credit Crisis Related Matters" in Part I - Item 3 entitled "*Legal Proceedings*" at pages 37-49 and in the paragraphs beginning with "Legal" under the heading "*Contingencies*" in Part II - Item 8 entitled "*Notes to Consolidated Financial Statements*" at pages 255-259 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2014;
- (b) the paragraphs in Part II – Other Information entitled "*Legal Proceedings*" at pages 161-162 and in the paragraphs beginning with "Legal" under the heading "*Contingencies*" in Part I – Item 1 entitled "*Notes to Consolidated Financial Statements*" at pages 69-73 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended 31 March 2015; and
- (c) in this 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 December 31, 2013 and 2014 and for each of the three years ended December 31, 2014, and the effectiveness of internal control over financial reporting as of December 31, 2014, 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 March 2, 2015, which are incorporated herein.

Trend Information

Morgan Stanley's results of operations may be materially affected by market fluctuations due to global and economic conditions and other factors. Morgan Stanley's results of operations in the past have been, and in the future may be, materially affected by many factors, including the effect of economic and political conditions and geopolitical events; 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 impact of current, pending and future legislation (including the Dodd-Frank Act), regulation (including capital, leverage and liquidity requirements), policies (including fiscal and monetary), and legal and regulatory actions in the U.S. and worldwide; the level and volatility of equity, fixed income and commodity prices (including oil prices), interest rates, currency values and other market indices; the availability and cost of both credit and capital as well as the credit ratings assigned to Morgan Stanley's unsecured short-term and long-term debt; investor, consumer and business sentiment and confidence in the financial markets; the performance of its acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements (including with MUFG); its reputation and the general perception of the financial services industry; inflation, natural disasters, pandemics and acts of war or terrorism; the actions and initiatives of current and potential competitors, as well as governments, regulators and self-regulatory organisations; the effectiveness of its risk management policies; and technological changes and risks and cybersecurity risks (including cyber attacks and business continuity risks); 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. These factors also may have an adverse impact on its ability to achieve its strategic objectives.

There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2014.

Significant Change

There has been no significant change in the financial or trading position of Morgan Stanley since 31 March 2015.

Share Capital

The authorised share capital of Morgan Stanley at 31 March 2015 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 2014 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 organised 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. This framework is a risk-based use-of-capital measure, which is compared with Morgan Stanley's regulatory capital to ensure Morgan Stanley maintains an amount of going concern capital after absorbing potential losses from extreme stress events where applicable, at a point in time. Morgan Stanley defines the difference between its regulatory capital and aggregate Required Capital as Parent capital. Average Tier 1 common capital, aggregate Required Capital and Parent capital for 2014 were approximately \$57.6 billion, \$38.4 billion and \$19.2 billion, respectively. Morgan Stanley generally holds Parent capital for prospective regulatory requirements, including U.S. Basel III transitional deductions and adjustments expected to reduce Morgan Stanley's capital through 2018. Morgan Stanley generally holds Parent capital for prospective regulatory requirements, organic growth, acquisitions and other capital needs.

Common Equity Tier 1 common capital and common equity attribution to the business segments is based on capital usage calculated by the Required Capital Framework as well as each business segment's relative contribution to Morgan Stanley's total Required Capital. Required Capital is assessed at each business segment in order to allow senior management to evaluate returns on a risk-adjusted basis. The Required Capital Framework will evolve over time in response to changes in the business and regulatory environment and to incorporate enhancements in modelling 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 business segments' and Parent's average Tier 1 common capital and average common equity for 2014 and 2013:

	31 December 2014 (U.S. Basel III)		31 December 2013 (U.S. Basel I + Basel 2.5)	
	Average Common Equity Tier 1 Capital	Average Common Equity	Average Tier 1 Common Capital	Average Common Equity
	<i>(dollars in billions)</i>			
Institutional Securities	\$31.3	\$32.2	\$32.7	\$37.9
Wealth Management	5.2	11.2	4.3	13.2
Investment Management	1.9	2.9	1.7	2.8
Parent capital	19.2	19.0	9.0	8.0
Total	\$57.6	\$65.3	\$47.7	\$61.9

Overview of 2014 Financial Results.

Consolidated Results. The recorded net income applicable to Morgan Stanley of \$3,467 million on net revenues of \$34,275 million in 2014 compared with net income applicable to Morgan Stanley of \$2,932 million on net revenues of \$32,493 million in 2013.

Net revenues in 2014 included positive revenues due to the impact of DVA of \$651 million compared with negative revenues of \$681 million in 2013. In addition, net revenues in 2014 included a charge of approximately \$468 million related to the implementation of Funding Valuation Adjustments ("**FVA**"), which was recorded in Morgan Stanley's Institutional Securities business segment. Non-interest expenses were \$30,684 million in 2014 compared with \$27,935 million in 2013. Compensation expenses increased 10% to \$17,824 million in 2014 compared with \$16,277 million in 2013, primarily driven by compensation expense adjustments of approximately \$1.1 billion related to changes in discretionary incentive compensation deferrals. Non-compensation expenses increased 10% to \$12,860 million in 2014 compared with \$11,658 million in 2013, primarily due to higher legal expenses.

Diluted EPS and diluted EPS from continuing operations were \$1.60 and \$1.61, respectively, in 2014 compared with \$1.36 and \$1.38, respectively, in 2013. The diluted EPS calculation for 2013 included a negative adjustment of approximately \$151 million, or \$0.08 per diluted share, related to the purchase of the retail securities joint venture between Morgan Stanley and Citigroup Inc. ("**Citi**") (the "**Wealth Management JV**"), which was completed in June 2013.

Excluding the impact of DVA, net revenues were \$33,624 million and diluted EPS from continuing operations were \$1.39 per share in 2014 compared with \$33,174 million and \$1.61 per share,

respectively, in 2013. The presentation of net revenues excluding the impact of DVA is a non-GAAP financial measure that Morgan Stanley considers useful for Morgan Stanley and investors to allow further comparability of period-to-period operating performance.

Morgan Stanley's effective tax rate from continuing operations was a benefit of 2.5% and a provision of 19.8% for 2014 and 2013, respectively. The results for 2014 and 2013 included discrete net tax benefits of \$2,226 million and \$407 million, respectively. Excluding these discrete net tax benefits, the effective tax rates from continuing operations for 2014 and 2013 would have been 59.5% and 28.7%, respectively. The increase in the tax rate is mainly attributable to higher non-deductible expenses related to litigation and regulatory matters and, to a lesser extent, the geographic mix of earnings.

Institutional Securities. Income (loss) from continuing operations before taxes was \$(58) million in 2014 compared with \$946 million in 2013. Net revenues for 2014 were \$16,871 million compared with \$15,519 million in 2013. The results in 2014 included positive revenues due to the impact of DVA of \$651 million compared with negative revenues of \$681 million in 2013. Investment banking revenues increased 19% from 2013 to \$5,203 million in 2014, reflecting increases across equity and fixed income underwriting and advisory revenues. Equity sales and trading net revenues, excluding the impact of DVA, increased 4% from 2013 to \$6,903 million in 2014, primarily due to higher revenues in the prime brokerage business driven by higher client balances partially offset by a decrease in derivatives revenues, reflecting unfavorable volatility movement. Excluding the impact of DVA, fixed income and commodities sales and trading net revenues decreased 10% from 2013 to \$3,795 million in 2014 as lower fixed income product results, which included a charge of \$466 million related to the implementation of FVA, were partially offset by higher commodity net revenues. Non-interest expenses increased 16% from \$14,573 million in 2013 to \$16,929 million in 2014, primarily due to higher non-compensation expenses, reflecting increased legal expenses related to certain legacy residential mortgage matters, and higher compensation expense.

Wealth Management. Income from continuing operations before taxes was \$2,985 million in 2014 compared with \$2,604 million in 2013. Net revenues were \$14,888 million in 2014 compared with \$14,143 million in 2013. Transactional revenues, consisting of Investment banking, Trading, and Commissions and fees, decreased 10% from 2013 to \$3,875 million in 2014. Investment banking revenues decreased 14% from 2013 to \$791 million in 2014, primarily due to lower levels of underwriting activity in closed-end funds partially offset by higher revenues from structured products. Trading revenues decreased 18% from 2013 to \$957 million in 2014, primarily due to lower gains related to investments associated with certain employee deferred compensation plans and lower revenues from fixed income products. Commissions and fees revenues decreased 4% from 2013 to \$2,127 million in 2014, primarily due to lower equity, insurance and mutual fund activity. Asset management, distribution and administration fees increased 10% from 2013 to \$8,345 million in 2014, primarily due to higher fee-based revenues partially offset by lower revenues from referral fees from the bank deposit program. Net interest increased 25% from 2013 to \$2,339 million in 2014, primarily due to higher lending balances and growth in loans and lending commitments in Portfolio Loan Account ("PLA") securities-based lending products. Non-interest expenses increased 3% from \$11,539 million in 2013 to \$11,903 million in 2014 primarily due to higher compensation expenses, which were partially offset by lower non-compensation expenses. Total client asset balances were \$2,025 billion and total client liability balances were \$51 billion on 31 December 2014. Balances in the bank deposit program were \$137 billion on 31 December 2014, which included deposits held by Morgan Stanley-affiliated FDIC insured depository institutions of \$128 billion on 31 December 2014. Client assets in fee-based accounts were \$785 billion, or 39% of total client assets, on 31 December 2014. Fee-based client asset flows for 2014 were \$58.8 billion compared with \$51.9 billion in 2013.

Investment Management. Income from continuing operations before taxes was \$664 million in 2014 compared with \$1,008 million in 2013. Net revenues were \$2,712 million in 2014 compared with \$3,059 million in 2013. The decrease in net revenues was primarily related to lower net investment gains and the non-recurrence of an additional allocation of fund income to Morgan Stanley as general partner, in 2013 upon exceeding cumulative fund performance thresholds ("**carried interest**") in Morgan Stanley's Merchant Banking and Real Estate Investing businesses and lower gains from investments in Morgan Stanley's deferred compensation and co-investment plans. Results also reflected lower revenues from the prior year on investments in the Real Estate Investing business driven by the deconsolidation in the second quarter of 2014 of certain legal entities associated with a real estate fund sponsored by Morgan Stanley. Non-interest expenses of \$2,048 million in 2014 were essentially unchanged from 2013.

MORGAN STANLEY

Consolidated Statements of Financial Condition (dollars in millions, except share data)

	December 31, 2014	December 31, 2013
Assets		
Cash and due from banks (\$45 and \$544 at December 31, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally not available to Morgan Stanley)	\$ 21,381	\$ 16,602
Interest bearing deposits with banks	25,603	43,281
Cash deposited with clearing organizations or segregated under federal and other regulations or requirements (\$149 and \$117 at December 31, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally not available to Morgan Stanley)	40,607	39,203
Trading assets, at fair value (\$127,342 and \$151,078 were pledged to various parties at December 31, 2014 and December 31, 2013, respectively) (\$966 and \$2,825 at December 31, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally not available to Morgan Stanley)	256,801	280,744
Investment securities (includes \$69,216 and \$53,430 at fair value at December 31, 2014 and December 31, 2013, respectively)	69,316	53,430
Securities received as collateral, at fair value	21,316	20,508
Securities purchased under agreements to resell (includes \$1,113 and \$866 at fair value at December 31, 2014 and December 31, 2013, respectively)	83,288	118,130
Securities borrowed	136,708	129,707
Customer and other receivables	48,961	57,104
Loans:		
Held for investment (net of allowances of \$149 and \$156 at December 31, 2014 and December 31, 2013, respectively)	57,119	36,545
Held for sale	9,458	6,329
Other investments (\$467 and \$561 at December 31, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally not available to Morgan Stanley)	4,355	5,086
Premises, equipment and software costs (net of accumulated depreciation of \$6,219 and \$6,420 at December 31, 2014 and December 31, 2013, respectively) (\$191 and \$201 at December 31, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally not available to Morgan Stanley)	6,108	6,019
Goodwill	6,588	6,595
Intangible assets (net of accumulated amortization of \$1,824 and \$1,527 at December 31, 2014 and December 31, 2013, respectively) (includes \$6 and \$8 at fair value at December 31, 2014 and December 31, 2013, respectively)	3,159	3,286
Other assets (\$59 and \$11 at December 31, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally not available to Morgan Stanley)	10,742	10,133
Total assets	\$ 801,510	\$ 832,702
Liabilities		
Deposits (includes \$0 and \$185 at fair value at December 31, 2014 and December 31, 2013, respectively)	\$ 133,544	\$ 112,379
Commercial paper and other short-term borrowings (includes \$1,765 and \$1,347 at fair value at December 31, 2014 and December 31, 2013, respectively)	2,261	2,142
Trading liabilities, at fair value (\$1 and \$33 at December 31, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally non-recourse to Morgan Stanley)	107,381	104,521
Obligation to return securities received as collateral, at fair value	25,685	24,568
Securities sold under agreements to repurchase (includes \$612 and \$561 at fair value at December 31, 2014 and December 31, 2013, respectively)	69,949	145,676
Securities loaned	25,219	32,799
Other secured financings (includes \$4,504 and \$5,206 at fair value at December 31, 2014 and December 31, 2013, respectively) (\$348 and \$543 at December 31, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally non-recourse to Morgan Stanley)	12,085	14,215
Customer and other payables	181,069	157,125
Other liabilities and accrued expenses (\$72 and \$76 at December 31, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally non-recourse to Morgan Stanley)	19,441	16,672
Long-term borrowings (includes \$31,774 and \$35,637 at fair value at December 31, 2014 and December 31, 2013, respectively)	152,772	153,575
Total liabilities	729,406	763,672
Commitments and contingent liabilities (see Note 13)		
Equity		
Morgan Stanley shareholders' equity:		
Preferred stock (see Note 15)	6,020	3,220
Common stock, \$0.01 par value:		
Shares authorized: 3,500,000,000 at December 31, 2014 and December 31, 2013;		
Shares issued: 2,038,893,979 at December 31, 2014 and December 31, 2013;		
Shares outstanding: 1,950,980,142 and 1,944,868,751 at December 31, 2014 and December 31, 2013, respectively	20	20
Additional paid-in capital	24,249	24,570
Retained earnings	44,625	42,172
Employee stock trusts	2,127	1,718
Accumulated other comprehensive loss	(1,248)	(1,093)
Common stock held in treasury, at cost, \$0.01 par value:		
Shares outstanding: 87,913,837 and 94,025,228 at December 31, 2014 and December 31, 2013, respectively	(2,766)	(2,968)
Common stock issued to employee stock trusts	(2,127)	(1,718)
Total Morgan Stanley shareholders' equity	70,900	65,921
Nonredeemable noncontrolling interests	1,204	3,109
Total equity	72,104	69,030
Total liabilities and equity	\$ 801,510	\$ 832,702

Consolidated Statements of Income
(dollars in millions, except share and per share data)

	2014	2013	2012
Revenues:			
Investment banking.....	\$ 5,948	\$ 5,246	\$ 4,758
Trading	9,377	9,359	6,990
Investments.....	836	1,777	742
Commissions and fees	4,713	4,629	4,253
Asset management, distribution and administration fees.....	10,570	9,638	9,008
Other.....	1,096	1,066	632
Total non-interest revenues	<u>32,540</u>	<u>31,715</u>	<u>26,383</u>
Interest income	5,413	5,209	5,692
Interest expense	3,678	4,431	5,897
Net interest.....	<u>1,735</u>	<u>778</u>	<u>(205)</u>
Net revenues	<u>34,275</u>	<u>32,493</u>	<u>26,178</u>
Non-interest expenses:			
Compensation and benefits	17,824	16,277	15,615
Occupancy and equipment.....	1,433	1,499	1,543
Brokerage, clearing and exchange fees	1,806	1,711	1,535
Information processing and communications.....	1,635	1,768	1,912
Marketing and business development	658	638	601
Professional services.....	2,117	1,894	1,922
Other.....	5,211	4,148	2,454
Total non-interest expenses	<u>30,684</u>	<u>27,935</u>	<u>25,582</u>
Income from continuing operations before income taxes.....	3,591	4,558	596
Provision for (benefit from) income taxes	(90)	902	(161)
Income from continuing operations.....	<u>3,681</u>	<u>3,656</u>	<u>757</u>
Discontinued operations:			
Income (loss) from discontinued operations before income taxes	(19)	(72)	(48)
Provision for (benefit from) income taxes.....	(5)	(29)	(7)
Income (loss) from discontinued operations	<u>(14)</u>	<u>(43)</u>	<u>(41)</u>
Net income.....	<u>\$ 3,667</u>	<u>\$ 3,613</u>	<u>\$ 716</u>
Net income applicable to redeemable noncontrolling interests.....	—	222	124
Net income applicable to nonredeemable noncontrolling interests.....	<u>200</u>	<u>459</u>	<u>524</u>
Net income applicable to Morgan Stanley.....	<u>\$ 3,467</u>	<u>\$ 2,932</u>	<u>\$ 68</u>
Preferred stock dividends and other.....	315	277	98
Earnings (loss) applicable to Morgan Stanley common shareholders	<u>\$ 3,152</u>	<u>\$ 2,655</u>	<u>\$ (30)</u>
Amounts applicable to Morgan Stanley:			
Income from continuing operations	\$ 3,481	\$ 2,975	\$ 138
Income (loss) from discontinued operations.....	(14)	(43)	(70)
Net income applicable to Morgan Stanley	<u>\$ 3,467</u>	<u>\$ 2,932</u>	<u>\$ 68</u>
Earnings (loss) per basic common share:			
Income from continuing operations	\$ 1.65	\$ 1.42	\$ 0.02
Income (loss) from discontinued operations.....	(0.01)	(0.03)	(0.04)
Earnings (loss) per basic common share.....	<u>\$ 1.64</u>	<u>\$ 1.39</u>	<u>\$ (0.02)</u>
Earnings (loss) per diluted common share:			
Income from continuing operations	\$ 1.61	\$ 1.38	\$ 0.02
Income (loss) from discontinued operations.....	(0.01)	(0.02)	(0.04)
Earnings (loss) per diluted common share	<u>\$ 1.60</u>	<u>\$ 1.36</u>	<u>\$ (0.02)</u>
Dividends declared per common share	\$ 0.35	\$ 0.20	\$ 0.20
Average common shares outstanding:			
Basic.....	<u>1,923,805,397</u>	<u>1,905,823,882</u>	<u>1,885,774,276</u>
Diluted.....	<u>1,970,535,560</u>	<u>1,956,519,738</u>	<u>1,918,811,270</u>

Consolidated Statements of Comprehensive Income
(dollars in millions)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net income	\$ 3,667	\$ 3,613	\$ 716
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments(1).....	\$ (491)	\$ (348)	\$ (255)
Amortization of cash flow hedges(2).....	4	4	6
Change in net unrealized gains (losses) on available for sale securities(3)	209	(433)	28
Pension, postretirement and other related adjustments(4)	29	(5)	(260)
Total other comprehensive income (loss)	<u>\$ (249)</u>	<u>\$ (782)</u>	<u>\$ (481)</u>
Comprehensive income (loss)	\$ 3,418	\$ 2,831	\$ 235
Net income applicable to redeemable noncontrolling interests	—	222	124
Net income applicable to nonredeemable noncontrolling interests	200	459	524
Other comprehensive income (loss) applicable to redeemable noncontrolling interests	—	—	(2)
Other comprehensive income (loss) applicable to nonredeemable noncontrolling interests	(94)	(205)	(120)
Comprehensive income (loss) applicable to Morgan Stanley	<u><u>\$ 3,312</u></u>	<u><u>\$ 2,355</u></u>	<u><u>\$ (291)</u></u>

- (1) Amounts include provision for income taxes of \$352 million, \$351 million and \$120 million for 2014, 2013 and 2012, respectively.
- (2) Amounts include provision for income taxes of \$2 million, \$3 million and \$3 million for 2014, 2013 and 2012, respectively.
- (3) Amounts include provision for (benefit from) income taxes of \$142 million, \$(296) million and \$16 million for 2014, 2013 and 2012, respectively.
- (4) Amounts include provision for (benefit from) income taxes of \$18 million, \$8 million and \$(156) million for 2014, 2013 and 2012, respectively.

SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY

The remainder of this section contains selected financial information of Morgan Stanley relating to the quarter ended 31 March 2014 and 31 March 2015. The information set out below is derived from the unaudited financial statements included in Morgan Stanley's Report on form 10-Q for the quarters ended 31 March 2015 and 31 March 2014.

	At 31 March	
	2014	2015
<i>Balance Sheet (\$ in millions)</i>		
Total assets	831,381	829,099
Total liabilities and equity	831,381	829,099
	Three months ended 31 March	
	2014	2015
<i>Consolidated Income Statement (\$ in millions)</i>		
Net revenues	8,996	9,907
Income from continuing operations before income taxes	2,370	2,855
Net income	1,584	2,463

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.

Legal and commercial name

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

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 forms part 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, France, South Korea, the Netherlands, Poland, the Qatar Financial Centre and Switzerland.

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 securities and related 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 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).

The consolidated accounts set out in the section entitled "*Selected Financial Information of Morgan Stanley & Co. International plc*" herein are the MSI plc Group accounts and for the purposes of those accounts, MSI plc is the parent company of such Group.

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>
David Cannon	Independent Director of Morgan Stanley International Limited, Morgan Stanley Bank International Limited and Morgan Stanley Securities Limited.
Christopher Castello	Director of Morgan Stanley International Limited and Morgan Stanley Bank International Limited.
Sir John Gieve	Independent Director of Morgan Stanley International Limited, Morgan Stanley Bank International Limited, Vocalink Holdings Limited, Nesta Operating Company and Morgan Stanley Securities Limited.
Lee Guy	Director of Morgan Stanley International Limited and Morgan Stanley Bank International Limited.
Colm Kelleher	Director of Morgan Stanley International Limited. Chairman of Morgan Stanley & Co, LLC and Morgan Stanley Capital Services LLC.
Mary Phibbs	Independent Director of Morgan Stanley International Limited, Morgan Stanley Bank International Limited, Morgan Stanley Securities Limited, Nottingham Building Society, SAV Credit Limited, Novae Group plc, Novae Syndicates Limited, Stewart Title Limited, and the Charity Bank Limited.
Ian Plenderleith	Independent Chairman of Morgan Stanley International Limited and Morgan Stanley Bank International Limited. Independent Director of Morgan Stanley Securities Limited, Sanlam UK Limited, BMCE Bank International plc and Chairman of BH Macro Limited.
Robert Rooney	Director of Morgan Stanley International Limited, OOO Morgan Stanley Bank and Member of the Supervisory Board of Morgan Stanley Bank AG.
David Russell	Director of Morgan Stanley International Limited, Morgan Stanley Securities Limited, Strategic Investments I, Inc, Member of the Supervisory Board of Morgan Stanley Bank AG and Director of RMB Morgan Stanley (Proprietary) Limited.
Clare Woodman	Director of Morgan Stanley International Limited, Morgan Stanley Saudi Arabia, OOO Morgan Stanley Bank, Euroclear SA/NV, Euroclear plc and Association For Financial Markets In Europe.

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

Morgan Stanley International Limited ("**MSI**") established an audit committee (the "**Audit Committee**") in September 2003. The current remit of the 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, Morgan Stanley & Co. International plc, Morgan Stanley Securities Limited, Morgan Stanley & Co. Limited, 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 Audit Committee reports to the Board of MSI on a quarterly basis. The Audit Committee comprises David Cannon, Mary Phibbs, Sir John Gieve and Ian Plenderleith. David Cannon, Sir John Gieve, Mary Phibbs and Ian Plenderleith are not officers or employees of Morgan Stanley Group and are independent members of the Audit Committee. The 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:

Share Class	Shareholder	Shares Held (% of Class)
GBP Ordinary Shares	Morgan Stanley Investments (UK)	17,615,107 (100%)
USD Ordinary Shares	Morgan Stanley Investments (UK)	9,935,105,148 (100%)
USD Class A Non-Voting Ordinary Shares	Morgan Stanley Investments (UK)	1,500,000,000 (100%)

7. LEGAL PROCEEDINGS

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 consolidated 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 expects future litigation accruals in general to continue to be elevated and the changes in accruals from period to period may fluctuate significantly, 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 consolidated financial position 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.

Over the last several years, the level of litigation and investigatory activity (both formal and informal) by government and self-regulatory agencies has increased materially in the financial services industry. As a result, the MSI plc Group expects that it may become the subject of increased claims for damages and other relief and, 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, China Development Industrial Bank (“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 the State of New York, New York County. The complaint relates to a \$275 million credit default swap 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 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 credit default swap with CDIB. The complaint seeks compensatory damages related to the approximately \$228 million that CDIB alleges it has already lost under the credit default swap, rescission of CDIB's obligation to pay an additional \$12 million, punitive damages, equitable relief, 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 1 July 2013, the European Commission (“EC”) issued a Statement of Objections (“SO”) addressed to twelve financial firms (including the MSI plc Group), the International Swaps and Derivatives Association, Inc. and Markit Group Limited and various other Morgan Stanley Group undertakings alleging that, between 2006 and 2009, the recipients breached EU competition law by taking and refusing to take certain actions in an effort to prevent the development of exchange traded CDS products. The SO indicates that the EC plans to impose remedial measures and fines on the recipients. The MSI plc Group, other Morgan Stanley Group undertakings and the other recipients filed a response to the SO on 21 January 2014, and attended oral hearings before the EC during the period 12 to 19 May 2014. The MSI plc Group's and the other Morgan Stanley Group undertakings' oral hearing took place on 15 May 2014. The MSI plc Group and the other Morgan Stanley Group undertakings filed a supplemental response to the SO on 11 July 2014. A Morgan Stanley Group undertaking and others have also responded to an investigation by the Antitrust Division of the United States Department of Justice related to the CDS market.

On 8 May 2014, the California Attorney General's Office (“CAAG”), which is one of the members of the Residential Mortgage-Backed Securities (“RMBS”) Working Group, indicated that it has made certain

preliminary conclusions that the Morgan Stanley Group made knowing and material misrepresentations regarding RMBS and that it knowingly caused material misrepresentations to be made regarding the Cheyne SIV, which issued securities marketed to the California Public Employees Retirement System. The CAAG has further indicated that it believes the Morgan Stanley Group's conduct violated California law and that it may seek treble damages, penalties and injunctive relief. The Morgan Stanley Group does not agree with these conclusions and has presented defences to them to the CAAG.

Save as disclosed above under the paragraph entitled "*Litigation matters*", there are no governmental, legal or arbitration proceedings involving MSI plc (including any such proceedings which are pending or threatened of which MSI plc is aware) which may have or have had 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 2014 and 31 December 2013 have been audited by Deloitte LLP of 2 New Street Square, London EC4A 3BZ 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 2014.

Significant Change

There has been no significant change in the financial or trading position of the MSI plc Group since 31 December 2014 (the date of the latest consolidated report and accounts of MSI plc).

Capital Structure

As of 31 December 2014 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 Ordinary Shares**"). Each GBP Ordinary Share is entitled to one vote within its class. The GBP Ordinary Shares as a class are entitled to 0.1777 per cent. of the votes at shareholder meetings.
- (ii) U.S.\$9,934,105,148 divided into 9,934,105,148 ordinary shares of U.S.\$1 par value each (the "**USD Ordinary Shares**"). Each USD Ordinary Share is entitled to one vote within its class. The USD Ordinary Shares as a class are entitled to 99.823 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 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 articles of association were last amended on 24 February 2015.

**SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY & CO. INTERNATIONAL
PLC**

The following table sets out the selected financial information of MSI plc in accordance with applicable law and International Financial Reporting Standards ("**IFRS**"), as adopted by the European Union. Such information is derived from the audited reports and accounts of MSI plc as at 31 December 2014.

The financial information presented below should be read in conjunction with such reports and accounts and the notes thereto.

	Restated	
	31 Dec 2013	31 Dec 2014
	<i>(in \$ millions)</i>	
Consolidated Statement of Financial Position		
<i>Total Assets</i>	493,526	448,526
<i>Total Liabilities and Equity</i>	493,526	448,526
Consolidated Income Statement		
<i>Net Gains On Financial Instruments Classified as Held For Trading</i>	3,281	2,775
<i>Profit before tax</i>	173	(677)
<i>Profit for the year/period</i>	37	(713)

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 Chamber of Commerce (*Kamer van Koophandel*) for Amsterdam under number 34161590. It has its corporate seat at Amsterdam, The Netherlands.

Registered office

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

Legal and commercial name

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

Legislation

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

2. OVERVIEW OF ACTIVITIES

Principal Activities

MSBV's principal activity is the issuance of financial instruments 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. ORGANIZATIONAL 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>
Z. Wu	Director	Executive Director, Morgan Stanley, Director, Archimedes Investments Cooperatieve U.A., Director, Morgan Stanley Global Fund Derivatives Hedge Holdings Luxembourg S.A.
H. Herrmann	Director	Executive Director, Morgan Stanley, Director, Fundlogic (Jersey) Limited, Director, Morgan Stanley Islamic Finance Limited, Director, Morgan Stanley (Jersey) Limited
P.J.G de Reus	Director	Employee of TMF Netherlands B.V.

Name	Title	Principal Outside Activity
R.H.L. de Groot	Director	Employee of TMF Netherlands B.V.
TMF Management B.V.	Director	Dutch corporate service provider

Directors of TMF Management B.V.

H. Ph. De Kanter	Director	Employee of TMF Netherlands B.V.
W.H. Kamphuijs	Director	Employee 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 PRACTICE

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 E.U. law. Morgan Stanley International Limited, a shareholder in MSBV as at 31 December 2014, has an audit committee that functioned as the audit committee of MSBV. On 26 March 2015, Morgan Stanley International Limited disposed of its shareholding in MSBV. Accordingly, MSBV can no longer take the exemption available for groups and has established its own audit committee which complies with the applicable corporate governance rules.

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. All decisions to issue securities are taken by the Board of MSBV and MSBV earns a spread on all its issues of 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, P.O. Box 58110, 1040 HC 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 2013 and 31 December 2014 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 2014.

Significant Change

There has been no significant change in the financial or trading position of MSBV since 31 December 2014.

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 23 April 2015.

SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY B.V.

The profit after tax for the years ended 31 December 2014 and 31 December 2013 was EUR 4,993,000 and EUR 4,576,000 respectively. The profit before tax for the financial years ended 31 December 2014 and 31 December 2013 was EUR 6,658,000 and EUR 6,094,000 respectively.

The total assets of MSBV decreased from EUR 8,170,610,000 at 31 December 2013 to EUR 8,081,802,000 at 31 December 2014 with total liabilities decreasing from EUR 8,145,533,000 at 31 December 2013 to EUR 8,051,732,000 at 31 December 2014.

The financial information in respect of MSBV has been prepared in accordance with IFRS as adopted by the European Union for the years ended 31 December 2013 and 31 December 2014.

ANNEX I

SUBSIDIARIES OF MORGAN STANLEY
AS AT 31 DECEMBER 2014

Name	Country Name	Region / State
Morgan Stanley	United States	DE
Bayfine DE Inc.	United States	DE
Bayfine UK	United Kingdom	ENW
Bayfine DE LLC	United States	DE
Belmondo LLC	United States	DE
Cauca LLC	United States	DE
Cournot Holdings Inc.	United States	DE
Dean Witter Capital Corporation	United States	DE
Dean Witter Realty Inc.	United States	DE
Dean Witter Holding Corporation	United States	DE
Civic Center Leasing Corporation	United States	DE
Realty Management Services Inc.	United States	DE
Dean Witter Reynolds Venture Equities Inc.	United States	DE
Early Adopter Fund Manager Inc.	United States	DE
Fuegos LLC	United States	DE
Fundlogic (Jersey) Limited	Jersey	
FV-I, Inc.	United States	DE
Bellevue Towers Condominiums, LLC	United States	DE
Japan Core Funding, Inc.	United States	DE
Jolter Investments Inc.	United States	DE
Morgan Stanley (Jersey) Limited	Jersey	
Morgan Stanley ABS Capital I Inc.	United States	DE
Morgan Stanley Altabridge Ltd.	Cayman Islands	
Morgan Stanley Amanu LLC	United States	DE
Morgan Stanley Tindur LLC	United States	DE
Morgan Stanley Snowdon Inc.	United States	DE
Morgan Stanley Asset Funding Inc.	United States	DE
Morgan Stanley Atlas, Inc.	United States	DE
Morgan Stanley Biscay LLC	United States	DE
Morgan Stanley Alpha Investments LLP	United Kingdom	ENW
Morgan Stanley Epsilon Investments Limited	United Kingdom	ENW
Morgan Stanley Kite LLC	United States	DE
Morgan Stanley Plover Limited (in Members' Voluntary Liquidation)	United Kingdom	ENW
Morgan Stanley Capital Group Inc.	United States	DE
Aegir Services International Ltd.	Bermuda	
Cayman Energy Ltd.	Cayman Islands	
Ghent Energy Limited	Cayman Islands	
Granite Wash LLC	United States	DE
Houston Bayport Energy LLC	United States	DE
Morgan Stanley Bay Shore LLC	United States	DE
Morgan Stanley Capital Group (Espana), S.L.U.	Spain	
Morgan Stanley Capital Group Czech Republic s.r.o.	Czech Republic	
Morgan Stanley Capital Group Energy Europe Limited	United Kingdom	ENW
Morgan Stanley Clean Development, LLC	United States	DE
Morgan Stanley Renewables Development I (Cayman) Limited	Cayman Islands	
Morgan Stanley Commodities Investment Limited	Cayman Islands	
Morgan Stanley Energy Development Corp.	United States	DE
SEM Royalties LLC	United States	DE
Wellbore Capital, LLC	United States	DE
MS Permian LLC	United States	DE
MS TELA LLC	United States	DE
MS TGX LLC	United States	DE
MSDW Power Development Corp.	United States	DE
American Chemicals, LLC	United States	DE

Name	Country Name	Region / State
Minnewit B.V. (In Members' Voluntary Liquidation)	Netherlands	
MS Solar Canada Holdings Inc.	United States	DE
MS Solar Holdings Canada ULC	Canada	AB
MS Solar Solutions Canada ULC	Canada	AB
MS Solar Investments LLC	United States	DE
MS Solar Holdings Inc.	United States	DE
MS Solar Solutions Corp.	United States	DE
Naniwa Energy LLC	United States	DE
Naniwa Terminal LLC	United States	DE
Wentworth Holdings LLC	United States	DE
Wentworth Compression LLC	United States	DE
Wentworth Gas Marketing LLC	United States	DE
Navires Fuels Limited	United Kingdom	ENW
Navires Fuels SAS	France	
Pioneer Energy Holdings Pty Ltd	Australia	NSW
Pioneer Energy Pty Ltd	Australia	NSW
Power Contract Financing II, Inc.	United States	DE
Power Contract Financing II, L.L.C.	United States	DE
Rolympus (Canada) Commodities Group ULC	Canada	BC
Rolympus (UK) Commodities (Holdings) Limited	United Kingdom	ENW
Rolympus (Asia) Commodities Group Pte. Ltd.	Singapore	
Rolympus (US) Commodities Group, LLC	United States	DE
Biodiesel Blending Inc.	United States	DE
Heidmar Group Inc.	United States	DE
South Eastern Electric Development Corporation	United States	DE
South Eastern Generating Corporation	United States	DE
Sparta Energy Limited	Cayman Islands	
TransMontaigne Canada Holdings Inc.	Canada	QC
TMG Canadian Holdings L.L.C.	United States	DE
Olco Petroleum Group ULC (OLCO)	Canada	AB
TransMontaigne Marketing Canada Inc.	Canada	QC
Utility Contract Funding II, LLC	United States	DE
Morgan Stanley Capital I Inc.	United States	DE
Morgan Stanley Capital Management, LLC	United States	DE
Morgan Stanley Domestic Holdings, Inc.	United States	DE
GHY Capital II B.V.	Netherlands	
Morgan Stanley & Co. LLC	United States	DE
Corporate Services Support Corp.	United States	DE
Hilo Investment Fund	Cayman Islands	
Morgan Stanley Flexible Agreements Inc.	United States	DE
PI Co-Invest LLC	United States	DE
Prime Dealer Services Corp.	United States	DE
V2 Holdings (USA), Inc.	United States	DE
Gee Street Records, Inc.	United States	DE
V2 Records, Inc.	United States	DE
Morgan Stanley Capital Products LLC	United States	DE
Morgan Stanley Capital Services LLC	United States	DE
Morgan Stanley Commercial Financial Services LLC	United States	DE
Morgan Stanley Delta Holdings LLC	United States	NY
Morgan Stanley Bank, N.A.	United States	FED
Morgan Stanley Private Bank, National Association	United States	FED
Morgan Stanley JV Holdings LLC	United States	DE
Morgan Stanley NLE, LLC	United States	DE
Morgan Stanley Services Holdings LLC	United States	DE
MS Financing Inc.	United States	DE
Morgan Stanley 1585 Broadway LLC	United States	DE
Morgan Stanley 750 Building Corp.	United States	DE
Broadway 522 Fifth JV LLC	United States	DE

Name	Country Name	Region / State
GHY Capital B.V.	Netherlands	
MS Harrison LLC	United States	DE
MORGAN STANLEY SMITH BARNEY HOLDINGS LLC	United States	DE
Alternative Investments Mgr, Ltd.	Cayman Islands	
Ceres Managed Futures LLC	United States	DE
Consulting Group Advisory Services LLC	United States	DE
LM Falcon Investment Strategies LLC	United States	DE
Peregrine Investments, LLC	United States	MD
Morgan Stanley Cayman Financing Services	Cayman Islands	
Morgan Stanley GWM Feeder Strategies LLC	United States	DE
Morgan Stanley HedgePremier GP LLC	United States	DE
Morgan Stanley Smith Barney FA Notes Holdings LLC	United States	DE
Morgan Stanley Smith Barney Financing LLC	United States	DE
Morgan Stanley Smith Barney Holdings (UK) Limited	United Kingdom	ENW
Morgan Stanley Private Wealth Management Limited	United Kingdom	ENW
Morgan Stanley Smith Barney LLC	United States	DE
Morgan Stanley Insurance Services Inc.	United States	DE
Morgan Stanley Smith Barney Insurance Services LLC	United States	DE
SBHU Life Agency, Inc.	United States	DE
Morgan Stanley Smith Barney Private Management II LLC	United States	DE
Morgan Stanley Smith Barney Private Management LLC	United States	DE
Morgan Stanley Smith Barney Venture Services LLC	United States	DE
Morgan Stanley Swiss Holdings GmbH	Switzerland	
Bank Morgan Stanley AG	Switzerland	
Morgan Stanley Wealth Management Australia Pty Ltd	Australia	WA
Bow Lane Nominees Pty. Ltd.	Australia	VIC
Pettingell LLC	United States	DE
Morgan Stanley Capital Partners III, Inc.	United States	DE
MSCP III, LLC	United States	DE
Morgan Stanley Capital REIT Inc.	United States	DE
Saxon Advance Receivables Company, Inc.	United States	DE
Morgan Stanley Capital REIT IV Inc.	United States	DE
Morgan Stanley Capital Trust III	United States	DE
Morgan Stanley Capital Trust IV	United States	DE
Morgan Stanley Capital Trust V	United States	DE
Morgan Stanley Capital Trust VI	United States	DE
Morgan Stanley Capital Trust VII	United States	DE
Morgan Stanley Capital Trust VIII	United States	DE
Morgan Stanley Community Investments LLC	United States	DE
Morgan Stanley Impact Mezzanine GP LLC	United States	DE
Morgan Stanley Impact SBIC LP	United States	DE
Morgan Stanley Content Corporation	United States	DE
Morgan Stanley Credit Products Ltd.	Cayman Islands	
Morgan Stanley Darica Funding, LLC	United States	DE
Ascension Loan Vehicle, LLC	United States	DE
Morgan Stanley Dean Witter Equity Funding, Inc.	United States	DE
Morgan Stanley Dean Witter International Incorporated	United States	DE
Morgan Stanley (DWRBBS) Limited	United Kingdom	ENW
Morgan Stanley Derivative Products Inc.	United States	DE
Morgan Stanley Durango LLC	United States	DE
Morgan Stanley Afdera Cayman Limited	Cayman Islands	
Morgan Stanley Ambasel LLC	United States	DE
Morgan Stanley Semaine S.a r.l.	Luxembourg	
Morgan Stanley Amba Alagi LLC	United States	DE
Morgan Stanley Elan LLC	United States	DE
Morgan Stanley Emerging Markets Inc.	United States	DE
Inter Capital Alliance Asset Management Co., Ltd.	Thailand	
Inter Capital Alliance Holding Limited	Thailand	

Name	Country Name	Region / State
MS China 3 Limited	Cayman Islands	
MS China 5 Limited	Cayman Islands	
MSPI Hong Kong 1 Limited	Hong Kong	
Philippine Asset Investment (SPV-AMC), Inc.	Philippines	
Morgan Stanley Equity Services Inc.	United States	DE
Morgan Stanley Europa LLC	United States	DE
Morgan Stanley Eurydome Cayman Limited	Cayman Islands	
Morgan Stanley Callisto Cayman Ltd.	Cayman Islands	
Morgan Stanley Luxembourg Holdings S.a r.l.	Luxembourg	
Morgan Stanley Europe Holdings S.A.	Luxembourg	
Morgan Stanley Global Holdings S.A.	Luxembourg	
Morgan Stanley Metis (Gibraltar) Limited	Gibraltar	
Morgan Stanley Ganymede Luxembourg S.a r.l.	Luxembourg	
Morgan Stanley Ananke Luxembourg S.a r.l.	Luxembourg	
Morgan Stanley Carme Luxembourg S.a r.l.	Luxembourg	
Morgan Stanley Eukelade Luxembourg S.a r.l.	Luxembourg	
Morgan Stanley Luxembourg Holdings II S.A.	Luxembourg	
Morgan Stanley Luxembourg International Holdings S.A.	Luxembourg	
Morgan Stanley Chaldene S.a r.l.	Luxembourg	
MS GT Investments Limited	United Kingdom	
MS SK Investments Limited	United Kingdom	
Morgan Stanley Himalia Cayman Limited	Cayman Islands	
Morgan Stanley Sinope Cayman Limited	Cayman Islands	
Morgan Stanley Adrastea Netherlands B.V.	Netherlands	
Morgan Stanley IO Cayman Limited	Cayman Islands	
Morgan Stanley Iocaste Cayman Limited	Cayman Islands	
Morgan Stanley Pasiphae Netherlands B.V.	Netherlands	
Morgan Stanley Fixed Income Ventures Inc.	United States	DE
Morgan Stanley Principal Investments, Inc.	United States	DE
MHC Co-Invest Genpar	Cayman Islands	
MHC Co-Invest, LP	Cayman Islands	
Morgan Stanley Principal Investments Europe LLC	United States	DE
Morgan Stanley Principal Investments Netherlands BV	Netherlands	
MS China 11 Limited	Cayman Islands	
MS China 8 Limited	Cayman Islands	
MS China 4 Limited	Cayman Islands	
MSPI Mauritius 1 Limited	Mauritius	
Project Stone Holdings, LLC	United States	DE
Viatel Investor HoldCo LLC	United States	DE
Morgan Stanley Strategic Investments, Inc.	United States	DE
Eaux Vives Water Inc.	Canada	
Morgan Stanley Fund Services Inc.	United States	DE
Morgan Stanley Fund Services (Bermuda) Ltd.	Bermuda	
Morgan Stanley Fund Services (Cayman) Ltd.	Cayman Islands	
Morgan Stanley Fund Services (Hong Kong) Limited	Hong Kong	
Morgan Stanley Fund Services (Ireland) Limited	Ireland	
Morgan Stanley Fund Services (UK) Limited	United Kingdom	ENW
Morgan Stanley Fund Services USA LLC	United States	DE
Morgan Stanley Global Emerging Markets, Inc.	United States	DE
MSGEM, LLC	United States	DE
Morgan Stanley Global Funding Trust	United States	DE
Morgan Stanley Hedging Co. Ltd.	Cayman Islands	
Pylon Holding Limited	Cyprus	
Morgan Stanley International Holdings Inc.	United States	DE
Archimedes Investments Cooperatieve U.A.	Netherlands	
Morgan Stanley B.V.	Netherlands	
European Principal Assets Limited	United Kingdom	ENW
Limited Liability Company Morgan Stanley Ukraine	Ukraine	

Name	Country Name	Region / State
Morgan Stanley (Israel) Limited	Israel	
Morgan Stanley (Thailand) Limited	Thailand	
Morgan Stanley AB	Sweden	
Morgan Stanley Advantage Services Pvt. Ltd.	India	
Morgan Stanley Asia Holdings I Limited	Cayman Islands	
Morgan Stanley Asia Holdings Limited	Cayman Islands	
Morgan Stanley (Hong Kong) Holdings Limited	Hong Kong	
Morgan Stanley Asia Regional (Holdings) IV Limited	Cayman Islands	
Morgan Stanley Hong Kong 1238 Limited	Hong Kong	
Limited Liability Company Rinocenter	Russian Federation	
Morgan Stanley Hong Kong Limited	Hong Kong	
Morgan Stanley Asia International Limited	Hong Kong	
Morgan Stanley Asia Securities Products LLC	Cayman Islands	
Morgan Stanley Asia (Taiwan) Ltd.	Taiwan	
Morgan Stanley Asia Limited	Hong Kong	
Morgan Stanley Asia Products Limited	Cayman Islands	
Morgan Stanley Hong Kong Securities Limited	Hong Kong	
Morgan Stanley Swallow Limited	United Kingdom	ENW
Hampshire Trading B.V.	Netherlands	
Lancashire Trading B.V.	Netherlands	
Wiltshire Trading B.V.	Netherlands	
Morgan Stanley Funding Limited	Jersey	
Yorkshire Trading B.V.	Netherlands	
Volmar Holdings Limited	Cyprus	
Morgan Stanley Hong Kong 1239 Limited	Hong Kong	
Morgan Stanley Information Technology (Shanghai) Limited	China	
Morgan Stanley Services Pty Limited	Australia	VIC
Morgan Stanley Asia Regional (Holdings) III LLC	Cayman Islands	
Morgan Stanley (Singapore) Holdings Pte. Ltd.	Singapore	
Morgan Stanley Asia (Singapore) Pte.	Singapore	
Morgan Stanley Asia (Singapore) Securities Pte Ltd	Singapore	
Morgan Stanley Capital Group (Singapore) Pte.	Singapore	
Morgan Stanley Investment Management Company	Singapore	
Morgan Stanley Labuan Investment Bank Limited	Malaysia	
Morgan Stanley Singapore Pte. Ltd.	Singapore	
Morgan Stanley Dean Witter Japan Group, Ltd.	Cayman Islands	
Morgan Stanley Investment Holdings Jersey Limited	Jersey	
Norfolk Trading B.V.	Netherlands	
MSDW-JL Holdings II Limited	Cayman Islands	
MS Remora Ltd.	Cayman Islands	
MSJL Holdings 4682 Limited	Cayman Islands	
MSJL Holdings Limited	Cayman Islands	
Morgan Stanley Japan Holdings Co., Ltd.	Japan	
Jipang Mortgage Finance Co., Ltd.	Japan	
Morgan Stanley Capital Group Japan Co., Ltd.	Japan	
Morgan Stanley Capital K.K.	Japan	
Morgan Stanley Credit Products Japan Co., Ltd.	Japan	
TM, Limited	Japan	
Morgan Stanley Investment Management (Japan) Co., Ltd.	Japan	
Morgan Stanley Japan Business Group Co., Ltd.	Japan	
Morgan Stanley Japan Group Co., Ltd.	Japan	
Morgan Stanley MUFG Securities Co., Ltd.	Japan	
MS Japan REIT Holding KK	Japan	
MS CYM Preferred Ltd.	Cayman Islands	
MSJS Preferred YK	Japan	
MSDW Birkdale Limited	Cayman Islands	
MSDW Muirfield Limited	Cayman Islands	
Morgan Stanley Asia Pacific Services Limited	United Kingdom	ENW

Name	Country Name	Region / State
Morgan Stanley Asset Management S.A.	Luxembourg	
Morgan Stanley Australia Finance Pty Limited	Australia	NSW
Morgan Stanley Bank AG	Germany	
Morgan Stanley Business Consulting (Shanghai) Limited	China	
Morgan Stanley Canada Limited	Canada	
Morgan Stanley Capital (Luxembourg) S.A.	Luxembourg	
Morgan Stanley Capital, S.A. de C.V.	Mexico	
Morgan Stanley Commodities Trading Hong Kong Holdings Limited	Hong Kong	
Morgan Stanley Commodities Trading (China) Limited	China	
Morgan Stanley Hungary Analytics Limited	Hungary	
Morgan Stanley International Limited	United Kingdom	ENW
Morgan Stanley Group (Europe)	United Kingdom	ENW
Morgan Stanley Angel Limited	Cayman Islands	
V2 Music (Holdings) Limited	United Kingdom	ENW
Morgan Stanley Bramley Investments Limited	United Kingdom	ENW
Morgan Stanley Finance (C.I.) Limited	Jersey	
Morgan Stanley Strategic Funding Limited	United Kingdom	ENW
Morgan Stanley UK Group	United Kingdom	ENW
Morgan Stanley Amalthea UK Limited	United Kingdom	ENW
Morgan Stanley Finance Limited (in Members' Voluntary Liquidation)	United Kingdom	ENW
Morgan Stanley Investments (UK)	United Kingdom	ENW
Morgan Stanley & Co. International plc	United Kingdom	ENW
Cabot 38 Limited	United Kingdom	ENW
Rolympus (UK) Commodities Group Limited	United Kingdom	ENW
Norwegian Energy Limited	United Kingdom	ENW
Morgan Stanley (France) SAS	France	
Morgan Stanley Equity Finance (Denmark) ApS	Denmark	
Morgan Stanley Equity Financing Services (Sweden) AB	Sweden	
Morgan Stanley Havel GmbH	Germany	
Morgan Stanley Mosel GmbH	Germany	
Morgan Stanley Humboldt Investments Limited	United Kingdom	ENW
Clearcreek, S.L.U.	Spain	
Morgan Stanley Kochi Limited	Cayman Islands	
Morgan Stanley Cumbria Investments (in Members' Voluntary Liquidation)	United Kingdom	ENW
Morgan Stanley Dorset Investments Limited (in Members' Voluntary Liquidation)	United Kingdom	ENW
Morgan Stanley Durham Investments Limited (in Members' Voluntary Liquidation)	United Kingdom	ENW
Morgan Stanley Hoxne	Gibraltar	
Morgan Stanley Propus	Gibraltar	
Morgan Stanley Langton Limited	United Kingdom	ENW
Morgan Stanley Equity Investments (Luxembourg)	Ireland	
Morgan Stanley Corporate Holdings (Luxembourg)	Ireland	
Morgan Stanley Derivative Products (Singapore) Pte. Ltd. (In Liquidation)	Singapore	
Morgan Stanley Derivative Products Spain S.L.	Spain	
Morgan Stanley Equity Finance (Malta) Limited	Malta	
Morgan Stanley Euro Financing (Luxembourg)	Ireland	
Morgan Stanley Grund S.a.r.L.	Luxembourg	
Morgan Stanley Derivative Products (Portugal), Unipessoal LDA	Portugal	
Morgan Stanley Equity Investments (UK) Limited	Cayman Islands	
Morgan Stanley Equity Trading (DIFC) Limited	United Arab Emirates	
Morgan Stanley Wiltz S.a.r.l.	Luxembourg	
Morgan Stanley Heythorp Investments	Ireland	
Morgan Stanley Equity Holding (Netherlands) B.V.	Netherlands	
Morgan Stanley Longcross Limited	United Kingdom	ENW
Morgan Stanley Cooper Investments Limited	United Kingdom	ENW

Name	Country Name	Region / State
Morgan Stanley Derivative Products (Netherlands) B.V.	Netherlands	
Drake II Investments Limited	Cayman Islands	
Morgan Stanley Equity Financing Limited	United Kingdom	ENW
Morgan Stanley Maple Investments Limited	United Kingdom	ENW
Wohler Investments LLP	United Kingdom	ENW
Morgan Stanley Montrose Investments Limited	United Kingdom	ENW
Morgan Stanley Rivelino Investments Limited	United Kingdom	ENW
Morgan Stanley Dolor Limited	Cayman Islands	
Morgan Stanley Tostao Limited	Cayman Islands	
Morgan Stanley Silvermere Limited	United Kingdom	ENW
Morgan Stanley Bowline Limited	United Kingdom	ENW
Morgan Stanley Hampstead Limited	Cayman Islands	
Morgan Stanley Northcote Investments Limited	United Kingdom	ENW
Shavano Cooperatieve U.A.	Netherlands	
Morgan Stanley Penberthy Limited (in Members' Voluntary Liquidation)	United Kingdom	ENW
Morgan Stanley Strategic Investments Limited	United Kingdom	ENW
Morgan Stanley Taiwan Limited	Taiwan	
Morgan Stanley Turnberry Limited	United Kingdom	ENW
Morgan Stanley Montgomerie Investments Limited	United Kingdom	ENW
Morgan Stanley Equity Derivative Services (Luxembourg) S.a r.l	Luxembourg	
Morgan Stanley Langtree Investments B.V.	Netherlands	
Morgan Stanley Mallard Investments Limited	United Kingdom	ENW
Morgan Stanley Millbrae Investments B.V.	Netherlands	
Morgan Stanley Oostburg B.V.	Netherlands	
Morgan Stanley Raleigh Investments Limited	United Kingdom	ENW
Morgan Stanley Waterloo Limited	Cayman Islands	
Morgan Stanley & Co. Limited	United Kingdom	ENW
East Sussex Financing Limited	Jersey	
Cottenden Financing Unlimited	Jersey	
Morgan Stanley Bank International Limited	United Kingdom	ENW
Morgan Stanley Bank International (China) Limited	China	
Morgan Stanley Investment Management Limited	United Kingdom	ENW
Morgan Stanley Investment Management (ACD) Limited	United Kingdom	ENW
Morgan Stanley Securities Limited	United Kingdom	ENW
Morstan Nominees Limited	United Kingdom	ENW
Morgan Stanley Services (UK) Limited	United Kingdom	ENW
Morgan Stanley UK Limited	United Kingdom	ENW
Morgan Stanley Pension Trustee Limited	United Kingdom	ENW
Morgan Stanley Trustee Limited	United Kingdom	ENW
Morgan Stanley Wertpapiere GmbH	Germany	
OOO Morgan Stanley Bank	Russian Federation	
Morgan Stanley Investment Consultancy (Shanghai) Limited	China	
Morgan Stanley Investment Management (Australia) Pty Limited	Australia	VIC
Morgan Stanley Investment Management Consultancy (Shanghai) Limited	China	
Morgan Stanley Investments (Mauritius) Limited	Mauritius	
Morgan Stanley Jubilee Investments Limited	United Kingdom	ENW
Morgan Stanley UK Financing II LP	United Kingdom	
Morgan Stanley Cadzand III Limited	Cayman Islands	
Morgan Stanley Luxembourg Financing II S.a r.l	Luxembourg	
Morgan Stanley Management Service (Shanghai) Limited	China	
Morgan Stanley Mauritius Company Limited	Mauritius	
Elderslie Limited	Cayman Islands	
Morgan Stanley Asia Regional (Holdings) II LLC	Cayman Islands	
Morgan Stanley Global Services Mauritius	Mauritius	
Morgan Stanley India Capital Private Limited	India	
Morgan Stanley India Primary Dealer Private Limited	India	
Morgan Stanley India Securities Private Limited	India	
Morgan Stanley India Company Private Limited	India	

Name	Country Name	Region / State
Morgan Stanley India Financial Services Private Limited	India	
Morgan Stanley India Services Private Limited	India	
Morgan Stanley Investment Management Private Limited	India	
Morgan Stanley Properties India Real Estate Management Private Limited	India	
Morgan Stanley Solutions India Private Limited	India	
Morgan Stanley Menkul Degerler A.S.	Turkey	
Morgan Stanley Middle East Inc.	United States	DE
Morgan Stanley Saudi Arabia	Saudi Arabia	
Morgan Stanley México, Casa de Bolsa, S.A. de C.V.	Mexico	
Morgan Stanley Pacific Limited	Hong Kong	
Morgan Stanley (China) Private Equity Investment Management Co., Ltd.	China	
Hangzhou Haergai Investment Consultancy Partnership Entity (Limited Partnership)	China	
Hangzhou Morgan Stanley Investment Consulting Partnership Enterprise, L.P.	China	
Morgan Stanley Investment Consultancy (Beijing) Company Limited	China	
Morgan Stanley Pacific Services Limited	United Kingdom	ENW
Morgan Stanley Poggio Secco Limited	Cayman Islands	
Alpino Investments Limited	Cayman Islands	
Morgan Stanley Clare S.a r.l.	Luxembourg	
Morgan Stanley Private Equity Asia Limited	Hong Kong	
Morgan Stanley Private Equity Advisory (Beijing) Limited	China	
Morgan Stanley Private Equity Management Korea, Ltd.	Korea, Republic of	
Morgan Stanley Real Estate Investment GmbH	Germany	
Morgan Stanley San Donato S.a r.l.	Luxembourg	
Morgan Stanley Syrah Two Limited	Cayman Islands	
Morgan Stanley Donegan Limited	Cayman Islands	
Morgan Stanley South Africa (Proprietary) Limited	South Africa	
Morgan Stanley Spanish Holdings S.L.U	Spain	
Morgan Stanley S.V., S.A.U.	Spain	
Morgan Stanley Trading Beteiligungs-GmbH	Germany	
MS China 16 Limited	Cayman Islands	
MS Equity Financing Services (Luxembourg) S.a.r.l.	Luxembourg	
MS Gamma Holdings LLC	United States	DE
MSAM/Kokusai (Cayman Islands), Inc.	Cayman Islands	
MSAM/Kokusai II (Cayman Islands), Inc.	Cayman Islands	
MSDW Finance (Netherlands) B.V. (in Members' Voluntary Liquidation)	Netherlands	
MSL Incorporated	United States	DE
PT. Morgan Stanley Asia Indonesia	Indonesia	
PT. Morgan Stanley Indonesia	Indonesia	
Morgan Stanley International Incorporated	United States	DE
Morgan Stanley (Australia) Securities Holdings Pty Limited	Australia	VIC
Morgan Stanley Australia Securities Limited	Australia	NSW
Morgan Stanley Australia Securities (Nominee) Pty Limited	Australia	NSW
Morgan Stanley Australia Limited	Australia	NSW
Morgan Stanley International Finance S. A.	Luxembourg	
Morgan Stanley Capital Holdings	United Kingdom	ENW
Morgan Stanley UK Financing I LP	United Kingdom	
Morgan Stanley Luxembourg Financing I S.a r.l	Luxembourg	
Morgan Stanley International Insurance Ltd.	Bermuda	
Peconic Indemnity Company	United States	AZ
Morgan Stanley Latin America Incorporated	United States	DE
Banco Morgan Stanley S.A.	Brazil	
Morgan Stanley Administradora de Carteiros S.A.	Brazil	
Morgan Stanley Corretora de Titulos e Valores Mobiliarios S.A.	Brazil	
Morgan Stanley Participacoes Ltda.	Brazil	
Morgan Stanley Uruguay Ltda.	Uruguay	
Morgan Stanley Reinsurance Ltd.	Bermuda	
MSDW Investment Holdings (US) LLC	United States	DE
Cabot I Limited (in Members' Voluntary Liquidation)	United Kingdom	ENW

Name	Country Name	Region / State
Morgan Stanley UK Trader	United Kingdom	ENW
Morgan Stanley Corporate Trader	United Kingdom	ENW
Morgan Stanley Equity Trader (in Members' Voluntary Liquidation)	United Kingdom	ENW
Morgan Stanley Financial Trader (in Members' Voluntary Liquidation)	United Kingdom	ENW
Morgan Stanley Weser GmbH	Germany	
MSDW Investment Holdings (UK) Limited	United Kingdom	ENW
Morgan Stanley Sandpiper Limited	United Kingdom	ENW
MSDW Investments (Cayman) Limited	Cayman Islands	
MSDWIH Limited	Cayman Islands	
Morgan Stanley Investment Management Inc.	United States	DE
Morgan Stanley AIP Funding Inc.	United States	DE
Morgan Stanley Alternative Investments LLC	United States	DE
AIP Asia-SMA GP LP	United States	DE
AIP Mbar SLP LP	United States	DE
AIP MPI Partners GP LP	United States	DE
AIP Phoenix II GP LP	United States	DE
AIP PMF VI GP LP	United States	DE
AIP PMIF I GP LP	United States	DE
Flint Capital Partners GP LP	United States	DE
Flint Capital Partners SLP Ltd.	Cayman Islands	
GPF Private Equity GP LP	United States	DE
GTB Capital Partners GP LP	United States	DE
GTB Capital Partners II GP LP	United States	DE
Morgan Stanley AIP (Cayman) GP Ltd.	Cayman Islands	
Morgan Stanley CHFS (International) GP Limited	Cayman Islands	
Morgan Stanley AIP Falconer 2010 GP LP	United States	DE
Morgan Stanley AIP GP LP	United States	DE
Morgan Stanley Alternative Investment Partners LP	United States	DE
Morgan Stanley AIP Phoenix 2009 GP LP	United States	DE
Morgan Stanley EPMF I GP LP	United States	DE
Morgan Stanley GDOF GP LP	United States	DE
Morgan Stanley GSOF GP LP	United States	DE
Morgan Stanley GSOF SLP Ltd.	Cayman Islands	
Morgan Stanley GSOF II GP LP	United States	DE
Morgan Stanley PMF III GP LP	United States	DE
Morgan Stanley PMF IV GP LP	United States	DE
Morgan Stanley PMF IV SLP Ltd.	Cayman Islands	
Morgan Stanley PMF V GP LP	United States	DE
Morgan Stanley PMF V SLP Ltd.	Cayman Islands	
Morgan Stanley SCRSIC Strategic Partnership Fund GP Inc.	United States	DE
Morgan Stanley Distribution, Inc	United States	PA
Morgan Stanley Fixed Income GP Inc.	United States	DE
Morgan Stanley Seed Holdings, Ltd.	Cayman Islands	
Morgan Stanley Services Company Inc.	United States	DE
Morgan Stanley Leveraged Equity Fund II, Inc.	United States	DE
Morgan Stanley Leveraged Equity Holdings Inc.	United States	DE
Morgan Stanley Life Holding Incorporated	United States	DE
Longevity Insurance Company	United States	TX
Morgan Stanley Mayak Limited	Cayman Islands	
Morgan Stanley Mortgage Capital Holdings LLC	United States	NY
Morgan Stanley Asset Capital Inc.	United States	DE
Saxon Capital, Inc.	United States	MD
Saxon Asset Securities Company	United States	VA
Saxon Capital Holdings, Inc.	United States	DE
SCI Services, Inc.	United States	VA
Saxon Funding Management LLC	United States	DE
Saxon Securitized Assets LLC	United States	DE
Saxon Mortgage Services, Inc.	United States	TX

Name	Country Name	Region / State
Saxon Mortgage, Inc.	United States	VA
Morgan Stanley Municipal Funding Inc.	United States	DE
Morgan Stanley Overseas Services (Jersey) Limited	Jersey	
Morgan Stanley Portfolio Management LLC	United States	DE
MORGAN STANLEY PRINCIPAL FUNDING, INC.	United States	DE
SPV Columbus Srl (in liquidazione)	Italy	
Morgan Stanley Principal Strategies, Inc.	United States	DE
Morgan Stanley Private Equity Asia, Inc.	United States	DE
Morgan Stanley Private Equity Asia, LLC	United States	DE
Morgan Stanley Real Estate Advisor, Inc.	United States	DE
MSREA Holdings, Inc.	United States	DE
MSREA Holdings, LLC	United States	DE
MSREA LL Holdings, LLC	United States	DE
Morgan Stanley Real Estate F Funding, Inc.	United States	DE
Morgan Stanley Real Estate F Funding Partner, Inc.	United States	DE
Morgan Stanley Real Estate F International Funding, L.P.	United States	DE
Morgan Stanley Real Estate Funding II, Inc.	United States	DE
Morgan Stanley Real Estate Funding II, L.P.	United States	DE
MS Moon Holdings LLC	United States	DE
Crescent Real Estate Capital GP, LLC	United States	DE
Crescent Real Estate Capital, L.P.	United States	DE
One Village Place LLC	United States	DE
DBFLA Services LLC	United States	DE
Morgan Stanley Real Estate Investment Management II, Inc.	United States	DE
MSREF II-CO, L.L.C.	United States	DE
Morgan Stanley Real Estate Investment Management Inc.	United States	DE
Morgan Stanley Real Estate Fund, Inc.	United States	DE
Morgan Stanley Realty Incorporated	United States	DE
BH-MS Realty Inc.	United States	DE
Brooks Harvey & Co., Inc.	United States	DE
Dean Witter Global Realty Inc.	United States	DE
Morgan Stanley Properties Corso Venezia Srl	Italy	
Morgan Stanley Properties, Inc.	United States	DE
Morgan Stanley Properties France SAS	France	
Morgan Stanley Properties Germany GmbH	Germany	
MSP China Holdings Limited	Cayman Islands	
Morgan Stanley Properties (China) Co., Ltd	China	
Morgan Stanley Properties Advisory Corp. Limited	Cayman Islands	
Beijing Kaili Assets Servicing Co., Ltd	China	
Tokyo Realty Investment Company	Cayman Islands	
Tokyo Realty Investment Company II	Cayman Islands	
Japan Realty Holding Company II	Cayman Islands	
Morgan Stanley Renewables Inc.	United States	DE
Carson Solar I LLC	United States	DE
MF Mesa Lane LLC	United States	DE
Morgan Stanley Renewable Development Fund LLC	United States	DE
NaturEner USA, LLC	United States	DE
NaturEner Energy Canada Inc.	Canada	AB
NaturEner Alberta Wind Holdings 1 Inc.	Canada	AB
NaturEner Alberta Wind Holdings 2 Inc.	Canada	AB
NaturEner Wild Rose 1 Energy Inc.	Canada	AB
NaturEner Wild Rose 2 Energy Inc.	Canada	AB
NaturEner Prairie Home 1 Energy Inc.	Canada	AB
NaturEner Prairie Home 2 Energy Inc.	Canada	AB
NaturEner Wild Rose 3 Energy Inc.	Canada	AB
NaturEner Golden Prairie Wind Energy, LLC	United States	DE
NaturEner Meadow Lark Wind Energy, LLC	United States	DE
NATURENER MONTANA WIND ENERGY 2 LLC	United States	DE

Name	Country Name	Region / State
NATURENER GLACIER WIND ENERGY 2, LLC	United States	DE
NaturEner Montana Wind Holding, LLC	United States	DE
NATURENER GLACIER FINANCING, LLC	United States	DE
NATURENER MONTANA WIND ENERGY, LLC	United States	DE
NATURENER GLACIER WIND ENERGY 1, LLC	United States	DE
NaturEner Power Watch, LLC	United States	DE
NaturEner Rim Rock Financing, LLC	United States	DE
NaturEner Montana Wind Rim Rock, LLC	United States	DE
NaturEner Rim Rock Wind Energy, LLC	United States	DE
NaturEner Tie Line, LLC	United States	DE
NaturEner Wind Watch, LLC	United States	DE
NaturEner Operations, LLC	United States	DE
NaturEner Red Creek Wind Energy, LLC	United States	DE
Third Planet Windpower, LLC	United States	DE
Morgan Stanley Wind LLC	United States	DE
MS Greenrock Holdings Inc.	United States	DE
MS SolarCity LLC	United States	DE
MS Wind II LLC	United States	DE
A4 Wind 1 LLC	United States	DE
A4 Wind 2 LLC	United States	DE
Gear Wind LLC	United States	DE
Wind Joint Venture LLC	United States	DE
Solar Star California III, LLC	United States	DE
Solar Star California IX, LLC	United States	DE
Solar Star California V, LLC	United States	DE
Solar Star California VI, LLC	United States	DE
Solar Star WMT I, LLC	United States	DE
Morgan Stanley Risk Services LLC	United States	DE
Morgan Stanley SECAP Funding, LLC	United States	DE
Morgan Stanley Secured Financing LLC	United States	DE
Morgan Stanley Senior Funding, Inc.	United States	DE
Inversiones Sudamerica Uno Ltda	Chile	
Morgan Stanley European Leveraged Products, Inc.	United States	DE
Morgan Stanley MSSF LLC	United States	DE
Morgan Stanley Senior Funding (Nova Scotia) Co.	Canada	
MSSFG (SPV-AMC), Inc.	Philippines	
Tenedora Dalia, S.A. de C.V.	Mexico	
Ventura Holdings, Inc.	United States	DE
Ventura Holdings NJ, Inc.	United States	DE
Ventura AC LLC	United States	NJ
Ventura Property Management, LLC	United States	DE
Ventura Ohio, LLC	United States	DE
Ventura Utah, LLC	United States	DE
Ventura Opportunities, LLC	United States	DE
Morgan Stanley Services Canada Holding Corp.	United States	DE
Morgan Stanley Services Canada Corp.	Canada	NS
Morgan Stanley Special Situations Group Inc.	United States	DE
Morgan Stanley Syrah One Limited	Cayman Islands	
Morgan Stanley Tower, LLC	United States	DE
Morgan Stanley Venture Capital III, Inc.	United States	DE
Morgan Stanley Venture Partners III, L.L.C.	United States	DE
Morstan Development Company, Inc.	United States	DE
MS 10020, Inc.	United States	DE
MS Debt Opportunities Corp.	United States	DE
MS Equity Products (Luxembourg) S.a.r.l.	Luxembourg	
Morgan Stanley Foreign Complex Trust	United States	DE
Morgan Stanley Moselle S.a.r.l	Luxembourg	
Morgan Stanley Norton Investments Limited	United Kingdom	ENW

Name	Country Name	Region / State
Morgan Stanley Luxembourg Equity Holdings S.a.r.l.	Luxembourg	
Morgan Stanley Kadarka Limited	Cayman Islands	
MS Hawk I LLC	United States	DE
MS Holdings Incorporated	United States	DE
Morgan Stanley ARS Funding Inc.	United States	DE
Morgan Stanley Capital Partners VI GP Inc.	United States	DE
MS Capital Partners VI GP LP	Cayman Islands	
Morgan Stanley Hedge Fund Partners Cayman Ltd.	Cayman Islands	
Morgan Stanley HFP Investment Inc	United States	DE
Morgan Stanley IMDCP Funding, LLC	United States	DE
Morgan Stanley Infrastructure Holdings Inc.	United States	DE
Morgan Stanley Infrastructure II Inc.	United States	DE
Morgan Stanley Infrastructure II GP LP	Cayman Islands	
Morgan Stanley Infrastructure Partners II Investors C GP	Luxembourg	
Morgan Stanley Infrastructure Inc.	United States	DE
Morgan Stanley Infrastructure GP LP	United States	DE
Morgan Stanley Infrastructure SLP, LLC	United States	DE
Morgan Stanley Infrastructure SLP, L.P.	Cayman Islands	
MSIP Agatha Co-Investment Alternate GP, L.P.	United States	DE
MSIP Agatha Co-Investment GP Limited	Cayman Islands	
Morgan Stanley Infrastructure MEA Fund Inc.	United States	DE
Morgan Stanley Merchant Banking Insurance Holdings, LLC	United States	DE
Morgan Stanley Merchant Banking Insurance Company	United States	VT
Morgan Stanley Private Equity Asia III, Inc.	United States	DE
Morgan Stanley Private Equity Asia III, L.L.C.	United States	DE
Morgan Stanley Private Equity Asia IV, Inc.	United States	DE
Morgan Stanley Private Equity Asia IV, L.L.C.	United States	DE
MSPEA SLP IV, L.L.C.	United States	DE
Morgan Stanley Real Estate Securities Global Best Ideas GP Inc.	United States	DE
MS Alternatives Funding, Inc.	United States	DE
Morgan Stanley Capital Partners V Funding LP	United States	DE
MS Alternatives Funding Partner, Inc.	United States	DE
MS Alternatives Holding C Inc.	United States	DE
MS Alternatives Holding C (Cayman) Ltd.	Cayman Islands	
MS Alternatives Holding D Inc.	United States	DE
MS ARS Holding A Inc.	United States	DE
MS ARS Holding B Inc.	United States	DE
MS Capital Partners Adviser Inc.	United States	DE
MS Credit Partners GP Inc.	United States	DE
MS Credit Partners GP L.P.	United States	DE
MS Credit Partners Holdings Inc.	United States	DE
MS Credit Partners II GP Inc.	United States	DE
MS Credit Partners II GP L.P.	United States	DE
MS Energy Partners GP Inc.	United States	DE
MS Energy Partners GP LP	Cayman Islands	CO
MS Expansion Capital GP Inc.	United States	DE
MS Expansion Capital GP LP	United States	DE
MSCP V GP Inc.	United States	DE
MS Capital Partners V GP L.P.	Cayman Islands	
MSCP V Offshore Investors GP Ltd.	Cayman Islands	
MS Capital Partners V LP	United States	DE
MSGFI Management Inc.	United States	DE
MSIM GP Inc.	United States	DE
Private Investment Partners Inc.	United States	DE
Private Investment Partners GP Inc.	United States	DE
TAM Investment Holdings Inc.	United States	DE
MS Lion LLC	United States	DE
Morgan Stanley Beta Investments Limited	United Kingdom	ENW

Name	Country Name	Region / State
Morgan Stanley Gamma Investments	United Kingdom	ENW
Morgan Stanley Portland Investments Limited	United Kingdom	ENW
MS Low Income Housing Corporation	United States	DE
BMC NAB Trust Investment Fund LLC	United States	DE
Conchita I LLC	United States	DE
Morgan Stanley New Markets, Inc.	United States	DE
MS New Markets I LLC	United States	DE
MS New Markets II LLC	United States	DE
MS New Markets IV LLC	United States	DE
MS New Markets IX LLC	United States	DE
MS New Markets VIII LLC	United States	DE
MS New Markets X LLC	United States	DE
MS Georgia Tax Credit Fund III LLC	United States	DE
Pinol II LLC	United States	DE
Wiwili IV LLC	United States	DE
Viento LLC	United States	DE
Wiwili III LLC	United States	DE
MS Low Income Housing II Corporation	United States	DE
CTH LIHTC FUND 97-3A, L.L.C.	United States	DE
MULTISTATE LIHTC HOLDINGS II, L.P.	United States	DE
MS Affordable Housing LLC	United States	DE
MS GSP Legacy LLC	United States	DE
MS Taishan Inc.	United States	DE
MS Pegau LLC	United States	DE
Millport I LLC	United States	DE
Elderslie Holdings Limited	Cayman Islands	
Ras Dashen Cayman Limited	Cayman Islands	
Esporta Holdings Limited	Cayman Islands	
Bayview Holding Ltd.	Cayman Islands	
Esporta Limited	Cayman Islands	
Esporta Financing Limited	Cayman Islands	
Morgan Stanley Eden Investments Limited	United Kingdom	ENW
Morgan Stanley UK Financing III LP	United Kingdom	
MS Rosebank LLC	United States	DE
Bondi Limited	Cayman Islands	
Morgan Stanley Strand Limited	Cayman Islands	
Cornelia Limited	Cayman Islands	
Lindley S.a r.l.	Luxembourg	
Linksfield S.a r.l.	Luxembourg	
MS Melville LLC	United States	DE
MS Dainfern LLC	United States	DE
MS Greenside LLC	United States	DE
MS Houghton LLC	United States	DE
Sandhurst Partnership	United States	DE
MS Structured Asset Corp.	United States	DE
MS Venture Capital Holding Inc.	United States	DE
MSAM Holdings II, Inc.	United States	DE
MSCP III Holdings, Inc.	United States	DE
MSDW Capital Partners IV, Inc.	United States	DE
MSDW Capital Partners IV LLC	United States	DE
MSDW CPIV Holdings, Inc.	United States	DE
MSDW Emerging Equity, Inc.	United States	DE
MSDW International Employee Services LLC	United States	DE
MSDW Nederland BV	Netherlands	
MSDW Offshore Equity Services Inc.	United States	DE
FUNDLOGIC SAS	France	
FundLogic Global Solutions (Ireland) Limited	Ireland	
Morgan Stanley Alzette S.a.r.l.	Luxembourg	

Name	Country Name	Region / State
Morgan Stanley Eder S.a r.l.	Luxembourg	
Morgan Stanley Derivative Products Global S.a r.l	Luxembourg	
Morgan Stanley Equity Trading GP Limited	Jersey	
Morgan Stanley Global Equity Trading (Jersey) L.P.	Jersey	
Morgan Stanley GFD Hedge Holdings II Limited	Cayman Islands	
Morgan Stanley GFD Hedge Holdings Limited	Cayman Islands	
Morgan Stanley GFD Proprietary Holdings Limited	Cayman Islands	
Morgan Stanley Global Fund Derivatives Hedge Holdings Luxembourg S.A.	Luxembourg	
Morgan Stanley Spad Investments S.a.r.l.	Luxembourg	
Morgan Stanley Morane Investments S.a r.l.	Luxembourg	
Morgan Stanley Curtiss Investments S.a r.l.	Luxembourg	
MS Equity Finance Services I (Cayman) Ltd.	Cayman Islands	
MSDW OIP Investors, Inc.	United States	DE
MSDW PE/VC Holdings, Inc.	United States	DE
MSDW Real Estate Special Situations II, Inc.	United States	DE
MSDW Real Estate Special Situations II Holdings, L.L.C.	United States	DE
MSDW Real Estate Special Situations II Manager, L.L.C.	United States	DE
MSRESS II GP Co-Investment Ltd.	Cayman Islands	
MSDW Strategic Ventures Inc.	United States	DE
MSDW Venture Partners IV, Inc.	United States	DE
MSDW Venture Partners IV, LLC	United States	DE
MSDW VP IV Holdings, Inc.	United States	DE
MSEOF, Inc.	United States	DE
MSEOF Management, LLC	United States	DE
MSEOF Manager S.a.r.l.	Luxembourg	
MSIT Holdings, Inc.	United States	DE
MSPEA Holdings, Inc.	United States	DE
MSRE Mezzanine, Inc.	United States	DE
MSREF II, Inc.	United States	DE
MSREF II, L.L.C.	United States	DE
MSREF III, Inc.	United States	DE
MSREF III, L.L.C.	United States	DE
MSREF IV, Inc.	United States	DE
MSREF IV, L.L.C.	United States	DE
MSREF IV Domestic-GP, L.L.C.	United States	DE
MSREF IV Domestic-LP, L.L.C.	United States	DE
MSREF IV International-GP, L.L.C.	United States	DE
MSREF IV International-LP, L.L.C.	United States	DE
MSREF Real Estate Advisor, Inc.	United States	DE
Morgan Stanley SGR S.p.A.	Italy	
MSREF VI, Inc.	United States	DE
MSREF VI International-LP, L.L.C.	United States	DE
MSREF VI, L.L.C.	United States	DE
MSREF VI International-GP, L.L.C.	United States	DE
Morgan Stanley Real Estate Fund VI International-TE, L.P.	United States	DE
MSREI Post Co-Investment GP, L.L.C.	United States	DE
MSREF VII, Inc.	United States	DE
MSREF VII Global (Cayman) II, Ltd.	Cayman Islands	
MSREF VII Global-L.P., L.L.C.	United States	DE
MSREF VII GP L.L.C.	United States	DE
MSREF VII L.P.	Canada	AB
MSREF VII Global-GP (Cayman), L.P.	Cayman Islands	
MSREF VII Global-GP (U.S.), L.L.C.	United States	DE
MSREF VII Global-GP Greenwich, L.P.	Canada	AB
MSREF VII Global-GP, L.P.	Canada	AB
MSREF VII SLP-A L.P.	Canada	AB
MSREF VII SLP-B L.P.	United States	DE
MSREF VIII, Inc.	United States	DE

Name	Country Name	Region / State
MSREF VIII GP, L.L.C.	United States	DE
MSREF VIII Global-GP, L.P.	United States	DE
MSREF VIII Global Co-Investment GP, L.P.	United States	DE
MSREF VIII Global Co-Investment, L.L.C.	United States	DE
MSREF VIII Global Co-Investment No. 1 GP, L.P.	United States	DE
MSREF V Funding, Inc.	United States	DE
MSREF V Funding Partner, Inc.	United States	DE
MSREF V International Funding, L.P.	United States	DE
MSREF V, Inc.	United States	DE
MSREF V, L.L.C.	United States	DE
MSREF V International-GP, L.L.C.	United States	DE
MSREF V International-LP, L.L.C.	United States	DE
MSREF V U.S.-GP, L.L.C.	United States	DE
Morgan Stanley Real Estate Fund V Special U.S., L.P.	United States	DE
Morgan Stanley Real Estate Fund V U.S., L.P.	United States	DE
Morgan Stanley Real Estate Investors V U.S., L.P.	United States	DE
MSP Co-Investment Partnership V, L.P.	United States	DE
MSP Co-Investment Partnership V-A, L.P.	United States	DE
MSP Real Estate Fund V, L.P.	United States	DE
MSREF V U.S.-LP, L.L.C.	United States	DE
MSREI Holding, Inc.	United States	DE
MSRESS III, Inc.	United States	DE
Morgan Stanley Real Estate Special Situations III-LP, L.L.C.	United States	DE
MSRESS III Manager, L.L.C.	United States	DE
Morgan Stanley Real Estate Special Situations III-GP, L.L.C.	United States	DE
MSRESS III Monroe GP, L.L.C.	United States	DE
MSRESS III Opportunities Fund - GP, L.L.C.	United States	DE
MSUH Holdings I, Inc.	United States	DE
MSUH Holdings II, Inc.	United States	DE
MS SP Urban Horizons, Inc.	United States	DE
MS Urban Horizons, Inc.	United States	DE
MSVP 2002 Holdings, Inc.	United States	DE
MSVP 2002, Inc.	United States	DE
MSVP 2002 Fund, LLC	United States	DE
Providence DE Holdings Co.	United States	DE
Strategic Investments I, Inc.	United States	DE
MS Strategic (Mauritius) Limited	Mauritius	
Strategic Investments II, Inc.	United States	DE
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