

## FIRST BASE PROSPECTUS SUPPLEMENT

# Morgan Stanley

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

**MORGAN STANLEY & CO. INTERNATIONAL PLC**  
*(incorporated with limited liability in England and Wales)*

**MORGAN STANLEY B.V.**  
*(incorporated with limited liability in the Netherlands)*

### REGULATION S PROGRAM FOR THE ISSUANCE OF NOTES SERIES A AND SERIES B, WARRANTS AND CERTIFICATES

Morgan Stanley ("**Morgan Stanley**"), Morgan Stanley & Co. International plc ("**MSI plc**") and Morgan Stanley B.V. ("**MSBV**", together with Morgan Stanley and MSI plc, the "**Issuers**") and Morgan Stanley, in its capacity as guarantor (in such capacity, the "**Guarantor**") have prepared this first base prospectus supplement (the "**First Base Prospectus Supplement**") to supplement and be read in conjunction with the base prospectus dated 15 December 2015 (the "**Base Prospectus**") of Morgan Stanley, MSI plc and MSBV (each in its capacity as Issuer) and Morgan Stanley (in its capacity as Guarantor) relating to the Regulation S Program for the Issuance of Notes, Series A and Series B, Warrants and Certificates.

This First Base Prospectus Supplement has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg, as a prospectus supplement issued in compliance with Article 16.1 of the Prospectus Directive and relevant implementing measures in Luxembourg.

Unless otherwise defined in this First Base Prospectus Supplement, terms defined in the Base Prospectus shall have the same meaning when used in this First Base Prospectus Supplement. To the extent that there is any inconsistency between any statement in, or incorporated by reference in, this First Base Prospectus Supplement and any other statement in, or incorporated by reference in, the Base Prospectus, the statements in this First Base Prospectus Supplement will prevail.

The purpose of this First Base Prospectus Supplement is to:

- (a) disclose the publication by Morgan Stanley of its annual report on Form 10-K for the year ended 31 December 2015 (the "**Morgan Stanley 2015 10-K**") and incorporate by reference, as set out in "Part A" of this First Base Prospectus Supplement;
- (b) disclose the publication of the second supplement to the Registration Document of Morgan Stanley, MSI plc and MSBV dated 31 March 2016 (the "**Second Registration Document Supplement**") and incorporate by reference, as set out in "Part A" of this First Base Prospectus Supplement;
- (c) make certain consequential amendments to the summary in the Base Prospectus pursuant to the publication of the Morgan Stanley 2015 10-K as set out in "Part B" of this First Base Prospectus Supplement;
- (d) in respect of further issuances only under the Base Prospectus, make amendments to the selected financial information of Morgan Stanley in the Base Prospectus, as set out in "Part C" of this First Base Prospectus Supplement;
- (e) in respect of further issuances only under the Base Prospectus, make amendments to the General Information section in the Base Prospectus, as set out in "Part D" of this First Base Prospectus Supplement; and
- (f) in respect of further issuances only under the Base Prospectus, make amendments to the Taxation section in the Base Prospectus, as set out in "Part E" of this First Base Prospectus Supplement.

In accordance with Article 13 paragraph 2 of the Luxembourg Law on Prospectuses dated 10 June 2005, investors who have agreed to purchase or subscribe for, or have applied to purchase or subscribe for, any Notes prior to the publication of this First Base Prospectus Supplement shall have the right, exercisable within two Business Days following the date of publication of this First Base Prospectus Supplement, to withdraw their acceptances or applications by notice in writing to the relevant Issuer or Manager, as the case may be. The final date within which such right of withdrawal must be exercised is 14 April 2016.

Each of the Issuers and the Guarantor, as applicable, confirm the following:

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

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this First Base Prospectus Supplement. To the best of the knowledge and belief of the Issuers and the Guarantor (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any information or documents incorporated by reference into the Morgan Stanley 2015 10-K does not form part of this First Base Prospectus Supplement and any information or documents which are not incorporated by reference are either not relevant for the investor or covered in another part of this First Base Prospectus Supplement.

This First Base Prospectus Supplement and the Morgan Stanley 2015 10-K are available for viewing, and copies may be obtained from, the offices of the Issuers and the Paying Agents. This First Base Prospectus Supplement and the Morgan Stanley 2015 10-K are also available on Morgan Stanley's website at [www.morganstanleyiq.eu](http://www.morganstanleyiq.eu) and [www.morganstanley.com/about-us-ir](http://www.morganstanley.com/about-us-ir) respectively and on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

12 April 2016

**MORGAN STANLEY**

**MORGAN STANLEY & CO. INTERNATIONAL PLC**

**MORGAN STANLEY B.V.**

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## PART A

### INCORPORATION BY REFERENCE: MORGAN STANLEY 2015 10-K

This First Base Prospectus Supplement incorporates by reference the Second Registration Document Supplement and the Morgan Stanley 2015 10-K and supplements the section entitled “*Incorporation by Reference*” contained on pages 119-128 of the Base Prospectus.

The Morgan Stanley 2015 10-K is available on Morgan Stanley’s website at [www.morganstanley.com/about-us-ir](http://www.morganstanley.com/about-us-ir) and on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

The second supplement to the Registration Document is available on Morgan Stanley’s website at [www.morganstanley.com/about-us-ir](http://www.morganstanley.com/about-us-ir) and on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

The information incorporated by reference must be read in conjunction with the cross-reference table below which supplements the table of information incorporated by reference in the section entitled “*Incorporation by Reference*” contained on pages 119-128 of the Base Prospectus.

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

<b>Document filed</b>	<b>Information incorporated by reference</b>	<b>Page</b>
<b>Second Registration Document Supplement dated 31 March 2016</b>	Part B	Pages 5-6
<b>Morgan Stanley Annual Report on Form 10-K for the year ended 31 December 2015</b>		
	Business	Pages 1-12
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	Market for Registrant's Common Equity, Related Stockholder Matters, Issuer Purchases of Equity Securities and Stock Performance Graph	Pages 33-35
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	Management's Discussion and Analysis of Financial Condition and Results of Operations	Pages 38-97
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This First Base Prospectus Supplement expressly does not incorporate by reference the documents and/or information identified in the cross-reference table below and supplements the section entitled “Incorporation by Reference” contained on pages 119-128 of the Base Prospectus.

**Document incorporated by reference**

**Morgan Stanley**

Second Registration Document Supplement dated 31 March 2016

**Morgan Stanley**

Annual Report on Form 10-K for the year ended 31 December 2015

**Information not incorporated by reference**

Part A

Exhibits

**PART B**

**AMENDMENTS TO THE SUMMARY**

**Sub-Section I – Changes to Element B.12**

The selected key financial information relating to Morgan Stanley at Element B.12 of the summary in the Base Prospectus (set out on pages 4-5 of the Base Prospectus) shall be replaced with the information below:

B.12	<b>Selected historical key financial information:</b>	<b>Selected key financial information relating to Morgan Stanley:</b>		
		Balance Sheet (\$ <i>in millions</i> )	<u>At 31 December 2014</u>	<u>At 31 December 2015</u>
		<i>Total assets</i>	801,510	787,465
		<i>Total liabilities and equity</i>	801,510	787,465
		Consolidated Income Statement (\$ <i>in millions</i> )	<u>2014</u>	<u>2015</u>
		<i>Net revenues</i>	34,275	35,155
		<i>Income from continuing operations before tax</i>	3,591	8,495
		<i>Net income</i>	3,667	6,279
		<p>There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2015, the date of the latest published annual audited accounts of Morgan Stanley</p> <p>There has been no significant change in the financial or trading position of Morgan Stanley since 31 December 2015, the date of the latest published annual audited accounts of Morgan Stanley.</p>		

**Sub-Section II – Changes to Element B.19 (B.12)**

The selected key financial information relating to Morgan Stanley at Element B.19 (B.12) of the summary in the Base Prospectus (set out on page 8 of the Base Prospectus) shall be replaced with the information below:

B.19 (B.12)	<b>Selected historical key financial information:</b>	<b>Selected key financial information relating to Morgan Stanley:</b>		
		Balance Sheet (\$ <i>in millions</i> )	<u>At 31 December 2014</u>	<u>At 31 December 2015</u>
		<i>Total assets</i>	801,510	787,465
		<i>Total liabilities and equity</i>	801,510	787,465
		Consolidated Income Statement (\$ <i>in millions</i> )	<u>2014</u>	<u>2015</u>
		<i>Net revenues</i>	34,275	35,155
		<i>Income from continuing operations before tax</i>	3,591	8,495
		<i>Net income</i>	3,667	6,279
		<p>There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2015, the date of the latest published annual audited accounts of Morgan Stanley</p> <p>There has been no significant change in the financial or trading position of Morgan Stanley since 31 December 2015, the date of the latest published annual audited accounts of Morgan Stanley.</p>		

### Sub-Section III – Changes to Element B.10 and B.19 (B.10)

The audit report qualifications information in relation to Morgan Stanley, MSI plc and MSBV at Element B.10 of the summary in the Base Prospectus (set out on page 3 of the Base Prospectus) shall be replaced with the information below:

B.10	<b>Audit report qualifications:</b>	Not Applicable. There are no qualifications in the auditor's reports [ <i>insert for MSBV / MSI plc: on the financial statements of [MSI plc] / [MSBV] for the years ended 31 December 2013 and 31 December 2014</i> ] / [ <i>insert for MS: on the financial statements of Morgan Stanley for the years ended 31 December 2014 and 31 December 2015, as contained in Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2015</i> ].
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The audit report qualifications information in relation to Morgan Stanley at Element B.19 (B.10) of the summary in the Base Prospectus (set out on page 8 of the Base Prospectus) shall be replaced with the information below:

B.19 (B.10)	<b>Audit Report Qualifications:</b>	Not Applicable. There are no qualifications in the auditor's reports on the financial statements of Morgan Stanley for the years ended 31 December 2014 and 31 December 2015, as contained in Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2015.
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**Sub-Section IV – Changes to Element B.4b and B.19 (B.4b)**

The trends information in relation to Morgan Stanley, MSI plc and MSBV at Element B.4b of the summary in the Base Prospectus (set out on pages 2-3 of the Base Prospectus) shall be replaced with the information below:

B.4b	<b>Trends:</b>	[The business of Morgan Stanley, the ultimate holding company of MSI plc / MSBV, in the past has been, and in the future may continue to be, materially affected by many factors, including: the effect of economic and political conditions and geopolitical events; sovereign risk; the effect of market conditions, particularly in the global equity, fixed income, currency, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate markets and energy markets; the impact of current, pending and future legislation (including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “ <b>Dodd-Frank Act</b> ”)), regulation (including capital, leverage, funding and liquidity requirements), policies (including fiscal and monetary), and legal and regulatory actions in the United States of America (“ <b>U.S.</b> ”) and worldwide; the level and volatility of equity, fixed income and commodity prices (including oil prices), interest rates, currency values and other market indices; the availability and cost of both credit and capital as well as the credit ratings assigned to Morgan Stanley’s unsecured short-term and long-term debt; investor, consumer and business sentiment and confidence in the financial markets; the performance and results of Morgan Stanley’s acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements; Morgan Stanley’s reputation and the general perception of the financial services industry; inflation, natural disasters, pandemics and acts of war or terrorism; the actions and initiatives of current and potential competitors as well as governments, regulators and self-regulatory organizations; the effectiveness of Morgan Stanley’s risk management policies; technological changes instituted by Morgan Stanley, its competitors or counterparties and technological risks, including cybersecurity, business continuity and related operational risks; Morgan Stanley’s ability to provide innovative products and services and execute its strategic objectives; or a combination of these or other factors. In addition, legislative, legal and regulatory developments related to Morgan Stanley’s businesses are likely to increase costs, thereby affecting results of operations.]
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The trends information in relation to Morgan Stanley at Element B.19 (B.4b) of the summary in the Base Prospectus (set out on pages 7-8 of the Base Prospectus) shall be replaced with the information below:

B.19 (B.4b)	<b>Trends:</b>	The business of Morgan Stanley in the past has been, and in the future may continue to be, materially affected by many factors, including: the effect of economic and political conditions and geopolitical events; sovereign risk; the effect of market conditions, particularly in the global equity, fixed income, currency, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate markets and energy markets; the impact of current, pending and future legislation (including the Dodd-Frank Act), regulation (including capital, leverage, funding 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 and results of Morgan Stanley’s acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements; Morgan Stanley’s reputation and the general perception of the financial services industry; inflation, natural disasters, pandemics and acts of war or terrorism; the actions and initiatives of current and potential competitors as well as governments, regulators and self-regulatory organizations; the effectiveness of Morgan Stanley’s risk management policies; technological changes instituted by Morgan Stanley, its competitors or counterparties and technological risks, including cybersecurity, business continuity
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		and related operational risks; Morgan Stanley's ability to provide innovative products and services and execute its strategic objectives; or a combination of these or other factors. In addition, legislative, legal and regulatory developments related to Morgan Stanley's businesses are likely to increase costs, thereby affecting results of operations.
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## Sub-Section V – Changes to Element D.2

The key risks specific to the Issuer and Guarantor information in relation to Morgan Stanley, MSI plc and MSBV at Element D.2 of the summary in the Base Prospectus (set out on pages 54-55 of the Base Prospectus) shall be replaced with the information below:

D.2	<p><b>Key Risks Specific to the Issuer and the Guarantor:</b></p>	<p>The following key risks affect Morgan Stanley [and, since Morgan Stanley is the ultimate holding company of [MSI plc] / [MSBV], also impact [MSI plc] / [MSBV]:</p> <p><b>Market Risk:</b> Morgan Stanley's results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors. Holding large and concentrated positions may expose Morgan Stanley to losses. These factors may result in losses for a position or portfolio owned by Morgan Stanley.</p> <p><b>Credit Risk:</b> Morgan Stanley is exposed to the risk that third parties that are indebted to it will not perform their obligations, as well as that a default by a large financial institution could adversely affect financial markets. Such factors give rise to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to Morgan Stanley.</p> <p><b>Operational Risk:</b> Morgan Stanley is subject to the risk of loss, or of damage to its reputation, resulting from inadequate or failed processes, people and systems or from external events (e.g. fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). Morgan Stanley may incur operational risk across the full scope of its business activities, including revenue-generating activities (e.g. sales and trading) and support and control groups (e.g. information technology and trade processing).</p> <p><b>Liquidity and Funding Risk:</b> Liquidity is essential to Morgan Stanley's businesses and Morgan Stanley relies on external sources to finance a significant portion of its operations. Morgan Stanley's borrowing costs and access to the debt capital markets depend significantly on its credit ratings. Morgan Stanley is a holding company and depends on payments from its subsidiaries. Further, Morgan Stanley's liquidity and financial condition have in the past been, and in the future could be, adversely affected by U.S. and international markets and economic conditions. As a result of the foregoing, there is a risk that Morgan Stanley will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets; or be unable to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern.</p> <p><b>Legal, Regulatory and Compliance Risk:</b> Morgan Stanley is subject to the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation it may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to its business activities. Morgan Stanley is also subject to contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. Additionally, Morgan Stanley is subject to anti-money laundering and terrorist financing rules and regulations. Further, 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.</p> <p><b>Risk Management:</b> Morgan Stanley's risk management strategies, models and processes may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk.</p> <p><b>Competitive Environment:</b> Morgan Stanley faces strong competition from other financial services firms, which could lead to pricing pressures that could materially adversely affect its revenue and profitability. Further, automated trading markets may adversely affect Morgan Stanley's business and may increase competition (for example, by putting increased pressure on bid-offer spreads, commissions, markups or comparable fees). Finally, Morgan Stanley's ability to retain and attract qualified employees is critical to the success of its business and the failure to do so may materially adversely affect its performance.</p> <p><b>International Risk:</b> Morgan Stanley is subject to numerous political, economic, legal, operational, franchise and other risks as a result of its international operations</p>
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		<p>(including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls, increased taxes and levies and other restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability) which could adversely impact its businesses in many ways.</p> <p><b>Acquisition, Divestiture and Joint Venture Risk:</b> Morgan Stanley may be unable to fully capture the expected value from acquisitions, divestitures, joint ventures, minority stakes and strategic alliances.</p> <p><b>Risk relating to the exercise of potential resolution measures powers:</b> The application of regulatory requirements and strategies in the United States to facilitate the orderly resolution of large financial institutions may pose a greater risk of loss for the holders of securities issued or guaranteed by Morgan Stanley.</p> <p><i>[insert for MSBV:</i></p> <p>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. Should such companies prospects be impaired, holders of securities issued by MSBV may also be exposed to a risk of loss.]</p> <p><i>[insert for MSI plc:</i> The existence of substantial inter-relationships (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) between MSI plc and other Morgan Stanley group companies exposes MSI plc to the risk that, 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. Further, Notes issued by MSI plc will not be guaranteed by Morgan Stanley. The application of regulatory requirements and strategies in the United Kingdom to facilitate the orderly resolution of large financial institutions may pose a greater risk of loss for the holders of securities issued by MSI Plc.]</p>
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**PART C**

**AMENDMENT TO SELECTED FINANCIAL INFORMATION**

The section titled “*Selected Financial Information of Morgan Stanley*” set out on page 107 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

**SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY**

This section contains selected financial information of Morgan Stanley relating to the years ended 31 December 2014 and 31 December 2015.

The information in respect of the years ended 31 December 2014 and 31 December 2015 set out below is derived from the financial statements in the audited financial statements included in Morgan Stanley’s Annual Report on Form 10-K for the years ended 31 December 2014 and 31 December 2015.

Balance Sheet ( <i>\$ in millions</i> )	<b>At 31 December 2014</b>	<b>At 31 December 2015</b>
<i>Total assets</i>	801,510	787,465
<i>Total liabilities and equity</i>	801,510	787,465

Consolidated Income Statement ( <i>\$ in millions</i> )	<b>2014</b>	<b>2015</b>
<i>Net revenues</i>	34,275	35,155
<i>Income from continuing operations before income taxes</i>	3,591	8,495
<i>Net income</i>	3,667	6,279

## PART D

### AMENDMENTS TO GENERAL INFORMATION SECTION

1. Sub-paragraph (f) set out on page 771 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

Annual Report of Morgan Stanley on Form 10-K for the year ended 31 December 2015, Morgan Stanley Current Reports on Form 8-K and Morgan Stanley Proxy Statement dated 1 April 2015;

2. The sub section titled "*Morgan Stanley*" within the section "*No material adverse change in the prospects and no significant change in the financial or trading position*" set out on page 772 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

#### **Morgan Stanley**

There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2015, the date of the last published annual audited accounts of Morgan Stanley.

There has been no significant change in the financial or trading position of Morgan Stanley since 31 December 2015, the date of the latest published annual audited accounts of Morgan Stanley.

3. The following section shall be added after the section "*No material adverse change in prospects and no significant change in the financial or trading position*" and before the section "*Clearing Systems*" set out on pages 772-773 of the Base Prospectus:

#### **Legal and arbitration proceedings**

Save as disclosed in:

- a) the section entitled "Legal Proceedings" in Part I - Item 3 at pages 24-32 and in the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Guarantees and Contingencies" in "Notes to Consolidated Financial Statements" in Part II - Item 8 at pages 202-205 of the Morgan Stanley 2015 10-K;
- b) the section entitled "Legal Settlement" under the heading "24. Subsequent Events" in "Notes to the Consolidated Financial Statements" in Part I – Item 8 at page 250 of the Morgan Stanley 2015 10-K; and
- c) the Registration Document, First Registration Document Supplement and Second Registration Document Supplement,

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) during the 12-month period before the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of Morgan Stanley.

## PART E

### AMENDMENTS TO TAXATION SECTION

The section titled "NORWEGIAN TAXATION" set out on page 746 of the Base Prospectus shall be deemed to be deleted in its entirety and replaced with the following:

#### NORWEGIAN TAXATION

*The following is a description of certain Norwegian tax consequences for holders of Notes who are resident in Norway for tax purposes. The description below for Notes is based on the assumption that the Notes are considered as debt instruments for tax purposes. The description does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Notes. The description is based on legislation as at the date of this document which is subject to change, possibly with retroactive effect. The tax treatment of each holder partly depends on the holder's specific situation, and the specific instrument issued to the holder. Each investor should consult a tax adviser as to the tax consequences relating to their particular circumstances resulting from holding Notes.*

#### **Taxation of return on the Notes prior to disposal**

Any kind of return received on the Notes prior to the disposal is taxable as "ordinary income" subject to the flat rate of 25 % as of 1 January 2016. Return on the Notes is taxed on accruals basis, i.e. regardless of when the return is actually paid.

#### **Taxation upon disposal or redemption of the Notes**

Redemption at the end of the term as well as prior disposal is treated as realization of the Notes and will trigger a capital gain or loss. Capital gains will be taxable as "ordinary income", subject to the flat rate of 25 % as of 1 January 2016. Losses will be deductible in the Noteholder's "ordinary income", taxed at the same tax rate.

Any capital gain or loss is computed as the difference between the amount received by the Noteholder on realization and the cost price of the Notes. The cost price is equal to the price for which the Noteholder acquired the Notes. Costs incurred in connection with the acquisition and realization of the Notes may be deducted from the Noteholder's taxable income in the year of the realization.

#### **Norwegian withholding tax**

Payments on the Notes will not be subject to Norwegian withholding tax.

#### **Net wealth taxation**

The value of the Notes at the end of each income year will be included in the computation of the Noteholder's taxable net wealth for municipal and state net wealth tax purposes. Listed bonds are valued at their quoted value on 1 January in the assessment year, while non-listed bonds are valued at their estimated market value on 1 January in the assessment year. The marginal tax rate is currently 0.85 %.

Limited companies and similar entities are not subject to net wealth taxation.