

THIS DOCUMENT IS A FREE NON BINDING TRANSLATION, FOR INFORMATION PURPOSES ONLY, OF THE FRENCH LANGUAGE PROSPECTUS DE BASE DATED 6 JANUARY 2015 WHICH RECEIVED VISA NO. 15-002 FROM THE AUTORITE DES MARCHES FINANCIERS ON 6 JANUARY 2015 (THE "AMF BASE PROSPECTUS"). ONLY THE AMF BASE PROSPECTUS WAS GRANTED A VISA BY THE AUTORITE DES MARCHES FINANCIERS. IN THE EVENT OF ANY AMBIGUITY OR CONFLICT BETWEEN CORRESPONDING STATEMENTS OR OTHER ITEMS CONTAINED IN THE AMF BASE PROSPECTUS AND THIS DOCUMENT, THE RELEVANT STATEMENTS OR ITEMS OF THE AMF BASE PROSPECTUS SHALL PREVAIL. FOR THE AVOIDANCE OF DOUBT, REFERENCES IN THIS DOCUMENT TO THE "BASE PROSPECTUS" ARE TO THE "AMF BASE PROSPECTUS" AND DO NOT INCLUDE ITS ENGLISH TRANSLATION.

BASE PROSPECTUS DATED 6 JANUARY 2015

Morgan Stanley

*as issuer and guarantor of the Notes issued by Morgan Stanley B.V.
(incorporated under the laws of the State of Delaware in the United States of America)*

MORGAN STANLEY & CO. INTERNATIONAL plc

*as issuer and guarantor of the Notes issued by Morgan Stanley B.V. where the Notes are offered to the public in France
(incorporated with limited liability in England and Wales)*

MORGAN STANLEY B.V.

*as issuer
(incorporated with limited liability in The Netherlands)*

€2,000,000,000

FRENCH LAW PROGRAMME FOR THE ISSUANCE OF NOTES

Under this €2,000,000,000 Programme for the issuance of notes (the **Programme**) described in this base prospectus (the **Base Prospectus**), Morgan Stanley (**Morgan Stanley**), Morgan Stanley & Co. International plc (**MSIP** or **MSI plc**) and Morgan Stanley B.V. (**MSBV** and, together with Morgan Stanley and MSIP, the **Issuers** and each, an **Issuer**) may offer from time to time Notes (the **Notes**) denominated in any currency agreed by the relevant Issuer and the Distribution Agent (as defined below).

References herein to "this Base Prospectus" shall, where applicable, be deemed to be references to this Base Prospectus as supplemented or amended from time to time. To the extent not set forth in this Base Prospectus, the specific terms of any Notes will be included in the appropriate Final Terms.

The payment of all amounts due in respect of Notes issued by MSBV will be unconditionally and irrevocably guaranteed by Morgan Stanley in its capacity as Guarantor (as defined below) pursuant to a guarantee dated as of 1 December 2011 (the **2011 Guarantee**), and in the case of public offers of Notes issued by MSBV in France only, the payment of all amounts due in respect of such Notes issued by MSBV will be unconditionally and irrevocably guaranteed by Morgan Stanley and MSIP acting jointly and severally in their capacities as guarantors (together the **Guarantors** and each, a **Guarantor**) pursuant to a guarantee dated as of 22 April 2014 (the **2014 Guarantee** and together with the **2011 Guarantee**, the **Guarantees** and each, a **Guarantee** respectively). Payment of amounts due in respect of Notes issued by MSIP will not be guaranteed by Morgan Stanley.

Morgan Stanley and MSBV are offering the Notes on a continuing basis through MSIP (the **Distribution Agent**), who has agreed to use reasonable efforts to solicit offers to subscribe or to purchase the Notes. Morgan Stanley and MSBV may also sell Notes to the Distribution Agent as principal for its own account at a price to be agreed upon at the time of sale. The Distribution Agent may resell any Notes it purchases as principal at prevailing market prices, or at other prices, as it determines. Morgan Stanley and MSBV or the Distribution Agent may reject any offer to subscribe or to purchase Notes, in whole or in part. MSIP will act as distributor and offeror of the Notes issued by it. See "*Subscription and Sale*" below.

Application has been made to the *Autorité des marchés financiers* (the **AMF**) in France for approval of this Base Prospectus in its capacity as competent authority pursuant to Article 212-2 of its *Règlement Général* which implements the Directive 2003/71/EC of 4 November 2003 (as amended by Directive 2010/73/EU) (the **Prospectus Directive**) on the prospectus to be published when securities are offered to the public or admitted to trading under French law. Upon such approval, application may be made for Notes issued under the Programme during a period of 12 months from the date of this Base Prospectus to be listed and/or admitted to trading on Euronext Paris or on any other regulated market in the European Union (each such regulated market, a **Regulated Market**). Euronext Paris is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC as amended. References in this Base Prospectus to securities being "listed" (and all related references) shall mean that such securities have been listed and admitted to trading on Euronext Paris, on the regulated market or on the EuroMTF Market of the Luxembourg Stock Exchange, listed on the Official List of the Luxembourg Stock Exchange or listed and admitted to trading on any other stock exchange(s) as may be specified in the applicable Final Terms. Each Issuer may also issue unlisted Notes. The relevant final terms (the **Final Terms**) (a form of which is contained herein) in respect of the issue of any Notes will specify whether or not such Notes will be admitted to trading on Euronext Paris, on the regulated market or on the EuroMTF Market of the Luxembourg Stock Exchange, listed on the Official List of the Luxembourg Stock Exchange or listed and admitted to trading on any other stock exchange(s). This Base Prospectus and any supplement thereto will be published on the website of (a) the AMF (www.amf-france.org) and (b) the Issuers (www.morganstanleyiq.eu) and copies may be obtained at the registered offices of the Issuers and at the specified offices of the Paying Agents.

This Base Prospectus includes details of the long-term and short-term credit ratings assigned to (i) Morgan Stanley by DBRS, Inc. (**DBRS**), Fitch Ratings, Inc. (**Fitch**), Moody's Investors Service, Inc. (**Moody's**), Ratings and Investment Information Inc. (**R&I**) and Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services (**S&P**) and (ii) MSIP by Moody's and S&P. MSBV is not rated.

As of the date of this Base Prospectus, Morgan Stanley's short-term and long-term debt has been respectively rated (i) R-1 (middle) and A (high), with a stable outlook, by DBRS, (ii) F1 and A, with a stable outlook, by Fitch, (iii) P-2 and Baa2, with a positive outlook, by Moody's, (iv) a-1 and A, with a negative outlook, by R&I and (v) A-2 and A-, with a negative outlook, by S&P.

As of the date of this Base Prospectus, MSIP's short-term and long-term debt has been respectively rated (i) P-2 and A3, with a stable outlook, by Moody's and (ii) A1 and A, with a negative outlook, by S&P.

Notes issued under the Programme may be rated or unrated. The rating of Notes, if any, will be disclosed in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning credit rating agency.

Notes will be issued outside the United States in dematerialised form, either in bearer dematerialised form (*au porteur*) or registered dematerialised form (*au nominatif*).

Notes will be issued in such denominations as may be specified in the applicable Final Terms save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA will be €1,000 (or the equivalent amount in the specified currency). The aggregate principal amount of Notes outstanding issued under the Programme shall not at any time exceed €2,000,000,000.

The Notes will be governed by French law and the 2011 Guarantee will be governed by New York law and the 2014 Guarantee will be governed by English law in the case of public offers of Notes issued by MSBV in France.

This Base Prospectus replaces and supersedes the Base Prospectus in relation to the Programme dated 19 December 2013.

The language of this Base Prospectus is French.

Investing in the Notes involves risks. See "*Risk Factors*" below.

Distribution Agent
Morgan Stanley & Co. International plc

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE "SUBSCRIPTION AND SALE".

For payments in respect of a Note issued by Morgan Stanley, in order to avoid U.S. withholding taxes, the beneficial owner of the Note (or a financial institution holding the Note on behalf of the beneficial owner) is required under current law to furnish U.S. Internal Revenue Service Form W-8BEN on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person (as defined in the Regulation S under the Securities Act).

Each investor must comply with all applicable laws and regulations in each country or jurisdiction in or from which the investor purchases, offers, sells or delivers the Notes or has in the investor's possession or distributes this Base Prospectus or any accompanying Final Terms.

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

Morgan Stanley accepts responsibility for information contained in this Base Prospectus (except for the information relating to MSIP and MSBV). MSIP accepts responsibility for information relating to itself contained in this Base Prospectus (except for the information relating to Morgan Stanley and MSBV). MSBV accepts responsibility for information relating to itself contained in this Base Prospectus (except for the information relating to Morgan Stanley and MSIP). To the best of the knowledge and belief of each of Morgan Stanley, MSIP and MSBV (each of which has taken all reasonable care to ensure that such is the case), the information for which it accepts responsibility as aforesaid is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised by any of Morgan Stanley, MSIP or MSBV to give any information or to make any representation not contained or incorporated by reference in this Base Prospectus, and, if given or made, that information or representation should not be relied upon as having been authorised by Morgan Stanley, MSIP or MSBV. Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes will, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of any of Morgan Stanley, MSIP or MSBV since the date hereof or, as the case may be, the date upon which this Base Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which have been incorporated into this Base Prospectus by way of a supplement to this Base Prospectus, or that any other information supplied from time to time is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Investors should review, *inter alia*, the most recent financial statements of Morgan Stanley, MSIP and/or MSBV (as applicable) when evaluating any Notes or an investment therein (such financial statements shall not form a part of this Base Prospectus unless they have been expressly incorporated herein, including by way of a supplement to this Base Prospectus).

The distribution of this Base Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by Morgan Stanley, MSIP and MSBV to inform themselves about and to observe those restrictions.

The Issuers do not intend to provide post-issuance information in respect of the Notes.

This Base Prospectus should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference therein.

This Base Prospectus does not constitute an offer of or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by any of Morgan Stanley, MSIP or MSBV that any recipient of this Base Prospectus should subscribe for or purchase any Notes. Each recipient of this Base Prospectus will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of Morgan Stanley, MSIP or MSBV (as applicable) and of the particular terms of any offered Notes.

Neither this Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which that offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

All references in this Base Prospectus 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, all references to Japanese Yen and ¥ are to the lawful currency of Japan, all references to Australian dollars and AUD are to the lawful currency of the Commonwealth of Australia, all references to New Zealand dollars and NZD are to the lawful currency of New Zealand, and all references to euro, € and EUR are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended (the Treaty).

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE RELEVANT ISSUER AND, WHERE APPLICABLE, THE GUARANTORS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES UNDER THE PROGRAMME, ANY DISTRIBUTION AGENT OR ANY OTHER AGENT SPECIFIED FOR THAT PURPOSE IN THE APPLICABLE FINAL TERMS AS THE STABILISING MANAGER (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF ANY OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY AGENT OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISING ACTION. ANY STABILISING ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, BUT MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this Summary.

		Section A – Introduction and Warnings
A.1	Introduction:	<p>Please note that:</p> <ul style="list-style-type: none"> • this summary should be read as introduction to the Base Prospectus; • any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole by the investor; • where a claim relating to the information contained in the Base Prospectus is brought before a court, the investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated; and • civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent:	<ul style="list-style-type: none"> • The Issuers and the Guarantors consent to the use of this Base Prospectus in connection with a Non-exempt Offer; • during the Offer Period specified in the applicable Final Terms; • either (1) in the Member State(s) specified in the applicable Final Terms by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and which satisfies any conditions specified in the applicable Final Terms or (2) by the financial intermediaries, in the relevant Member State(s) and subject to the relevant conditions, in each case specified in the applicable Final Terms, for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC). The Issuers and the Guarantors may give consent to additional financial intermediaries after the date of the applicable Final Terms and, if they do so, the Issuers and, if applicable, the Guarantors will publish the above information in relation to them on www.morganstanleyiq.eu. • An investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an

		<p>Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocation, settlement arrangements and any expenses or taxes to be charged to the investor (the "Terms and Conditions of the Non-exempt Offer"). Neither the Issuers nor the Guarantors will be a party to any such arrangements with Investors (other than the Distribution Agent) in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Non-exempt Offer shall be published by that Authorised Offeror on its website at the relevant time. None of the Issuers, the Guarantors, the Distribution Agent or other Authorised Offerors has any responsibility or liability for such information.</p>
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		Section B – Issuers and Guarantors
B.1	Legal name and commercial name of the Issuers:	<p>Morgan Stanley (Morgan Stanley)</p> <p>Morgan Stanley & Co. International plc (MSIP) or</p> <p>Morgan Stanley B.V. (MSBV).</p> <p>In the case of Notes issued by MSBV, Morgan Stanley will be the guarantor and in the case of public offers of Notes issued by MSBV in France only, Morgan Stanley and MSIP will be the guarantors (the Guarantors and each a Guarantor).</p>
B.2	Domicile and legal form of the Issuers, the legislation under which the Issuers operate and its country of incorporation:	<p>Morgan Stanley was incorporated under the laws of the State of Delaware in 1981 and its predecessor companies date back to 1924. In September 2008, it became a bank holding company and a financial holding company under the BHC Act. 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.</p> <p>MSIP was incorporated in England and Wales with registered number 2068222 on 28 October 1986. MSIP was incorporated as a company limited by shares under the Companies Act 1985 and operates under the Companies Act 2006. MSIP was re-registered as a public limited company on 13 April 2007. MSIP'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.</p> <p>MSBV was incorporated as a private company with limited liability (<i>besloten vennootschap met beperkte aansprakelijkheid</i>) under the laws of The Netherlands on 6 September 2001 for an unlimited duration. MSBV is registered at the commercial register of the Chamber of Commerce and Industries (<i>Kamer van Koophandel</i>) for Amsterdam under number 34161590. It has its corporate seat at Amsterdam, The Netherlands and its offices are located at Luna Arena, Herikerbergweg 238, 1101 CM, Amsterdam, The Netherlands. Its telephone number is +31 20 57 55 600. MSBV is incorporated under, and subject to, the laws of The Netherlands.</p>
B.4b	Trends:	<p>Morgan Stanley's business may be 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 continue to 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</p>

		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, 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; its reputation; inflation, natural disasters, and acts of war or terrorism; the actions and initiatives of current and potential competitors, as well as governments, regulators and self-regulatory organizations; the effectiveness of its risk management policies; and technological changes and risks, including cybersecurity 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.																												
B.5	The group and the Issuers' position within the group:	<p>MSIP forms part of a group of companies including MSIP and all of its subsidiary and associated undertakings (MSIP Group).</p> <p>MSIP's ultimate U.K. parent undertaking is Morgan Stanley International Limited and MSIP's ultimate parent and controlling entity is Morgan Stanley, which, together with MSIP and Morgan Stanley's other consolidated subsidiaries, form the Morgan Stanley Group.</p> <p>MSBV has no subsidiaries. It is ultimately controlled by Morgan Stanley.</p> <p>Morgan Stanley is the ultimate parent undertaking of the Morgan Stanley Group.</p>																												
B.9	Profit Forecast:	<p>Not Applicable. Morgan Stanley does not provide profit forecasts.</p> <p>Not Applicable. MSIP and MSBV do not provide profit forecasts.</p>																												
B.10	Audit Report Qualifications:	<p>Not Applicable. There are no qualifications in MSIP's accounts for the years ended 31 December 2013 and 31 December 2012 and in the financial statements of MSBV for the year ended 31 December 2013 and for the year ended 31 December 2012. There are no qualifications in MSIP's accounts for the period ended 30 June 2014 and in the financial statements of MSBV for the period ended 30 June 2014.</p> <p>There are no qualifications in the consolidated statement of financial condition of Morgan Stanley for the years ended 31 December 2013 and 31 December 2012.</p> <p>There are no qualifications in the consolidated statement of financial condition of Morgan Stanley for the periods ended 31 March 2014, 30 June 2014 and 30 September 2014.</p>																												
B.12	Selected Historical Key Financial Information:	<p>Selected key financial information relating to Morgan Stanley:</p> <table><tr><th>Balance Sheet (\$ in millions)</th><th>31 Dec 2012</th><th>31 Dec 2013</th><th colspan="2">30 September</th></tr><tr><th></th><th></th><th></th><th>2013</th><th>2014</th></tr><tr><td>Total assets</td><td>780,960</td><td>832,702</td><td>832,223</td><td>814,511</td></tr><tr><td>Total liabilities, redeemable noncontrolling interests and equity</td><td>780,960</td><td>832,702</td><td>832,223</td><td>814,511</td></tr></table> <table><tr><th>Consolidated Income</th><th>31 Dec 2012</th><th>31 Dec 2013</th><th>Nine months ended 30</th></tr><tr><td></td><td></td><td></td><td></td></tr></table>	Balance Sheet (\$ in millions)	31 Dec 2012	31 Dec 2013	30 September					2013	2014	Total assets	780,960	832,702	832,223	814,511	Total liabilities, redeemable noncontrolling interests and equity	780,960	832,702	832,223	814,511	Consolidated Income	31 Dec 2012	31 Dec 2013	Nine months ended 30				
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Consolidated Income	31 Dec 2012	31 Dec 2013	Nine months ended 30																											

Statement (\$ in millions)			September	
			2013	2014
<i>Net revenues</i>	26,102	32,417	24,648	26,511
<i>Income from continuing operations before tax</i>	520	4,482	4,760	6,522
<i>Net income</i>	716	3,613	3,440	5,253

There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2013, the date of the latest published annual audited accounts of Morgan Stanley, nor any significant change in the financial or trading position of Morgan Stanley since 30 September 2014, the date of the latest published interim (unaudited) financial statements of Morgan Stanley.

Selected key financial information relating to MSIP:

Balance Sheet (\$ in millions)	31 Dec 2012	31 Dec 2013	30 June	
			2013	2014
<i>Total assets</i>	552,841	519,566	613,232	471,255
<i>Total liabilities and equity</i>	552,841	519,566	613,232	471,255

Consolidated Income Statement (\$ in millions)	31 Dec 2012	31 Dec 2013	Six months ended 30 June	
			2013	2014
<i>Net gains on financial instruments classified as held for trading</i>	3,571	4,082	1,953	2,201
<i>Profit (loss) before tax</i>	242	173	(136)	362
<i>Profit (loss) for the year/period</i>	9	37	(192)	234

There has been no material adverse change in the prospects of MSIP since 31 December 2013, the date of the latest published annual audited accounts of MSIP, nor any significant change in the financial or trading position of the MSIP Group since 30 June 2014, the date of the latest published interim financial statements of MSIP.

Selected key financial information relating to MSBV:

Statement of financial position (in EUR '000)	31 Dec 2012	31 Dec 2013	Six months ended 30 June	
			2013	2014
<i>Total assets</i>	6,519,685	8,170,610	9,598,730	10,367,333
<i>Total liabilities and equity</i>	6,519,685	8,170,610	9,598,730	10,367,333

Statement of comprehensive income (in EUR '000)	31 Dec 2012	31 Dec 2013	Six months ended 30 June	
			2013	2014
<i>Net gains/ (losses) on financial instruments classified as held for trading</i>	(81,202)	509,271	17,643	428,918
<i>Net gains/ (losses) on financial instruments designated at fair value through profit or loss</i>	81,202	(509,271)	(17,643)	(428,918)
<i>Profit before income tax</i>	4,875	6,094	3,005	3,101

		<table><tr><td><i>Profit and total comprehensive income for the year/period</i></td><td>3,679</td><td>4,576</td><td>2,254</td><td>2,326</td></tr></table> <p>There has been no material adverse change in the prospects of MSBV since 31 December 2013, the date of the latest published annual audited accounts of MSBV, nor any significant change in the financial or trading position of MSBV since 30 June 2014, the date of the latest published interim (reviewed) financial statements of MSBV.</p>	<i>Profit and total comprehensive income for the year/period</i>	3,679	4,576	2,254	2,326
<i>Profit and total comprehensive income for the year/period</i>	3,679	4,576	2,254	2,326			
B.13	Recent Events materially relevant to evaluation of solvency:	Not Applicable. Morgan Stanley, MSIP and MSBV consider that no event relevant to the evaluation of their solvency has taken place since the publication of their last interim, quarterly or annual financial statements.					
B.14	Dependence upon other entities within the group:	<p>See Element B.5 for the group and the Issuers' position within the group.</p> <p>Morgan Stanley is a holding company and depends on payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations.</p> <p>MSIP's ultimate parent undertaking and controlling entity is Morgan Stanley. There are substantial inter-relationships between MSIP 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 MSIP, as well as common or shared business or operational platforms or systems, including employees.</p> <p>MSBV is ultimately controlled by Morgan Stanley.</p>					
B.15	The Issuers' and Guarantors' Principal Activities:	<ul style="list-style-type: none">Morgan Stanley, a financial holding company, is a global financial services firm that, 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. It maintains significant market positions in each of its business segments — Institutional Securities, Wealth Management and Investment Management.The principal activity of the MSIP Group is the provision of financial services to corporations, governments and financial institutions. MSIP operates globally. It operates branches in the Dubai International Financial Centre, France, Korea, the Netherlands, New Zealand, Poland, the Qatar Financial Centre and Switzerland.MSBV's principal activity is the issuance of financial instruments and the hedging of obligations arising pursuant to such issuances.					
B.16	Controlling Persons:	<ul style="list-style-type: none">MSI plc is owned directly by Morgan Stanley UK Group (70% holding), Morgan Stanley Services (UK) Limited (10% holding), Morgan Stanley Finance Limited (10% holding) and Morgan Stanley Strategic Funding Limited (10% holding) and is ultimately controlled by Morgan Stanley.MSBV is ultimately controlled by Morgan Stanley.Morgan Stanley is a publicly-held company listed on the New York Stock Exchange and not directly or indirectly owned or controlled by any shareholder or any affiliated group of shareholders.					

B.17	Credit Ratings:	<p>As of the date of this Base Prospectus, Morgan Stanley's short-term and long-term debt has been respectively rated (i) R-1 (middle) and A (high), with a stable outlook, by DBRS, Inc. (DBRS), (ii) F1 and A, with a stable outlook, by Fitch Ratings, Inc. (Fitch), (iii) P-2 and Baa2, with a positive outlook, by Moody's Investors Service, Inc. (Moody's), (iv) a-1 and A, with a negative outlook, by Ratings and Investment Information Inc. (R&I) and (v) A-2 and A-, with a negative outlook, by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services (S&P).</p> <p>MSIP's short-term and long-term debt has been respectively rated (i) P-2 and A3, with a stable outlook, by Moody's and (ii) A1 and A, with a negative outlook, by S&P.</p> <p>MSBV is not rated.</p> <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, a rating agency 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 (the CRA Regulation) by the relevant competent authority and is included in the list of credit rating agencies published by the European Securities and Market Authority (ESMA) on its website (www.esma.europa.eu) in accordance with the CRA Regulation.</p> <p>Fitch is not established in the EEA but the ratings 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 and is included in the list of credit rating agencies published by ESMA.</p> <p>Moody's is not established in the EEA but the ratings it has assigned to Morgan Stanley and MSIP 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 and are included in the list of credit rating agencies published by ESMA.</p> <p>Ratings and Investment Information Inc. is not incorporated in the EEA and is not registered under the CRA Regulation in the EU.</p> <p>S&P is not established in the EEA but the ratings it has assigned to Morgan Stanley and MSIP is 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 and is included in the list of credit rating agencies published by ESMA.</p> <p>Notes issued under the Programme may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.</p>
B.18	Nature and scope of the Guarantees:	<p>The payment of all amounts due in respect of Notes issued by MSBV will be unconditionally and irrevocably guaranteed by Morgan Stanley pursuant to a guarantee dated as of 1 December 2011, and in the case of public offers of Notes issued by MSBV in France only, the payment of all amounts due in respect of such Notes issued by MSBV will be unconditionally and irrevocably guaranteed by Morgan Stanley and MSIP pursuant to a guarantee dated as of 22 April 2014. Payment of amounts due in respect of MSIP Notes is not guaranteed by Morgan Stanley.</p>
B.19	Information about the Guarantors:	<p>See Elements in Section B in relation to the Guarantors, Morgan Stanley and MSIP.</p>

		Section C - The Notes
C.1	Type and class of the Notes and ISIN number:	<p>The Notes will constitute obligations under French law.</p> <p>Notes are issued in Series. Each Series may comprise one or more Tranches issued on different issue dates and subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches.</p> <p>Notes will be issued outside the United States in dematerialised form, either in bearer dematerialised form (<i>au porteur</i>) or registered dematerialised form (<i>au nominatif</i>). Each Issuer may issue Notes that are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes and Notes (collectively Derivative Notes) which are Equity-Linked Notes, Inflation-Linked Notes and/ or any combination thereof.</p> <p>The relevant security identification number(s) (ISIN) in respect of each Tranche of Notes will be specified in the applicable Final Terms.</p>
C.2	Currencies:	Notes may be denominated and/or payable in any currency as set out in the applicable Final Terms, subject to all applicable consents being obtained and compliance with all applicable legal and regulatory requirements.
C.5	Free transferability:	<p>The Notes will only be issued in circumstances which comply with the laws, guidelines, regulations, restrictions or reporting requirements which apply to the Notes from time to time including the restrictions on the offer and sale of Notes and the distribution of offering material in various jurisdictions applicable at the date of the Base Prospectus.</p> <p>The Issuers and the Distribution Agent have agreed certain restrictions on the offer, sale and delivery of the Notes and on the distribution of offering material in the United States, the EEA, the United Kingdom, The Netherlands and France. However, the Notes may be freely transferred in the relevant clearing system(s).</p> <p>The Notes cannot be offered, sold or delivered in the US or to US persons at any time.</p>
C.8	The Rights attached to the Notes, Ranking and Limitations to those Rights:	<p><i>Rights attached to Notes:</i> The Notes entitle the Noteholders on redemption to a claim for payment of a cash amount as summarised in C.16, C.17 and C.18 below. Such cash amount may be less than the value of an investor's initial investment in the Notes. The Notes may also entitle Noteholders to payments of interest as summarised in C.9 below.</p> <p><i>Status of the Notes:</i> The Notes constitute direct and general obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves.</p> <p><i>Status of the Guarantees:</i> The Guarantor's obligations under the Guarantee in respect of the Notes issued by MSBV constitute direct and general obligations of the Guarantor which rank <i>pari passu</i> among themselves. In the case of public offers in France of Notes issued by MSBV only, the Guarantors' obligations under the Guarantee in respect of such Notes issued by MSBV constitute direct and general obligations of the applicable Guarantors which rank <i>pari passu</i> among themselves.</p> <p><i>Minimum Denomination of the Notes:</i> The minimum denomination of each Note admitted to trading on a EEA exchange and/or offered to the public in an EEA State will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).</p> <p><i>Events of Default:</i> If an Event of Default occurs the Notes may be redeemed</p>

		<p>prior to their Maturity Date at the Early Redemption Amount specified in the applicable Final Terms where the Noteholders of not less than 25 per cent. in aggregate principal amount of the Notes give written notice to the Issuer declaring the Notes to be immediately due and payable. The Events of Default applicable to the Notes are as follows:</p> <p>(1) non-payment by the Issuer or the Guarantors (if applicable) of any amount of principal (within 7 days of the due date) or any amount of interest (within 30 days of the due date) in respect of the Notes;</p> <p>(2) default in the performance or observance by the Issuer or the Guarantors (if applicable) in respect of any of their other (non-payment) obligations under or in respect of the Notes and such default remains unremedied for 60 days (after written notice to the Issuer from not less than 25% in aggregate principal amount of the relevant Series of Noteholders); and</p> <p>(3) the Issuer or the Guarantors (if applicable) of the Notes become insolvent or are unable to pay their debts as they fall due, or an administrator or liquidator is appointed in respect of the Issuer or the Guarantors (if applicable) (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), or the Issuer or the Guarantors (if applicable) take any action for a composition with or for the benefit of their creditors generally, or an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or the Guarantors (if applicable) (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent).</p> <p><i>Taxation:</i> All payments of principal and interest by the Issuers and the Guarantors (if applicable) in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied collected, withheld or assessed by any jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law or agreement with such taxing authority. None of the Issuer nor the Guarantors (if applicable) shall be required to make any additional payments on account of any such withholding or deduction.</p> <p>For payments in respect of a Note issued by Morgan Stanley, in order to avoid U.S. withholding taxes, the beneficial owner of the Note (or a financial institution holding the Note on behalf of the beneficial owner) is required under current law to furnish U.S. Internal Revenue Service Form W-8BEN on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person (as defined for U.S. federal income tax purposes).</p> <p><i>Governing Law:</i> The Notes will be governed by French law and the 2011 Guarantee is governed by New York law and the 2014 Guarantee is governed by English law in the case of public offers of Notes issued by MSBV in France only.</p>
C.9	Interest, Redemption and Representation:	<p>See Element C.8 for the Rights attaching to the Notes, Ranking and Limitations to such Rights.</p> <p><i>Nominal Interest Rate:</i> Notes may be interest bearing or non interest bearing. Interest (if any) may accrue at a fixed rate, which may be zero, or a floating rate, or at a rate which varies during the lifetime of the relevant Tranche. Interest on Derivative Notes may be payable in amounts which are linked to the performance of share(s), index(es), exchange traded fund(s), and/or inflation index(es). See further Element C.10 below.</p> <p><i>Date from which interest becomes payable and the due dates for interest:</i> In respect of each Tranche of Notes bearing interest, the date from which interest becomes payable and due dates for interest will be indicated in the applicable Final</p>

		<p>Terms.</p> <p><i>Maturity Date:</i> Notes will have maturities as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.</p> <p><i>Description of the Relevant Underlying to which interest payments are linked:</i> Notes issued under the Programme may be linked to the value or performance of one or more shares, one or more indices, one or more exchange traded funds, one or more inflation linked indices or a combination of the foregoing (each such individual underlying or baskets of underlyings being a Relevant Underlying (as specified in the applicable Final Terms)).</p> <p><i>Arrangements for the amortisation of the loan including repayment procedures:</i></p> <p><i>Final Redemption Amount:</i> Notes may be redeemed at par or at such other amount as may be specified as the Final Redemption Amount in the applicable Final Terms. The amount payable on redemption of Derivative Notes may be an amount which is linked to the performance of the Relevant Underlying comprising one or more shares, indices, exchange traded funds or inflation indices, or a combination of any of the foregoing.</p> <p><i>Early Redemption:</i> Notes may be redeemed early for tax reasons at the option of the Issuer at the Early Redemption Amount specified in the Final Terms. If so specified in the applicable Final Terms, the Notes may also be redeemed early at the option of the Issuer and/or at the option of any Noteholder at the Optional Redemption Amount (Call) or the Optional Redemption Amount (Put), as the case may be.</p> <p>Certain events can affect the Relevant Underlying and lead to adjustments and/or early redemption of the Notes. The Determination Agent shall determine whether the Notes or any exchanges or price sources are affected by certain events (for example, market disruption, adjustment events or circumstances affecting normal activities) on a relevant date of valuation, and may make adjustments to the Notes, or take any other appropriate action, to account for relevant adjustments or events in relation to the Relevant Underlying. In addition, in certain circumstances, the Issuer may redeem or terminate the Notes early following any such event. In this case, in relation to each Note, the Issuer will pay an amount (which amount may, in certain circumstances, be the fair market value of the Notes rather than the nominal value or face value).</p> <p><i>Yield:</i> The yield on Fixed Rate Notes and Zero Coupon Notes will be calculated on an annual or semi-annual basis using the relevant Issue Price at the relevant Issue Date. With respect to Floating Rate Notes, Equity-Linked Notes or Inflation Linked Notes where the amount of interest and/or redemption payments is conditional, not applicable.</p> <p><i>Representative of the Noteholders:</i> Holders of the Notes may call or be called to, a Noteholders' meeting. The Noteholders will be grouped automatically for the defence of their respective common interests in a <i>masse</i> governed by the provisions of the French <i>Code de commerce</i> subject to certain exceptions and provisions (the Masse). The Masse will be a separate legal entity, and will be acting in part through one representative and in part through a general assembly of the Noteholders.</p> <p>Certain events can affect the Relevant Underlying and lead to adjustments and/or early redemption of the Notes. The Determination Agent shall determine whether the Notes or any exchanges or price sources are affected by certain events (for example, market disruption, adjustment events or circumstances affecting normal</p>
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		activities) on a relevant date of valuation, and may make adjustments to the Notes, or take any other appropriate action, to account for relevant adjustments or events in relation to the Relevant Underlying. In addition, in certain circumstances, the Issuer may redeem or terminate the Notes early following any such event. In this case, in relation to each Note, the Issuer will pay an amount (which amount may, in certain circumstances, be the fair market value of the Notes rather than the nominal value or face value).
C.10	Derivative component in interest payment (explanation as to how the value of the investment is affected by the value of the Relevant Underlying, especially under circumstances where the risks are most evident):	<p>Interest payments in relation to Equity-Linked Notes or in relation to Inflation-Linked Notes may contain a derivative component.</p> <p>See Element C.9 for Interest, Redemption and Representation and also Element C.15 for a description of how the value of the investment is affected by the Relevant Underlying.</p>
C.11	Listing and Admission to Trading:	<p>Application may be made for Notes to be listed and/or admitted to trading on (a) Euronext Paris or (b) either of the regulated market or the EuroMTF Market of the Luxembourg Stock Exchange, or (c) any other stock exchange(s) of the European Union.</p> <p>Each Issuer may also issue unlisted Notes.</p>
C.15	How the value of the investment is affected by the Relevant Underlying (unless the securities have a denomination of at least EUR100,000):	<p>The return on Derivative Securities in the form of interest (if applicable) and redemption amounts payable by the Issuer, may be a return linked to the value or performance of the Relevant Underlying and varying in proportion to such value or performance. Such return may also be dependent on the value or performance of the Relevant Underlying reaching, or not, a predetermined threshold or barrier in which case a small increase or decrease in the value or performance of the Relevant Underlying near to the threshold or barrier may lead to a significant increase or decrease in the return of the Notes, and Noteholders may receive no interest at all.</p> <p>Where the return on Derivative Securities is linked to the value or performance of the Relevant Underlying as determined as of one or more predefined dates and irrespective of the level of the Relevant Underlying between these dates, the values of the Relevant Underlying on these dates will affect the value of the Notes more than any other factor.</p> <p>Where the Final Redemption Amount payable on Derivative Securities is linked to or dependent on the performance of the Relevant Underlying (or a percentage thereof), Noteholders may not receive the amount initially invested, and may receive a significantly lesser amount, unless a minimum Final Redemption Amount at least equal to such invested amount applies in determining such Final Redemption Amount.</p> <p>The market price or value of Derivative Notes at any time is expected to be affected by changes in the value of the Relevant Underlying to which the Notes are linked.</p>

		<p>The value of certain Equity-Linked Notes could, in certain circumstances, be affected by fluctuations in the actual or anticipated rates of dividend (if any) or other distributions on a Relevant Underlying.</p> <p>See also Element C.9.</p>
C.16	Expiration/ maturity date of the derivative securities – the exercise date/final reference date:	<p>Unless previously redeemed, each series of Notes will be redeemed on the applicable Maturity Date at their Final Redemption Amount, as specified in the Applicable Final Terms. Where the Final Redemption Amount is linked to the value or performance of a Relevant Underlying, such value or performance will be determined as of the Determination Date specified in the Final Terms.</p>
C.17	Settlement procedure of the derivative securities:	<p>Notes issued under the Programme will be cash-settled.</p> <p>On the relevant date for redemption of the Notes, the Issuer shall pay the relevant redemption amount per Calculation Amount to the Noteholders through the relevant clearing systems, and such amounts shall be credited to the relevant Noteholders' respective accounts held either with such clearing systems or with a financial intermediary that is a member of such clearing systems.</p>
C.18	How the return on the derivative securities takes place:	<p>Notes may not be ordinary debt securities and the return and/or interest and/or redemption amount may be linked to the value or performance of one or more Relevant Underlyings. Interest in respect of Notes may be payable periodically or on the Maturity Date.</p> <p>Zero Coupon Notes do not pay interest but may be issued at their nominal amount or at a discount.</p> <p>See also Elements C.9 and C.15.</p>
C.19	Exercise price/final reference price of the underlying:	<p>The Final Reference Value for the purpose of determining the performance of a Relevant Underlying will be determined by the Determination Agent by reference to the price for a share or exchange-traded fund on a relevant exchange or the level of an Index or an Inflation Index as of any relevant date.</p>
C.20	Type of underlying and where information on the underlying can be found:	<p>The Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes and/or Derivative Notes.</p> <p>In the case of Derivative Notes, the Relevant Underlying to which each Series of Derivative Notes relates will be one or more shares, exchange traded funds, index(es) or inflation index(es) details of which will be specified in the applicable Final Terms together with details of the source from which information about the Relevant Underlying can be obtained.</p>
C.21	Indication of market where securities will be traded and for which prospectus has been published:	<p>See Element C.11 for an indication of the market where securities will be traded and for which a prospectus in respect of the Notes has been published.</p>

		Section D – Risks
D.2	Key Risks Specific to the Issuers and the Guarantors:	<p>There are certain factors that may affect each Issuer's ability to fulfil their obligations under the Notes issued under the Programme and (where applicable) the Guarantors' ability to fulfil their obligations under the Guarantees.</p> <p>Morgan Stanley</p> <p>Risks that are inherent in Morgan Stanley's activities include:</p> <ul style="list-style-type: none"> • Liquidity and Funding Risk; • Market Risk; • Credit Risk; • Operational Risk; • Legal, Regulatory and Compliance Risk; • Risk Management; • Competitive Environment Risk; • International Risk; and • Acquisition and Joint Venture Risk. <p>MSIP and MSBV</p> <p>The principal risks with respect to Morgan Stanley will also represent the principal risks with respect to MSBV and MSIP, either as individual entities or as part of the Morgan Stanley group of companies.</p> <p>Risks specific to MSIP and MSBV include:</p> <ul style="list-style-type: none"> • the ability of MSBV to perform its obligations is dependent upon the Morgan Stanley group fulfilling its obligations to MSBV; • risks relating to insolvency proceedings in the Netherlands; • the existence of substantial inter-relationships between MSIP and other Morgan Stanley group companies; and • the Notes issued by MSIP will not be guaranteed by Morgan Stanley.
D.3	Key Risks Specific to the Notes:	<p>There are certain factors which are material for the purpose of assessing the risks associated with Notes issued under the Programme. These notably include the risk factors which relate to:</p> <ul style="list-style-type: none"> • the specification, type and structure of the Notes (including in the case of Derivative Notes, the application of caps and floors, averaging features (including "best-of", "worst-of" and "selected" performance averages), weighting of Relevant Underlyings, memory features, barrier features and lock-in features); • the nature and features of the underlying;

		<ul style="list-style-type: none"> • the hedging transactions entered into by the Issuer; • the fixed/floating rate of the Notes, exchange rates and exchange controls; • secondary trading of the Notes; • the rating of the Notes; and • the legislation and tax regime of the Notes. <p>Notes may not be ordinary debt securities and the return and/or interest and/or principal may be linked to the performance of, amongst other things, one or more Relevant Underlying.</p> <p>An investment in the Notes bears the risk that the relevant Issuer, or that the Guarantors (in respect of the Notes issued by MSBV), are not able to fulfil their obligations in respect of such Notes at maturity or before maturity of the Notes. In certain circumstances holders may lose all or a substantial portion of their principal or investment.</p>
D.6	Risk Warning:	<p>See Element D.3 for the key risks that are specific to the Notes.</p> <p><i>WARNING: INVESTORS IN NOTES CONSTITUTING DERIVATIVE SECURITIES UNDER REGULATION EC/809/2004, AS AMENDED, MAY LOSE THE VALUE OF THEIR ENTIRE INVESTMENT, OR PART OF IT.</i></p>

		Section E – Offer
E.2b	Reasons for the Offer and Use of Proceeds:	The net proceeds of each issue of Notes will be used by the relevant Issuer for general corporate purposes, in connection with hedging its obligations under the Notes unless otherwise specified in the applicable Final Terms.
E.3	Terms and Conditions of the Offer:	<p>The terms of the offer will comprise the conditions of the offer, the offer statistics, the expected timetable and the action required to apply for the offer.</p> <p>The terms will also include information relating to the plan of distribution and allotment of Notes.</p> <p>The Notes will be issued at the Issue Price which will be determined at the time of issuance and taking into account market conditions.</p> <p>The terms will include information relating to placing and underwriting.</p> <p>The Issuer and the Distribution Agent must comply with certain restrictions in relation to the offer, the sale and delivery of Notes and the distribution of offer documents in the United States, the EEA, the United Kingdom, the Netherlands and France.</p>
E.4	Interests Material to the Issue:	Subject to potential conflicts between the investor and the Determination Agent, notably when MSIP acts both as Issuer and Determination Agent, or when MSIP and other affiliates or subsidiaries of Morgan Stanley carry out hedging activities or trades, each of Morgan Stanley, MSIP and MSBV do not have interests material to the issue.
E.7	Estimated Expenses:	Estimated expenses charged to the investor by the relevant Issuer or the offeror will be included in the applicable Final Terms.

RISK FACTORS

Prospective investors should read the entire Base Prospectus (and where appropriate, any relevant final terms). Words and expressions defined elsewhere in this Base Prospectus have the same meanings in this section.

Prospective investors should consider the factors described below and consult with their own professional advisors if they consider it necessary. Each of the Issuers and the Guarantors believe that such factors represent the principal risks inherent in investing in Notes issued under the Programme but the inability of an Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons, which may not be considered significant risks by such Issuer based on information currently available to it or which it may not currently be able to anticipate.

The Guarantors and the Issuers disclaim any responsibility to advise prospective purchasers of any matters arising under the laws of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments on the Notes. These persons should consult their own legal and financial advisors concerning these matters. This section notably describes generally the most significant risks of investing in Notes linked to securities, indices, ETFs or inflation indices. Each investor should carefully consider whether the Notes, as described herein and in the applicable Final Terms, are suited to its particular circumstances before deciding to subscribe or to purchase any Notes.

1. Risks Relating to Morgan Stanley, Morgan Stanley & Co. International plc and Morgan Stanley B.V.

Morgan Stanley is the ultimate parent company of the Morgan Stanley group of companies comprised of Morgan Stanley and its consolidated subsidiaries (together, the **Morgan Stanley Group**). Morgan Stanley B.V. and Morgan Stanley & Co. International plc are both part of the Morgan Stanley Group.

All material assets of Morgan Stanley B.V. are obligations of one or more of the Morgan Stanley Group companies and securities issued by Morgan Stanley B.V. are guaranteed by Morgan Stanley and in the case of public offers of Notes issued by Morgan Stanley B.V. in France only, the payment of all amounts due in respect of such Notes issued by Morgan Stanley B.V. are jointly and severally guaranteed by Morgan Stanley and Morgan Stanley & Co. International plc .

There are substantial inter-relationships between Morgan Stanley & Co. International 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 Morgan Stanley & Co. International 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 Morgan Stanley B.V. and Morgan Stanley & Co. International plc, either as individual entities or as part of the Morgan Stanley Group.

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 if it were to incur large trading losses, is downgraded by the rating agencies, suffers a decline in the level of Morgan Stanley's 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 from 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 its 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. For example, in November 2013, Moody's Investor Services, Inc. (**Moody's**) took certain ratings actions with respect to eight large U.S. banking groups, including downgrading Morgan Stanley, to remove certain uplift from the U.S. government support in their ratings. See also "Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources – Credit Ratings" in Part II, Item 7 in the 2013 Morgan Stanley Annual Report.

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 is 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 and Standard & Poor's Financial Services LLC. At September 30, 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 \$1,702 million and an incremental \$2,938 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 its ability to transfer funds freely, either to or from its subsidiaries. In particular, many of its subsidiaries, including its broker-dealer subsidiaries, are subject to laws, regulations and self-regulatory organisation rules that authorize 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 Morgan Stanley's ability to access funds that it may need to make payments on its obligations. Furthermore, as a bank holding company, Morgan Stanley may become subject to a prohibition or to limitations on its ability to pay dividends or repurchase Morgan Stanley's stock. The Office of the Comptroller of the Currency (**OCC**), the Board of Governors of the Federal Reserve System (**Fed**) and the Federal Deposit Insurance Corporation (**FDIC**) have the authority, and under certain circumstances the duty, to prohibit or to limit the payment of dividends by the banking organizations they supervise, including Morgan Stanley's bank company subsidiaries.

Morgan Stanley's liquidity and financial condition have in the past been, and in the future could be, adversely affected by U.S. and international markets and economic conditions.

Morgan Stanley's ability to raise funding in the long-term or short-term debt capital markets or the equity markets, or to access secured lending markets, has in the past been, and could in the future be, adversely affected by conditions in the U.S. and international markets and 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, Morgan Stanley's cost and availability of funding have been, and may in the future be, adversely affected by illiquid credit markets and wider credit spreads. Continued turbulence in the U.S., 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 Morgan Stanley.

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. The results of operations in the past have been, and in the future may continue to be, materially affected by many factors, including the effect of economic and political conditions and geopolitical events; 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 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, 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, joint ventures, strategic alliances or other strategic arrangements (its reputation; inflation,

natural disasters, 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 risk management policies; and technological changes and risks, including cybersecurity 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 realization 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 its 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 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 securities particularly during periods of market displacement. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these securities in future periods. In addition, at the time of any sales and settlements of these securities, the price Morgan Stanley ultimately realizes 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, such as crowded trades. 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 realize 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.

Morgan Stanley has incurred, and may continue to incur, significant losses in the real estate sector.

Morgan Stanley finances and acquires principal positions in a number of real estate and real estate-related products for its own account, for investment vehicles managed by affiliates in which it also

may have a significant investment, for separate accounts managed by affiliates and for major participants in the commercial and residential real estate markets.

Morgan Stanley also originates loans secured by commercial and residential properties. Further, it securitizes 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. These businesses have been, and may continue to be, adversely affected by the downturn in the real estate sector. In connection with these activities, Morgan Stanley has provided, or has otherwise agreed to be responsible for, certain representations and warranties. Under certain circumstances, Morgan Stanley may be required to repurchase such assets or make other payments related to such assets if such representations and warranties were breached. Between 2004 and 31 December 2013, Morgan Stanley sponsored approximately \$148 billion of residential mortgage-backed securities (**RMBS**) primarily containing U.S. residential loans. Of that amount, Morgan Stanley made representations and warranties concerning approximately \$47 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 billion of loans. At 31 December 2013, the current unpaid principal balance (the **UPB**) for all the residential assets subject to such representations and warranties was approximately \$17.2 billion and the cumulative losses associated with U.S. RMBS were approximately \$13.5 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 had securitized during that time period. Morgan Stanley has not sponsored 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 securitized in commercial mortgage-backed securities (**CMBS**). Between 2004 and 31 December 2013, Morgan Stanley originated approximately \$50.6 billion and \$13.0 billion of U.S. and non-U.S. commercial mortgage loans, respectively, that were placed into CMBS sponsored by it. At 31 December 2013, the current UPB for all U.S. commercial mortgage loans subject to such representations and warranties was \$33.0 billion. As of 31 December 2013, the current UPB when known for all non-U.S. commercial mortgage loans, subject to such representations and warranties was approximately \$3.0 billion, and the UPB at the time of sale when the current UPB is not known was \$0.4 billion.¹

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 has been and expect that it may continue to become, the subject of increased claims for damages and other relief in the future. Morgan Stanley continues to monitor its real estate-related activities in order to manage its exposures and potential liability from these markets and businesses.

Credit Risk

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

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 the 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 it; 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

¹ For further information regarding these assets as of 30 September 2014, see Note 4 to the Condensed Consolidated Financial Statement in the Morgan Stanley Third Quarterly Report 2014.

fully cover the loan repayment amount; posting margin and/or collateral 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 realized or expected defaults on the underlying obligations or loans.

Morgan Stanley also incurs credit risk in the Wealth Management business segment lending to individual investors, including, but not limited to, margin and non-purpose loans collateralized 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 firm, Morgan Stanley finances its customer positions and Morgan Stanley 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 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 centralization of trading activities through particular clearing houses, central agents or exchanges as required by provisions of the Dodd-Frank Act may increase its 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 on a daily basis, and therefore could adversely affect it.

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, 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 risk that could adversely affect its businesses.

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 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. In general, the transactions it processes are increasingly complex. 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 centres operated by unaffiliated third parties to process a high volume of transactions.

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 its or a third party's systems or improper or unauthorised action by third parties or employees, Morgan Stanley 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 and industry-wide operational failure that could materially impact Morgan Stanley's ability to conduct business.

Morgan Stanley's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and the systems of third parties with which it does business or that facilitate its business activities, such as vendors. Like other financial services firms, Morgan Stanley and its third party providers have been and continue to be subject to unauthorized access, mishandling or misuse, computer viruses or malware, cyber attacks, denial of service attacks and other events. The increased use of smartphones, tablets and other mobile devices may also heighten these and other operational risk. Event such as these could have a security impact on Morgan Stanley's systems and jeopardize its or its clients' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, its computer systems. Furthermore, such events could cause interruptions or malfunctions in its, its clients', its counterparties' or third parties' operations, which could result in reputational damage, client dissatisfaction, litigation or regulatory fines or penalties not covered by insurance maintained by Morgan Stanley, and adversely affect its business, financial condition or results of operations.

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 risk 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 it is located. This may include a disruption involving physical site access, terrorist activities, disease pandemics, catastrophic events, natural disasters, extreme weather events, electrical, environmental, computer servers communications or other services used by Morgan Stanley, its employees or third parties with whom Morgan Stanley conducts business.

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation Morgan Stanley may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to its business activities. Legal, regulatory and compliance 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 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 could 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, or are currently considering enacting, financial market reforms that have resulted and could result in major changes to the way Morgan Stanley's global operations are regulated. 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 Morgan Stanley's businesses and any 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 the Volcker Rule, and to comprehensive new derivatives regulation. While certain portions of the Dodd-Frank Act became effective immediately, most other portions are effective following extended transition periods or through numerous rule makings by multiple government agencies, and only a portion of those rulemakings have been completed. Many

of the changes required by the Dodd-Frank Act could materially impact the profitability of Morgan Stanley's 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 or repurchase its stock, or require Morgan Stanley to raise capital, including in ways that may adversely impact its shareholders or creditors. In addition, similar regulatory requirements are being proposed by foreign policymakers and regulators, which 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 will 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 provision 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, including its trading operations and asset management activities, and are 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 regulatory investigations, and Morgan Stanley may face damage to its reputation and legal liability.

As a major financial services firm, Morgan Stanley face 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 Morgan Stanley's 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 actions against Morgan Stanley could materially adversely affect its business, financial condition or results of operations or cause it significant reputational harm, which could harm seriously its business. The Dodd-Frank Act also provides compensation to whistleblowers who present the SEC or CFTC with information related to securities or commodities laws violations that lead 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.

Substantial legal liability could materially adversely affect Morgan Stanley's business, financial condition or results of operations or cause significant reputational harm, which could seriously harm Morgan Stanley's business. For example, recently, the level of litigation activity focused on residential mortgage and credit crisis related matters has increased materially in the financial services industry. As a result, Morgan Stanley has been and expects that it may continue to become the subject of increased claims for damages and other relief regarding residential mortgages and related securities in the future and there can be no assurance that additional material losses will not be incurred from residential mortgage claims that have not yet been notified to it or are not yet determined to be material.

Morgan Stanley's business, financial condition and results of operations could be adversely affected by governmental fiscal and monetary policies.

Morgan Stanley is affected by fiscal and monetary policies adopted by regulatory authorities and bodies of the U.S. and other governments. For example, the actions of the Federal Reserve and international central banking authorities directly impact its cost of funds for lending, capital raising and investment activities and may impact the value of financial instruments Morgan Stanley holds. In addition, such changes in monetary policy may affect the credit quality of its customers. Changes in domestic and international monetary policy are beyond its control and difficult to predict.

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), agricultural products, 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 Europe; it owns TransMontaigne Inc. and its subsidiaries, a group of companies operating in the refined petroleum products marketing and distribution business; and Morgan Stanley 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, Morgan Stanley's 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 were 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 it 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 engaged in 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 interests 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 Morgan Stanley's 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 scrutinize its activities for potential conflicts of interest, including through detailed examinations of specific transactions. In addition, 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. bank subsidiaries and their affiliates.

Risk Management

Morgan Stanley's management strategies may not be fully effective in mitigating its risk exposure 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 its competitors may be subject to different, and in some cases, less stringent, legal and regulatory regimes, than Morgan Stanley is, thereby putting it at a competitive disadvantage.

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 trades electronically on exchanges and through other automated trading markets has increased the pressure on trading commissions or comparable fees. The trend toward direct access to automated, electronic markets will likely continue and will likely increase as additional markets move to automated trading models. 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 prices (in the form of commissions or pricing).

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. In order to attract and retain qualified employees, Morgan Stanley must compensate such employees at market levels. Typically, those levels have caused employee compensation to be Morgan Stanley's greatest expense as compensation is highly variable and changes based on business and individual performance and market conditions. 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, tax, operational, franchise and other risks as a result of its international operations which could adversely impact its businesses in many ways.

Morgan Stanley is subject to political, economic, legal, tax, operational, franchise and other risks that are inherent in operating in many countries, 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. 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 businesses in that market but also on Morgan Stanley's 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 Morgan Stanley's 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 the Treasury's Office of Foreign Assets Control (**OFAC**) and similar multinational bodies and governmental agencies worldwide, as well as applicable anti-corruptions 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 and Joint Venture Risk

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

In connection with past or future acquisitions, divestitures, joint ventures, minority stakes or strategic alliances (including with MUFG), Morgan Stanley faces numerous risks and uncertainties combining or integrating the relevant businesses and systems, including the need to combine 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 will be successfully integrated or yield all of the positive benefits anticipated. If Morgan Stanley is not able to integrate successfully its past and future acquisitions, 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 Morgan Stanley to new asset classes and new markets. These business activities expose it 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.

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 one of these Morgan Stanley group companies incur losses with respect to any of their activities (irrespective of whether those activities relate to MSBV or not) their ability to fulfil their 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, and in the case of public offers of Notes issued by MSBV in France only, the payment obligations of MSBV for all amounts due in respect of such Notes issued by MSBV would be guaranteed by Morgan Stanley and MSIP jointly and severally.

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 MSIP Group's (as defined below) business activity and is managed by the MSIP 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 MSIP Group's own risk management policies and procedures are consistent with those of the Morgan Stanley Group.

Risks relating to resolution measures in respect of MSI plc

In June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **RRD**). The aim of the RRD legislative proposal is to provide national authorities with common powers and instruments to pre-empt bank crises and to resolve any relevant institution in an orderly manner in the event of failure, whilst preserving essential bank operations and minimising taxpayers' exposure to losses.

The RRD legislative proposal provides for a range of instruments to tackle potential crises at three stages: preparatory and preventative, early intervention and resolution. The main resolution measures would include the sale of (part of a) business, establishment of a bridge institution (the temporary transfer of good assets of the failing institution to a publicly controlled entity), asset separation (the transfer of impaired assets to an asset management vehicle) and bail-in measures. Bail-in measures would give resolution authorities the power to write down the claims of unsecured creditors of an institution which is failing or likely to fail, and to convert unsecured debt claims to equity (subject to certain parameters) and accordingly could be used to impose losses on holders of securities issued by investment firms such as MSI plc, including without limitation bonds, notes and other debt securities, warrants and certificates.

The RRD legislative proposal currently contemplates that it will be applied by Member States from 1 January 2015 except for the bail-in measures (in relation to certain instruments) which are to be applied from 1 January 2018 or, according to a recent political agreement between European Parliament and Council Presidency negotiators, 1 January 2016.

MSI plc may also become subject to the regime (the **special resolution regime**) provided for in the UK Banking Act 2009, as amended (the **Banking Act**) to allow the Bank of England (or, in certain circumstances, UK HM Treasury (the **UK Treasury**)) to resolve failing UK institutions, currently UK banks and building societies, in consultation with the UK Prudential Regulatory Authority and the UK Treasury, as appropriate. The Financial Services Act 2012 contains provisions to amend the Banking Act so as to extend the special resolution regime to certain other institutions, including investment firms such as MSI plc. Such amending provisions have not yet been brought into force, and the final report in respect of the consultation procedure opened by the UK Treasury in September 2013 regarding secondary legislation for the extension of the special resolution regime has not yet been

published. Assuming the special resolution regime is extended to include MSI plc as a relevant investment firm, the Bank of England will acquire wide powers and instruments to address the situation where all or part of MSI plc's business has encountered, or is likely to encounter, financial difficulties, including resolution measures similar to some of those contemplated in the RRD legislative proposal.

In October 2013 the UK Government proposed a number of amendments to the Financial Services (Banking Reform) Bill, which is currently progressing through the legislative process. The amendments include a number of amendments to the Banking Act so as to provide for bail-in measures as part of the special resolution regime. The proposed provisions would give the Bank of England wide powers to cancel liabilities owed by a relevant institution or to convert such liabilities into shares or other securities of a different class or form or to create a new security in connection with the modification of the liabilities, among other things. The draft legislation is not yet in final form and changes may be made to it in the course of the legislative process. However, if implemented in their current form, the proposed bail-in provisions could be used to impose losses on holders of securities issued by MSI plc, including without limitation bonds, notes and other debt securities, warrants and certificates.

2. Risk Factors relating to the Notes

The Issuers may issue Notes with principal and/or interest determined by reference to one or more securities, indices, exchange traded funds (**ETFs**), inflation indices and/or interest rates (each, a **Relevant Underlying**).

Notes linked to one or more securities, indices, exchange traded funds, and/or inflation indices.

Potential investors should be aware that:

- (a) they may lose all or a substantial portion of their principal or investment, depending on the performance of each Relevant Underlying;
- (b) the market price of such Notes may be very volatile;
- (c) investors in Notes may receive no interest;
- (d) payment or payment of principal or interest, if applicable, may occur at a different time or in a different currency than expected;
- (e) a Relevant Underlying may be subject to significant fluctuations that may not correlate with changes in securities prices, indices, prices of exchange traded fund interests, or inflation indices;
- (f) if a Relevant Underlying is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Underlying on principal or interest payable on such Notes is likely to be magnified; and
- (g) the timing of changes in a Relevant Underlying may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Underlying, the greater the effect on yield.

The Notes may not be a suitable investment for all investors

An investment in the Notes entails certain risks, which vary depending on the specification and type or structure of the Notes.

Each potential investor should determine whether an investment in the Notes is appropriate in its particular circumstances. An investment in the Notes requires a thorough understanding of the nature

of the relevant transaction. Potential investors should be experienced with respect to an investment in the Notes and be aware of the related risks.

An investment in the Notes is only suitable for potential investors who:

- have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Notes and the information contained or incorporated by reference into this document;
- have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of the potential investor's particular financial situation and to evaluate the impact the Notes will have on their overall investment portfolio;
- understand thoroughly the terms of the Notes and are familiar with the behaviour of the Relevant Underlying and financial markets;
- are capable of bearing the economic risk of an investment in the Notes until the maturity date of the Notes;
- recognise that it may not be possible to dispose of the Notes for a substantial period of time, if at all before the maturity date; and
- are familiar with the behaviour of the Relevant Underlying and relevant financial markets and be able to evaluate (either alone or with the help of a financial and legal adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless such potential investor has the expertise (either alone or with a financial and legal adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are not ordinary debt securities

The terms of certain Notes differ from those of ordinary debt securities because the Notes may not pay interest on maturity, depending on the performance of the Relevant Underlying may return less than the amount invested or nothing, or may return assets or securities of an issuer that is not affiliated with the Issuer, the value of which is less than the amount invested. Prospective investors who consider purchasing the Notes should reach an investment decision only after carefully considering the suitability of the Notes in light of their particular circumstances. The price of the Notes may fall in value as rapidly as it may rise, and investors in the Notes may potentially lose all of their investment.

The value of the Notes linked to the Relevant Underlying may be influenced by unpredictable factors

The value of the Notes may be influenced by several factors beyond the Issuer's, and/or its Affiliates' and, where applicable, the Guarantor's control including:

1. *Valuation of the Relevant Underlying.* The market price or value of a Note at any time is expected to be affected primarily by changes in the price, level, or value of the Relevant Underlying to which the Notes are linked. It is impossible to predict how the price, level, or value of the Relevant Underlying will vary over time. The historical performance value (if any) of the Relevant Underlying does not indicate the future performance of the Relevant

Underlying. Factors which may have an effect on the price, level, or value of the Relevant Underlying include the rate of return of the Relevant Underlying and, where relevant, the financial position and prospects of the issuer of the Relevant Underlying, the market price, level or value of the applicable underlying security, index, ETF, inflation index or rate, or basket of securities, indices, ETFs, or inflation indices. In addition, the price, level, or value of the Relevant Underlying may depend on a number of inter-related factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Potential investors should also note that whilst the value of the Notes is linked to the Relevant Underlying and will be influenced (positively or negatively) by the Relevant Underlying, any change may not be comparable and may be disproportionate. It is possible that while the Relevant Underlying is increasing in value, the value of the Notes may fall. Further, the Terms and Conditions of the Notes will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Notes or any exchanges or price sources are affected by market disruption, adjustment events or circumstances affecting normal activities;

2. *Volatility.* The term **volatility** refers to the actual and anticipated frequency and magnitude of changes of the market price, level or value with respect to a Relevant Underlying. Volatility is affected by a number of factors such as macroeconomic factors (i.e. those economic factors which have broad economic effects), speculative trading and supply and demand in the options, futures and other derivatives markets. Volatility of a Relevant Underlying will move up and down over time (sometimes more sharply than at other times) and different Relevant Underlyings will most likely have separate volatilities at any particular time;
3. *Dividend Rates and other Distributions.* The value of certain Equity-Linked Notes could, in certain circumstances, be affected by fluctuations in the actual or anticipated rates of dividend (if any) or other distributions on a Relevant Underlying;
4. *Interest Rates.* Investments in the Notes may involve interest rate risk. The interest rate level may fluctuate on a daily basis and cause the value of the Notes to change on a daily basis. The interest rate risk is a result of the uncertainty with respect to future changes of the market interest rate level. In general, the effects of this risk increase as the market interest rates increase;
5. *Remaining Term.* Generally, the effect of pricing factors over the term of the Notes will decrease as the maturity date approaches. However, this reduction in the effect of pricing factors will not necessarily develop consistently up until the maturity date, but may undergo temporary acceleration and/or deceleration. Even if the price, level or value of the Relevant Underlying rises or falls there may a reduction or increase, as the case may be, in the value of the Notes due to the other value determining factors. Given that the term of the Notes is limited, investors cannot rely on the price, level or value of the Relevant Underlying or the value of the Notes recovering again prior to maturity;
6. *Creditworthiness.* Any prospective investor who purchases the Notes is relying upon the creditworthiness of the Issuer and, if applicable, the Guarantor or the Guarantors and has no rights against any other person. If the Issuer or the Guarantor or each of the Guarantors, if applicable, becomes insolvent, investors may suffer potential loss of their entire investment irrespective of any favourable development of the other value determining factors, such as a Relevant Underlying; and
7. *Exchange Rates.* The value of the Notes could, in certain circumstances, be affected by such factors as fluctuations in the rates of exchange between any currency in which any payment in respect of the Notes is to be made and any currency in which a Relevant Underlying is traded, appreciation or depreciation of any such currencies and any existing or future or governmental or other restrictions on the exchangeability of such currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at

the date of issue of the Notes will be representative of the relevant rates of exchange used in computing the value of the Notes at any time thereafter.

Some or all of the above factors will influence the price that investors will receive if an investor sells its Notes prior to maturity which is usually referred to as "secondary market practice". For example, investors may have to sell certain Notes at a substantial discount from the principal amount or investment amount if the market price, level or value of the applicable Relevant Underlying is at, below, or not sufficiently above the initial market price, level or value or if market interest rates rise. The secondary market price of the Notes may be lower than the market value of the issued Notes as at the Issue Date to take into account, amongst other things, amounts paid to distributors and other intermediaries relating to the issue and sale of the Notes and amounts relating to the hedging of the Issuer's obligations. As a result of all of these factors, any investor that sells the Notes before the stated expiration or maturity date, may receive an amount in the secondary market which may be less than the then intrinsic market value of the Notes and which may also be less than the amount the investor would have received had the investor held the Notes through to maturity.

Financial Transaction Tax (FTT) Risk

On 14 February 2013, the European Commission published a proposal (the **Commission's proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's proposal has very broad scope and could, if introduced in its current draft form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

If, on or after the Trade Date, due to the implementation of the proposed Financial Transaction Tax or otherwise by the adoption of or any change in any applicable law or regulation (including, without limitation, any law or regulation implementing a system of financial transaction tax in any jurisdiction, including the European Union, relating to any tax payable in respect of the transfer of, or entry into or modification or unwind of, any financial instruments), the Issuer determines that it (directly or through an Affiliate) would incur or has incurred a materially increased amount of tax, transfer tax, duty, stamp duty, stamp duty reserve tax, expense or fee (other than brokerage commissions) in relation to its obligations under the Notes or its related hedge positions ("**Additional Tax**"), the Issuer may (if the Conditions of the Notes so allow) adjust the Conditions of the Notes to reduce the amount otherwise payable under the Notes to holders of such Notes in order to pass on to the holders of such Notes the full amount of such Additional Tax incurred by the Issuer directly or through such Affiliate.

Credit risk

The obligations of the Issuers under the Notes and of the Guarantors under the Guarantees are unsecured. Holders of Notes bear the credit risk of the Issuer and, if applicable, the Guarantors, that is the risk that the relevant Issuer and, if applicable, the relevant Guarantor, is not able to meet its obligations under such Notes, irrespective of whether such Notes are referred to as capital or principal protected or how any principal, interest or other payments under such Notes are to be calculated. Any rating of the relevant Issuer or the relevant Guarantor reflects the independent opinion of the relevant rating agency and is not a guarantee of the credit quality of such Issuer or such Guarantor.

Certain considerations regarding the use of the Notes as hedging instruments

Any person intending to use the Notes as a hedge instrument should recognise the "correlation risk" of doing this. Correlation risk is the potential differences in exposure for a potential investor that may arise from the ownership of more than one financial instrument. The Notes may not hedge exactly a Relevant Underlying or portfolio of which a Relevant Underlying forms a part. In addition, it may not be possible to liquidate the Notes at a price which directly reflects the price, level or value of the Relevant Underlying or portfolio of which the Relevant Underlying forms a part. Potential investors should not rely on the ability to conclude transactions during the term of the Notes to offset or limit the relevant risks. This depends on the market situation and the specific Relevant Underlying conditions. It is possible that such transactions will only be concluded at an unfavourable market price, resulting in a corresponding loss for the Noteholder.

Effect on the Notes of hedging transactions by the Issuer

The Issuer may use a portion of the total proceeds from the issue of the Notes for transactions to hedge the risks of the Issuer relating to the Notes. In such case, the Issuer or any of its Affiliates may conclude transactions that correspond to the obligations of the Issuer under the Notes. As a rule, such transactions are concluded prior to or on the Issue Date, but it is also possible to conclude such transactions after issue of the Notes. On or before a valuation date, the Issuer or any of its Affiliates may take the steps necessary for closing out any hedging transactions. It cannot, however, be ruled out that the price, level or value of a Relevant Underlying will be influenced by such transactions. Entering into or closing out these hedging transactions may influence the probability of occurrence or non-occurrence of determining events in the case of Notes with a value based on the occurrence of a certain event in relation to a Relevant Underlying.

Notes linked to a single emerging market security, a single emerging market index, or a single emerging market ETF, or a basket of securities or a basket of indices composed, in part or in whole, of emerging market securities or a basket of ETFs composed, in part or in whole, of emerging market ETFs.

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

Emerging markets currencies

Where the Notes are denominated in an emerging market currency, such emerging market currency can be significantly more volatile than currencies of more developed markets. Emerging markets currencies are highly exposed to the risk of a currency crisis happening in the future and this could trigger the need for the determination agent (MSIP or an affiliate) to make adjustments to the terms and conditions of the Notes.

Effect of the liquidity of the Relevant Underlying on Note pricing

An Issuer's and/or its Affiliates' hedging costs tend to be higher the less liquidity the Relevant Underlying has or the greater the difference between the "buy" and "sell" prices for the Relevant Underlying or derivatives contracts referenced to the Relevant Underlying. When quoting prices for the Notes, the Issuer and/or its Affiliates will factor in such hedging costs and will pass them on to the Noteholders by incorporating them into the "buy" and "sell" prices. Thus, Noteholders selling their Notes on an exchange or on the over-the-counter market may be doing so at a price that is substantially lower than the actual value of the Notes at the time of sale.

No affiliation with underlying companies

The underlying issuer for any single security or basket security, ETF or the publisher of an index will not be an Affiliate of Morgan Stanley, MSIP or MSBV. Morgan Stanley or its subsidiaries may presently or from time to time engage in business with any underlying company or ETF, including entering into loans with, or making equity investments in, the underlying company, ETF, or its affiliates or subsidiaries or providing investment advisory services to the underlying company or ETF, including merger and acquisition advisory services. Moreover, no Issuer has the ability to control or predict the actions of the underlying company, ETF or index publisher, including any actions, or reconstitution of index components, of the type that would require the determination agent to adjust the payout to the investor at maturity. No underlying company, ETF or index publisher for any issuance of Notes is involved in the offering of the Notes in any way or has any obligation to consider the investor's interest as an owner of the Notes in taking any corporate actions that might affect the value of the Notes. None of the money an investor pays for the Notes will go to the underlying company or ETF for such Notes.

Fluctuations in the value of any one component of the Relevant Underlying may, where applicable, be offset or intensified by fluctuations in the value of other components. The historical value (if any) of the Relevant Underlying or the components of the Relevant Underlying does not indicate their future performance. Where the value of the components of the Relevant Underlying is determined in a different currency to the value of the Relevant Underlying, investors may be exposed to exchange rate risk.

Exchange rates and exchange controls may affect the value or return of the Notes

General Exchange Rate and Exchange Control Risks. An investment in a Note denominated in, or the payment of which is linked to value for a Relevant Underlying denominated in currencies other than the investor's home currency entails significant risks. These risks include the possibility of significant changes in rates of exchange between its home currency and the other relevant currencies and the possibility of the imposition or modification of exchange controls by the relevant governmental authorities. These risks generally depend on economic and political events over which the Issuers have no control. Investors should consult their financial and legal advisors as to any specific risks entailed by an investment in Notes that are denominated or payable in, or the payment of which is linked to values for a Relevant Underlying denominated in a currency other than the currency of the country in which such investor resides or in which such investor conducts its business, which is referred to as their home currency. Such Notes are not appropriate investments for investors who are not sophisticated in foreign currency transactions.

Exchange Rates May Affect the Investor's Investment. In recent years, rates of exchange between some currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Note. Depreciation against the investor's home currency or the currency in which a Note is payable would result in a decrease in the effective yield of the Note (in the case of a Note) below its coupon rate and could result in an overall loss to an investor on the basis of the investor's home currency.

The Issuers Have No Control Over Exchange Rates. Currency exchange rates can either float or be fixed. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country's central bank, the imposition of regulatory controls or taxes, or changes in interest rate to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders.

As a consequence, these government actions could adversely affect yields or payouts in the investor's home currency for Notes denominated or payable in currencies other than the investor's home currency.

The Issuers will not make any adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting any currency. The investor will bear those risks.

Some Currencies May Become Unavailable. Governments have imposed from time to time, and may in the future impose, exchange controls that could also affect the availability of a Specified Currency (as defined herein). Even if there are no actual exchange controls, it is possible that the applicable currency for any security would not be available when payments on that security are due.

Currency Exchange Information may be provided in the Final Terms

The applicable Final Terms or base prospectus supplement, where relevant, may include information with respect to any relevant exchange controls and any relevant historic exchange rate information for any Note. The investor should not assume that any historic information concerning currency exchange rates will be representative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future.

Secondary trading of the Notes may be limited

Potential investors should be willing to hold the Notes until maturity. The nature and extent of any secondary market in the Notes cannot be predicted and there may be little or no secondary market in the Notes. As a consequence any person intending to hold the Notes should consider liquidity in the Notes as a risk. Where the Notes are admitted to listing, trading and/or quoted by or on any listing authority, exchange or quotation system, this does not imply greater or lesser liquidity than if equivalent Notes were not so listed, traded or quoted and the Issuer cannot guarantee that the admission to listing, trading or quotation will be permanently maintained. Where the Notes are not admitted to listing, trading and/or quotation, it becomes more difficult to subscribe or purchase and sell such Notes and there may also be a lack of transparency with regard to pricing information.

Further, although an Issuer may apply to have certain issuances of Notes admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, approval for any listing is subject to meeting the relevant listing requirements. Even if there is a secondary market, it may not provide enough liquidity to allow the investor to sell or trade the Notes easily. MSIP and other Affiliates of Morgan Stanley may from time to time, make a market in the Notes, but they are

not required to do so. If at any time MSIP and other Affiliates of the Issuers were to cease making a market in the Notes, it is likely that there would be little or no secondary market for the Notes.

Investors have no shareholder rights

As an owner of Notes, investors will not have voting rights or rights to receive dividends, interest or other distributions, as applicable, or any other rights with respect to any underlying security, ETF, or index.

Exchange rates may affect the value of a judgment

The Notes shall be governed by French law. French courts may, if requested, render a judgment in the foreign currency in which a debt is expressed. However, if a judgment awarded by a French court were to be expressed in euros, it would normally be expressed by reference to the exchange value of the relevant amount of the said foreign currency at the rate of exchange prevailing on the effective date of payment or on the date of the judgment.

Potential conflicts of interest between the investor and the determination agent

As determination agent for Notes linked to one or more securities, indices, and/or ETFs, MSIP (who can also act as Issuer) or an Affiliate will determine the payout to the investor at maturity. MSIP and other Affiliates may also carry out hedging activities related to any Notes linked to one or more securities, indices, and/or ETFs, including trading in the underlying securities, indices, and/or ETFs as well as in other instruments related to the underlying securities, indices and/or ETFs. MSIP and some of Morgan Stanley's other subsidiaries may also trade the applicable underlying securities, indices and/or ETFs and other financial instruments related to the underlying securities, indices and/or ETFs on a regular basis as part of their general broker-dealer and other businesses. Any of these activities could influence the Determination Agent's determination of adjustments made to any Notes linked to one or more securities, indices and/or ETFs and any such trading activity could potentially affect the price, level or value of the underlying securities, indices, and/or ETFs and, accordingly, could affect the investor's payout on any Notes.

Actions taken by the Determination Agent may affect the Relevant Underlying

The Determination Agent may make such adjustments as it considers appropriate as a consequence of certain corporate actions affecting the Relevant Underlying. In making these adjustments the Determination Agent is entitled to exercise substantial discretion and may be subject to conflicts of interest, including the conflicts of interest highlighted above, in exercising this discretion. The Determination Agent is not required but has the discretion to make adjustments with respect to each and every corporate action.

Modification and waiver

The Terms and Conditions of the Notes contain provisions for the representation of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the relevant Notes, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

No gross-up

If a withholding or deduction for or on account of tax is required by law to be made on payments by one of the Issuers or the Guarantors under the Notes, unless otherwise provided in the applicable Final Terms, neither of the Issuer nor the Guarantors will be required to make any additional payments on account of any such withholding or deduction.

Savings Directive

Under EC Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest or other similar income within the meaning of the Savings Directive made by a paying agent within its jurisdiction to, or under circumstances to the benefit of, a beneficial owner (within the meaning of the Savings Directive) resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland which applies unless the beneficiary of interest payment elects for the exchange of information). On 25 November 2014, Luxembourg formally adopted the law of 25 November 2014 on taxation of savings income putting an end to the current withholding tax regime as from 1 January 2015 and implementing the automatic exchange of information as from that date. This law is in line with the announcement of the Luxembourg government dated 10 April 2013. The current rate of the withholding tax in relation to such payments is 35%.

On 24 March 2014, the Council of the European Union adopted a directive amending the Savings Directive (the **Amending Savings Directive**) strengthening European Union rules on the exchange of information on savings income in order to enable the Member States to better clamp down on tax fraud and tax evasion. The Amending Savings Directive would amend and broaden the scope of the requirements described above. It would in particular enlarge the scope of the Savings Directive to cover new types of savings income and products that generate interest or equivalent income and the scope of the tax authorities requirements to be complied with. The Member States would have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Savings Directive.

See "*Taxation – European Taxation*" below.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuers, nor the Guarantors nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

Taxation

Potential investors should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors are advised not to rely upon the tax summary contained in this Base Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. See "*Taxation*" below.

Payments on certain Notes may be subject to U.S. withholding tax

Payments on a Note issued by Morgan Stanley may be subject to U.S. withholding tax of 30% if the beneficial owner of the Note does not meet the criteria for being exempt from this withholding tax including the requirement that the beneficial owner (and any financial institution holding the Note on

behalf of the beneficial owner) complies with certain U.S. tax identification and certification requirements, generally by furnishing an Internal Revenue Service Form W-8BEN or W-8BEN-E.

As discussed in "United States Federal Taxation" below, sections 1471 through 1474 of the US Internal Revenue Code (the **Code**), an agreement entered into with the US Internal Revenue Service pursuant to such sections of the Code, or an intergovernmental agreement (an **IGA**) between the United States and another jurisdiction in furtherance of such sections of the Code (including any non-US laws and regulations implementing such an IGA) and any analogous provisions of non-US law (collectively referred to as **FATCA**) may impose a withholding tax of 30 per cent. on payments made on the Notes (including payments made by financial intermediaries), unless various U.S. information reporting and due diligence requirements have been satisfied.

In addition, section 871(m) of the Code, which requires withholding (up to 30 per cent depending on whether an income tax treaty applies) on payments or deemed payments made to non-U.S. Persons on certain financial instruments to the extent that such payments are treated, for U.S. federal income tax purposes, as being contingent, directly or indirectly, upon or adjusted to reflect any U.S.-source dividends paid.

If U.S. withholding tax is imposed because a beneficial owner (or financial institution holding a Note on behalf of a beneficial owner) does not provide the required U.S. tax forms or meet the current criteria for exemption from such U.S. withholding tax or if withholding is imposed under FATCA or Section 871(m) none of the Issuers, the Guarantor or the intermediary will be required to pay any additional amounts or otherwise indemnify a Holder with respect to the amounts so withheld. See "United States Federal Taxation" below for further discussion of these rules.

Change of law

The Terms and Conditions of the Notes are based on French law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any change to French law after the date of this Base Prospectus.

Restricted secondary trading if the electronic trading system is unavailable

Trading in the Notes may be conducted via one or more electronic trading systems so that "buy" and "sell" prices can be quoted for exchange and off-exchange trading. If an electronic trading system used by the Issuer and/or its Affiliates were to become partially or completely unavailable, such a development would have a corresponding effect on the ability of investors to trade the Notes.

Risk associated with estimating the price, level or value of the Relevant Underlying if its domestic market is closed while secondary trading in the Notes is open

If the Relevant Underlying is traded on its domestic market during the opening hours for secondary trading in the Notes by the Issuer or its Affiliates or the stock exchange on which the Notes are listed, the price, level or value of the Relevant Underlying is incorporated into the price calculation for the Notes. In certain cases, however, the price, level or value of the Relevant Underlying may need to be estimated if the Notes are traded at a time when the market for the Relevant Underlying is closed. In general, this problem could apply to the Notes irrespective of the time at which they are traded because the Issuer and/or its Affiliates currently offer off-exchange trading in the Notes at times when the Relevant Underlying is not traded on the local markets or stock exchanges. This problem applies in particular to a Relevant Underlying that is traded in time zones different from European time zones. The same problem arises if the Notes are traded on days on which the domestic market for the Relevant Underlying is closed because of a public holiday. If the Issuer and/or any of its Affiliates estimates the price, level or value of the Relevant Underlying when the domestic market is closed, its estimate may prove to be accurate, too high or too low within just a few hours of the domestic market re-opening for trade in the Relevant Underlying. Correspondingly, the prices used by the Issuer and/or any of its Affiliates for the Notes prior to the opening of business on the domestic market may subsequently prove to be too high or too low.

Provision of information

None of the Issuers, the Guarantors or any of their respective Affiliates make any representation as to the issuer of any security or ETF, which is, or is comprised in, the Relevant Underlying or the publisher of an index, which is, or is comprised in, the Relevant Underlying. Any of such persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to any such issuer, or publisher, their respective affiliates or any guarantors that is or may be material in the context of the Notes. The issue of Notes will not create any obligation on the part of any such persons to disclose to the Noteholders or any other party any such information (whether or not confidential).

Independent review and advice

Each prospective investor must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is (i) fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes. Each Issuer disclaims any responsibility to advise prospective investors of any matters arising under the law of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments or deliveries on the Notes.

Selling Agent remuneration

Each Issuer may enter into distribution agreements with various financial institutions and other intermediaries as determined by such Issuer (each a **Selling Agent**). Each Selling Agent will agree, subject to the satisfaction of certain conditions, to subscribe for the Notes at a price equivalent to or below the Issue Price. Any difference between the price at which the Selling Agent subscribes the Notes and the price at which the Selling Agent sells the Notes to investors will be a remuneration of the Selling Agent. In addition, a periodic fee may also be payable to the Selling Agents in respect of all outstanding Notes up to and including the maturity date at a rate determined by the Issuer and which may vary from time to time. Any remuneration received by the Selling Agent including any periodic payments may also increase the purchase price to be paid by the investor. Each Selling Agent will agree to comply with the selling restrictions set out in the document as amended and supplemented by the additional selling restrictions set out in the relevant distribution agreements.

Subscription periods

The Issuer has the right to close the offering of the Notes prior to the end of the subscription period in case of adverse market conditions, as determined by the Issuer in its reasonable discretion, including but not limited to increased equity market volatility and increased currency exchange rate volatility.

Issuer's credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Issuer and/or the Guarantors (if applicable). The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the rating agency at any time.

Ratings of the Notes

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such

registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings referred to in this Prospectus and/or the Final Terms, is set out in the Summary of this Prospectus and will be disclosed in the Final Terms.

Representations and acknowledgments by Noteholders

Each Noteholder shall be deemed to represent and acknowledge to the relevant Issuer on acquiring any Note that:

(a) neither the Issuer and/or any Affiliate nor any of their agents is acting as a fiduciary for it or provides investment, tax, accounting, legal or other advice in respect of the Notes and that such holder and its advisors are not relying on any communication (written or oral and including, without limitation, opinions of third party advisors) of the Issuer or any Affiliate as (a) legal, regulatory, tax, business, investment, financial, accounting or other advice, (b) a recommendation to invest in any Notes or (c) an assurance or guarantee as to the expected results of an investment in the Notes (it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be any such advice, recommendation, assurance or guarantee and should be independently confirmed by the recipient and its advisors prior to making any such investment);

(b) such Noteholder (a) has consulted with its own legal, regulatory, tax, business, investments, financial and accounting advisors to the extent that it has deemed necessary, and has made its own investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or any Affiliate or any of their agents and (b) is acquiring Notes with a full understanding of the terms, conditions and risks thereof and it is capable of and willing to assume those risks; and

(c) the Issuer and/or any Affiliates may have banking or other commercial relationships with issuers of any securities to which the Notes relate and may engage in proprietary trading in any equity securities, indices or other property to which the Notes relate or options, futures, derivatives or other instruments relating thereto (including such trading as the Issuer and/or any Affiliate deem appropriate in their sole discretion to hedge the market risk on the Notes and other transactions between the Issuer and/or any Affiliates and any third parties), and that such trading (a) may affect the price or level thereof and consequently the amounts payable under the Notes and (b) may be effected at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Disclosure

Neither the issuer of any security or ETF, which is, or is comprised in, the Relevant Underlying nor the publisher of an index, which is, or is comprised in, the Relevant Underlying has participated in the

preparation of this document or in establishing the Terms and Conditions of the Notes and neither the Issuers nor any of their Affiliates will make any investigation or enquiry in connection with such offering with respect to any information concerning any such issuer, ETF, or publisher contained in this document or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the issue date (including events that would affect the accuracy or completeness of any publicly available information described in this document) that would affect the trading price, level and/or value of the Relevant Underlying will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer, ETF, or publisher could affect the trading price, level and/or value of the Relevant Underlying and therefore the trading price of the Notes.

Market Disruption Event, Disrupted Day, Adjustments and Early Redemption or Early Termination of Notes

The Determination Agent may determine that a Market Disruption Event or a failure to open of an Exchange or Related Exchange has occurred or exists on a relevant date of valuation, and any consequential postponement of such date of valuation may have an adverse effect on the value of the Notes.

In addition the Determination Agent may make adjustments to the Notes to account for relevant adjustments or events in relation to the Relevant Underlying including, but not limited to, determining a successor to the Relevant Underlying or its sponsor (in the case of an Index). In addition, in certain circumstances, the Issuer may redeem or terminate the Notes prior to the Maturity Date following any such event. In this case, in relation to each Note, the Issuer will pay an amount, if any, determined as provided in the Terms and Conditions.

Prospective investors should review the Terms and Conditions of the Notes to ascertain whether and how such provisions apply to the Notes and what constitutes a Market Disruption Event or relevant adjustment event.

The Notes may be redeemed prior to maturity

In the event that one of the Issuer or one of the Guarantors (if applicable) would be obliged by law to make any withholding or deduction for or on account of tax with respect to the Notes, the relevant Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions at the redemption price specified in the applicable Final Terms.

If in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the relevant Issuer's option in certain other circumstances then the relevant Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In addition, if "Automatic Early Redemption Event" is specified as being applicable in the applicable Final Terms, on the occurrence of an Automatic Early Redemption Event the Notes will be automatically redeemed at their Automatic Early Redemption Amount. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

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

In the case of certain Notes, if such Notes are redeemed early for any reason, the amount payable by the Issuer may be less than the amount that would have been paid had the Notes been redeemed at maturity.

If an event of default occurs in respect of the relevant Issuer, the investor would have an unsecured claim against the relevant Issuer or, if applicable, the Guarantors for the amount due on the early redemption of the Notes.

Notes issued at a substantial discount or premium

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

Feature-specific Risk Factors

Caps and floors

Caps on value/performance of the Relevant Underlying. The formula or other basis for determining the value and/or performance of the Relevant Underlying in respect of a Series of Notes (or of individual Basket Components comprised in a Relevant Underlying which is a Basket) may provide for a maximum value, or cap, such that any value and/or performance of the Relevant Underlying (or individual Basket Components) in excess of the applicable cap will not be taken into account for the purposes of the relevant determination. Amounts payable on the Notes linked to such capped value and/or performance will be limited accordingly.

Floors on value/performance of the Relevant Underlying. The formula or other basis for determining the value and/or performance of the Relevant Underlying in respect of a Series of Notes (or of individual Basket Components comprised in a Relevant Underlying which is a Basket) may alternatively, or additionally, be subject to a minimum value, or floor, such that any value and/or performance of the Relevant Underlying (or individual Basket Components) below the applicable floor will not be taken into account for the purposes of the relevant determination. Amounts payable on the Notes linked to such floored value and/or performance will be limited accordingly. However, depending on the relevant formula or other basis for determination, such a floor may entitle holders to receive payment(s) greater than they would have received if the relevant determination had not been subject to the floor.

Caps and floors on interest rates. In addition, the rate of interest payable on certain Floating Rate Notes may be subject to a maximum rate of interest or a minimum rate of interest specified in the applicable Final Terms. If a maximum rate of interest is specified, the rate of interest payable on such Floating Rate Notes will be limited to such maximum rate. However, if a floor or a minimum rate of interest is specified in respect of any Floating Rate Notes, the rate of interest payable on such Notes may entitle holders to receive payment(s) greater than they would have received if the relevant rate of interest had not been subject to the floor.

Basket Notes - "Best of" Average/"Worst of" Average/"Selection" Average

Determinations of amounts payable under Notes linked to the value and/or performance of a basket of Shares, Indices, ETFs and/or Inflation Indices may take into account the average value and/or performance of only a limited number of the components of the relevant basket, identified by reference to their value and/or performance relative to the other components of the basket as of one or more relevant dates. For the purpose of such determinations, the Determination Agent will order the values and/or performances of the components, high to low, and the relevant determination will be based on an average of the values (or performances) of an identified number of components having the highest values or performances (in the case of Notes in respect of which "Best of Average" applies), or having the lowest values or performances (in the case of Notes in respect of which "Worst of Average" applies) or which are otherwise identified by reference to such order (in the case of Notes in respect of which "Selected Average" applies).

Weighting of Basket Components

Determinations of amounts payable under Notes linked to the value and/or performance of a basket of Shares, Indices, ETFs and/or Inflation Indices may be determined by reference to the arithmetic mean of the values and/or performances of all (or some only, in the case of "Best of Average", Worst of Average" or "Selected Average") of the Basket Components, which may be equally-weighted or, if so specified in the applicable Final Terms, given different weightings. The higher the weighting applicable to a particular Basket Component, the more Noteholders will be exposed to the value and/or performance of that Basket Component in comparison with the remaining Basket Components.

Averaging features

Determinations of amounts payable under Notes linked to the value and/or performance of a basket of Shares, Indices, ETFs and/or Inflation Indices may be determined based the arithmetic mean of values determined as of a series of Averaging Dates. This will limit the extent to which a sudden increase or decrease in value and/or performance of the Relevant Underlying on a single date affects the relevant determination.

Memory feature (coupons)

Where the determination of interest payable on the Notes includes a "Memory" feature (i.e., where any of Memory Barrier Conditional Coupon, Lock in Memory Barrier Conditional Coupon, Capitalised Memory Barrier Conditional Coupon, Capitalised Lock in Memory Barrier Conditional Coupon, Locked Participation Coupon or Capitalised Locked Participation Coupon (each as provided for in the Additional Terms and Conditions) is applicable) the interest accrued with respect to each Interest Determination Date will be conditional on the value or performance of the Relevant Underlying determined as of such Interest Determination Date being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a specified barrier value, and the interest so accrued will therefore be zero if the condition is not satisfied. However, the amount of interest to be accrued if such condition is satisfied will be an amount which is increased on each successive Interest Determination Date but from which is deducted the sum of all interest accrued in respect of prior Interest Determination Dates. Accordingly, if the interest accrued in respect of an Interest Determination Date (two or more successive Interest Determination Dates) is zero, the interest accrued in respect of the next following Interest Determination Date (if any) where such condition is satisfied will be in an increased amount which will typically equal the sum of the amounts which would have accrued had such condition been satisfied in respect of both (or all) such Interest Determination Dates, but without any interest or other allowance for the deferred accrual.

Capitalised interest feature

Where "capitalised" is used to identify the terms for determining interest payable on any the Notes (for instance, where "Capitalised Non Memory Barrier Conditional Coupon", as provided for in the Additional Terms and Conditions, is applicable), all interest accruing in respect of the Notes will be payable only on the Maturity Date and by a single payment. Therefore, an investor will not receive any periodic or other payment of interest on such Notes prior to the Maturity Date.

Participation feature (interest and Final Redemption Amount)

Interest - Where "participation" is used to identify the terms for determining interest payable on any Notes (for instance, where "Capitalised Participation & Barrier Conditional Coupon", as provided for in the Additional Terms and Conditions, is applicable), the formula for determining such interest will include a percentage multiplication factor (or **Participation Rate**) applied to the calculation of the performance of the Relevant Underlying. Where such percentage is less than 100 per cent., interest payments will accordingly be linked to part only of such performance and may be less than the interest that would have been payable if linked to the full value of such performance.

Final Redemption Amount – Where "participation" is used to identify the terms for determining the Final Redemption Amount payable on any Notes (for instance, where "Participation (Floored) Redemption (Principal at Risk)", as provided for in the Additional Terms and Conditions, is applicable), the formula for determining such Final Redemption Amount may include a percentage multiplication factor (or **Participation Rate**) applied to the calculation of the performance of the Relevant Underlying. Where such percentage is less than 100 per cent., the Final Redemption Amount will accordingly be linked to part only of such performance and may be less than the amount that would have been payable if linked to the full value of such performance, and may be less than par.

The formula for determining the Final Redemption Amount may also apply an amount which is 100 per cent. minus such a percentage (or **Participation Factor**) as a multiplication factor to a fixed amount in determining the Final Redemption Amount (for instance, where "Participation (Low Barrier) Redemption (Principal at Risk)", as provided for in the Additional Terms and Conditions, is applicable), in which case the deduction of such percentage will reduce the Final Redemption Amount that would otherwise be payable in respect of the Notes.

Barrier feature (interest and Final Redemption Amount) and "airbag" feature (Final Redemption Amount)

Interest - Where "barrier" is used to identify the terms for determining interest payable on any Notes (for instance, where "Non Memory Barrier Conditional Coupon", as provided for in the Additional Terms and Conditions, is applicable), each such payment of interest on the Notes will be conditional on the value or performance of the Relevant Underlying, as determined in accordance with the applicable Conditions as of the relevant Interest Determination Date, being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a specified barrier value, and if such condition is not satisfied, then the amount of interest payable will be zero.

Redemption - Where "barrier" is used to identify the terms for determining the Final Redemption Amount payable on any Notes (for instance, where "Barrier Redemption", as provided for in the Additional Terms and Conditions, is applicable), the redemption amount payable will be par if the value or performance of the Relevant Underlying, as determined in accordance with the applicable Conditions as of the relevant Determination Date, is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a specified barrier value, and if such condition is not satisfied, an amount determined by reference to the performance of the Relevant Underlying, which may be less than par.

Where, additionally, "airbag" is used to identify the terms for determining the Final Redemption Amount payable on any Notes (for instance, where "Airbag Barrier Redemption (Principal at Risk)", as provided for in the Additional Terms and Conditions, is applicable), and the condition mentioned in the preceding paragraph is not satisfied, the Final Redemption Amount payable will be an amount determined by reference to a percentage (defined as the "Airbag Rate") of the performance of the Relevant Underlying. The application of such a rate less than 100% will limit the extent to which the Final Redemption Amount is reduced by reference to the performance of the Relevant Underlying.

Barrier Automatic Early Redemption (Autocall)

Where "Barrier Automatic Early Redemption", as provided for in the Additional Terms and Conditions, is applicable, and the value of the Relevant Underlying, as of any Automatic Early Redemption Valuation Date specified in the applicable Final Terms, is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the applicable Autocall Barrier Value, then an Automatic Early Redemption Event shall be deemed to have occurred and the Issuer shall redeem the Notes on the immediately following Automatic Early Redemption Date at a percentage (specified as the Autocall Early Redemption Rate) of par. Note also the risks described in paragraph entitled "*The Notes may be redeemed prior to maturity*" above.

Lock in feature (interest and Final Redemption Amount)

Interest - Where "lock in" is used to identify the terms for determining interest payable on any Notes (for instance, where "Lock In Non Memory Barrier Conditional Coupon", as provided for in the Additional Terms and Conditions, is applicable), payments of interest which are otherwise conditional on the performance of the Relevant Underlying as of the relevant Interest Determination Date being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a value specified as the Coupon Barrier Value may be payable, notwithstanding that such condition is not satisfied, if a second "lock in" condition was satisfied as of any prior Interest Determination Date, such second condition being that the performance of the Relevant Underlying as of the relevant prior Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Lock In Barrier Value. Accordingly, interest will be payable on the Notes on the Interest Payment Date immediately following an Interest Determination Date if either the first or the second condition is satisfied with respect to that Interest Determination Date. However, if neither condition is satisfied, then no interest will be payable on the Notes on such Interest Payment Date.

Redemption - Where "lock in" is used to identify the terms for determination of the Final Redemption Amount payable with respect to any Notes (for instance, where "Lock In Redemption", as provided for in the Additional Terms and Conditions, is applicable), the Final Redemption Amount may be a specified fixed amount if, as of any specified Barrier Observation Date, the performance of the Relevant Underlying is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a value specified as the Lock In Barrier Value, and, if such condition is not satisfied (and subject to any further conditions applicable to the determination of the Final Redemption Amount), an amount linked to the performance of the Relevant Underlying determined as of the specified Determination Date, which may be less than par.

Multiple features i.e. different combinations of payout features

Investors should note that a series of Notes issued under the Programme may contain one or more of the features described in this section entitled "*Feature-specific risk factors*" in various different combinations. As a result, the risks highlighted in respect of each such feature above may be compounded where a number of features apply to a single Series of Notes. Depending on the features that apply to a Series of Notes, an investor may bear the risk that no interest is payable throughout the life of the Notes and that the redemption amount in respect of the Notes may be less than par and, in certain circumstances, may be zero.

CONSENT TO THE USE OF THE BASE PROSPECTUS

In the context of any offer of Notes that is not made within an exemption from the requirement to publish a prospectus under the Prospectus Directive (a **Non-exempt Offer**), in relation to any person (an **Investor**) to whom an offer of any Notes is made by any financial intermediary to whom the Responsible Persons (as defined below) have given their consent to use this Base Prospectus (an **Authorised Offeror**), where the offer is made during the period for which that consent is given and where the offer is made in the Member State for which that consent was given and is in compliance with all other conditions attached to the giving of the consent, all as mentioned in this Base Prospectus, each of Morgan Stanley, MSIP and MSBV (together the **Responsible Persons**) accepts responsibility in each such Member State for the information relating to itself in this Base Prospectus. However, neither any Responsible Person nor any Distribution Agent has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

The Issuers and the Guarantors consent to the use of this Base Prospectus in connection with a Non-exempt Offer during the Offer Period specified in the relevant Final Terms (the **Offer Period**) either (1) in the Member State(s) specified in the relevant Final Terms by any Authorised Offeror which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) and which satisfies the conditions (if any) specified in the relevant Final Terms or (2) by any Authorised Offeror specified in the relevant Final Terms, in the Member State(s) specified in the relevant Final Terms and subject to the relevant conditions specified in the relevant Final Terms, for so long as they are authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC). The Issuers and, if applicable, the Guarantors, may give consent to additional financial intermediaries after the date of the relevant Final Terms and, if they do so, the Issuers and, if applicable, the Guarantors, will publish the above information in relation to them on www.morganstanleyiq.eu.

Subject to the conditions specified in the relevant Final Terms, the consent referred to above relates to Offer Periods occurring within 12 months from the date of this Base Prospectus.

Any Authorised Offeror who wishes to use this Base Prospectus in connection with a Non-exempt Offer as set out in (1) above is required, for the duration of the relevant Offer Period, to publish on its website that it is using this Base Prospectus for such Non-exempt Offer in accordance with the consent of the Issuer and the conditions attached thereto.

To the extent specified in the relevant Final Terms, a Non-exempt Offer may be made during the relevant Offer Period by any of the Issuers, the Guarantors, the Distribution Agent or, subject to any restrictions on the consent, any relevant Authorised Offeror in any relevant Member State and subject to any relevant conditions, in each case all as specified in the relevant Final Terms.

Unless otherwise specified, neither the Issuers nor the Guarantors nor the Distribution Agent has authorised the making of any Non-exempt Offer of any Notes by any person in any circumstances and such person is not permitted to use this Base Prospectus in connection with its offer of any Notes. Any such Non-exempt Offers are not made by or on behalf of the Issuers, the Guarantors, the Distribution Agent or any Authorised Offeror and none of the Issuers, the Guarantors, the Distribution Agent or any Authorised Offeror has any responsibility or liability for the actions of any person making such offers.

An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocation, settlement arrangements and any expenses or taxes to be charged to the Investor (the Terms and Conditions of the Non-exempt Offer). Neither the Issuers nor the Guarantors will be a party to any such arrangements with Investors

(other than the Distribution Agent) in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Non-exempt Offer shall be provided to Investors by that Authorised Offeror at the relevant time. None of the Issuers, the Guarantors, the Distribution Agent or other Authorised Offerors has any responsibility or liability for such information.

In the case of any Tranche of Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) and/or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. Subject to this, to the extent permitted by applicable law and/or regulation, the Final Terms in respect of any Tranche of Notes may supplement any information in this Base Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with this Base Prospectus and that have been filed with the AMF for the purpose of the Prospectus Directive and the relevant implementing measures in France, and shall be incorporated in, and form part of, this Base Prospectus:

- (a) the unaudited condensed consolidated financial statements of Morgan Stanley for the quarterly period ended 31 March 2014 and the respective auditors' report on Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2014 (**Morgan Stanley's First Quarterly Report for 2014**);
- (b) the unaudited condensed consolidated financial statements of Morgan Stanley for the quarterly period ended 30 June 2014 and the respective auditors' report on Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 June 2014 (**Morgan Stanley's Second Quarterly Report for 2014**);
- (c) the unaudited condensed consolidated financial statements of Morgan Stanley for the quarterly period ended 30 September 2014 and the respective auditors' report on Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2014 (**Morgan Stanley's Third Quarterly Report for 2014**);
- (d) the unaudited condensed consolidated financial statements of MSIP for the period ended 30 June 2014 and the auditors' report thereon being included in MSIP half yearly financial report for the period ended 30 June 2014 (**2014 MSIP Half Yearly Financial Report**);
- (e) the unaudited condensed financial statements of MSBV for the period ended 30 June 2014 and the auditors' report thereon being included in MSBV interim financial report for the period ended 30 June 2014 (**2014 MSBV Interim Financial Report**);
- (f) the audited annual consolidated financial statements of Morgan Stanley as at, and for the year ended, 31 December 2013, such financial statements, and the respective auditors' report thereon, being available as part of the Morgan Stanley Annual Report on Form 10-K for the year ended 31 December 2013 (**2013 Morgan Stanley Annual Report**);
- (g) the audited consolidated financial statements of MSIP as at, and for the years ended, 31 December 2013 and 31 December 2012, such financial statements, and the respective auditors' reports thereon, being available as part of the annual reports of MSIP for 2013 (the **2013 MSIP Annual Report**) and for 2012 (the **2012 MSIP Annual Report**);
- (h) the audited financial statements of MSBV as at, and for the years ended, 31 December 2013 and December 2012, such financial statements, and the respective auditors' reports thereon, being available as part of the report and financial statements of MSBV for 2013 (the **2013 MSBV Annual Report**) and for 2012 (the **2012 MSBV Annual Report**); and
- (i) Morgan Stanley's Current Reports on Forms 8-K dated 17 January 2014, 4 February 2014, 26 March 2014, 14 April 2014, 28 April 2014, 13 May 2014, 17 July 2014, 17 September 2014, 17 October 2014, 30 October 2014 and 5 December 2014,

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that such statement is inconsistent with a statement contained in this Base Prospectus.

The information incorporated by reference above is available as follows:

Document filed	Information incorporated by reference	Page reference
Morgan Stanley		
Morgan Stanley's Current Reports on Forms 8-K dated 17 January 2014, 4 February 2014, 26 March 2014, 14 April 2014, 28 April 2014, 13 May 2014, 17 July 2014, 17 September 2014, 17 October 2014, 30 October 2014 and 5 December 2014	The entire documents.	-
Morgan Stanley's First Quarterly Report for 2014	The entire document.	-
Morgan Stanley's Second Quarterly Report for 2014	The entire document.	-
Morgan Stanley's Third Quarterly Report for 2014	The entire document	-
2013 Morgan Stanley Annual Report	(a) Report of Independent Registered Public Accounting Firm	136
	(b) Consolidated Statements of Financial Condition	137
	(c) Consolidated Statements of Income	138
	(d) Consolidated Statements of Comprehensive Income	139
	(e) Consolidated Statements of Cash Flows	140
	(f) Consolidated Statements of Changes in Total Equity	141
	(g) Notes to the Consolidated Financial Statements	142-284
Morgan Stanley & Co. International plc		
2014 MSIP Half Yearly Financial Report	(a) Interim Management Report	1-10
	(b) Director's	11

Document filed	Information incorporated by reference	Page reference
	Responsibility Statement	
	(c) Independent Review Report to Morgan Stanley & Co. International plc	12
	(d) Condensed Consolidated Income Statement	13
	(e) Condensed Consolidated Statement of Comprehensive Income	14
	(f) Condensed Consolidated Statement of Changes in Equity	15
	(g) Condensed Consolidated Statement of Financial Position	16
	(h) Condensed Consolidated Statement of Cash Flows	17
	(i) Notes to the Condensed Consolidated Financial Statements	18-71
2013 MSIP Annual Report	(a) Strategic Report	1-10
	(b) Director's Report	11-14
	(c) Independent Auditor's Report	15-16
	(d) Consolidated Income Statement	17
	(e) Consolidated Statement of Comprehensive Income	18
	(f) Consolidated Statement of Changes in Equity	19
	(g) Consolidated Statement of Financial Position	20

Document filed	Information incorporated by reference	Page reference
	(h) Consolidated Statement of Cash Flows	21
	(i) Notes to the Consolidated Financial Statements	22-117
	(j) Balance Sheet of MSIP	118
	(k) Notes to MSIP Financial Statements	119-142
2012 MSIP Annual Report	(a) Independent Auditor's Report	14-15
	(b) Consolidated Income Statement	16
	(c) Consolidated Statement of Comprehensive Income	17
	(d) Consolidated Statement of Changes in Equity	18
	(e) Consolidated Statement of Financial Position	19
	(f) Consolidated Statement of Cash Flows	20
	(g) Notes to the Consolidated Financial Statements	21-105
	(h) MSIP Balance Sheet	106
	(i) Notes to MSIP Financial Statements	107-135
Morgan Stanley B.V		
2014 MSBV Interim Financial Report	(a) Interim Management Report	1-6
	(b) Director's Responsibility Statement	7
	(c) Condensed Statement of Comprehensive	8

Document filed	Information incorporated by	Page reference
	Income	
	(d) Condensed Statement of Changes in Equity	9
	(e) Condensed Statement of Financial Position	10
	(f) Condensed Statement of Cash Flows	11
	(g) Notes to the Condensed Financial Statements	12-40
	(h) Review Report to the Shareholders of Morgan Stanley B.V.	41
2013 MSBV Annual Report	(a) Director's Report	1-6
	(b) Director's Responsibility Statement	7
	(c) Statement of Comprehensive Income	8
	(d) Statement of Changes in Equity	9
	(e) Statement of Financial Position	10
	(f) Statement of Cash Flows	11
	(g) Notes to the Financial Statements	12-53
	(h) Additional information	54
	(i) Independent Auditors' Report	55-56
2012 MSBV Annual Report	(a) Independent Auditor's Report	49-50
	(b) Statement of Comprehensive Income	8
	(c) Statement of Changes	9

Document filed	Information incorporated by reference	Page reference
	in Equity	
	(d) Statement of Financial Position	10
	(e) Statement of Cash Flows	11
	(f) Notes to the Financial Statements	12-47
	(g) Additional information	48

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

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

In relation to the 2013 Morgan Stanley Annual Report incorporated by reference above, ratings of Morgan Stanley's senior long term, unsecured debt have been given by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and Moody's Investor Services, Inc., Fitch Ratings Ltd., Moody's Investor Services, Inc., Dominion Bond Rating Service Limited and Rating and Investment Information, Inc. appear on page 100 of the 2013 Morgan Stanley Annual Report.

Standard & Poor's Financial Services LLC is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is, with effect from 9 April 2012, endorsed by Standard & Poor's Credit Market Services Europe Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority. Moody's Investors Service, Inc. is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Limited, which is established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities. Fitch Ratings, Inc is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Ltd., which is established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities. DBRS, Inc. 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 European Economic Area and registered under the CRA Regulation, as amended from time to time by the relevant authority. Rating and Investment Information Inc. is not incorporated in the European Economic Area and is not registered under the CRA Regulation.

Any information or documents incorporated by reference into the documents listed above do not form part of this Base Prospectus.

Copies of the documents containing the sections incorporated by reference in this Base Prospectus (i) relating to the Issuers can be obtained from the principal executive offices of Morgan Stanley, the registered offices of MSIP and MSBV or on the website www.morganstanleyiq.eu and (iii) can be obtained from the specified office of the Fiscal Agent. This Base Prospectus and any supplement thereto will be published on the websites of (a) the AMF (www.amf-france.org) and (b) the Issuers (www.morganstanleyiq.eu) and copies may be obtained at the registered offices of the Issuers and at the specified offices of the Paying Agents. The Final Terms related to Notes admitted to trading on Euronext Paris will be published on the websites of (a) the AMF (www.amf-france.org) and (b) Morgan Stanley (www.morganstanleyiq.eu). If the Notes are listed and admitted to trading on a Regulated Market other than Euronext Paris, the relevant Final Terms will provide whether additional methods of publication are required and what they consist of.

The Issuers will, at their registered offices and at the specified offices of the Paying Agents, make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus and any future filings or financial statements published by such Issuer). Written or oral requests for inspection of such documents should be directed to the specified office of any Paying Agent.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued under French law that, subject to completion in accordance with the provisions of the applicable Final Terms, shall be applicable to the Notes. In the case of any Tranche of Notes which are being (a) offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the applicable Final Terms. References in the Terms and Conditions to "the Notes" are to the Notes of one Series only, not to all Notes under the Programme.

PART 1 – GENERAL TERMS AND CONDITIONS

1. INTRODUCTION

- 1.1 **Programme:** Morgan Stanley (**Morgan Stanley**), Morgan Stanley & Co. International plc (**MSIP**) and Morgan Stanley B.V. (**MSBV**) have established a Programme (the **Programme**) for the issuance of up to €2,000,000,000 in aggregate principal amount, *inter alia*, of notes which are expressed to be governed by French law (the **Notes**). References to the **Issuer** in these terms and conditions shall mean (i) if the Notes to which these terms and conditions apply are issued by Morgan Stanley, Morgan Stanley; (ii) if the Notes to which these terms and conditions apply are issued by MSIP, MSIP and (iii) if the Notes to which these terms and conditions apply are issued by MSBV, MSBV. The payment obligations of MSBV in respect of Notes issued by it under the Programme are guaranteed by Morgan Stanley, or in the case of a public offer of Notes in France, jointly and severally guaranteed by Morgan Stanley and MSIP (in their capacities as Guarantors (the **Guarantors** and each a **Guarantor**) under the terms of a guarantee dated as of 1 December 2011 or, in the case of a public offer in France of Notes issued by MSBV, a guarantee dated as of 22 April 2014 (each a **Guarantee**, respectively).
- 1.2 **Final Terms:** Notes issued under the Programme are issued in series (each a **Series**) and each Series may comprise one or more tranches (each a **Tranche**) of Notes. Each Tranche is the subject of a set of Final Terms (each, a **Final Terms**) which complete these terms and conditions (the **Conditions**) and specify, among other matters, the additional terms and conditions set out in Part 2 (*Additional Terms & Conditions*) below (the **Additional Terms and Conditions**), if any, applicable in relation to such Series. The terms and conditions applicable to any particular Tranche of Notes are these Conditions (including the applicable provisions of the Additional Terms and Conditions) as completed by the applicable Final Terms.
- 1.3 **Agency Agreement:** The Notes are the subject of an agency agreement dated 6 January 2015 (the **Agency Agreement**) between Morgan Stanley, MSIP, MSBV, Citibank N.A. London Branch as fiscal agent (the **Fiscal Agent**, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes and together with any additional paying agents appointed pursuant thereto, the **Paying Agents**, which expression includes any successor paying agents appointed from time to time in connection with the Notes). The Fiscal Agent is also appointed as initial calculation agent. In these Conditions references to the **Agents** are to the Paying Agents and any reference to an **Agent** is to any one of them.
- 1.4 **The Notes:** All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the applicable Final Terms. Copies of the applicable Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.

- 1.5 *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and the Guarantee and are subject to their detailed provisions. The holders of the Notes (the **Noteholders**) are bound by, and are deemed to have notice of, all the provisions of each of the Agency Agreement and the Guarantee as are applicable to them. Copies of the Agency Agreement and the Guarantee are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent.

2. INTERPRETATION

- 2.1 *Definitions:* In these Conditions the following expressions have the following meanings:

Accrual Yield means the rate specified as such in the applicable Final Terms;

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

Business Day means any day, other than a Saturday or Sunday,

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

Business Day Convention, in relation to any particular date, means one of Following Business Day Convention, Modified Following Business Day Convention (or Modified Business Day Convention), Preceding Business Day Convention, FRN Convention (or Floating Rate Convention or Eurodollar Convention) or No Adjustment (or Unadjusted), as specified in the applicable Final Terms. In this context, the following expressions shall have the following meanings:

- (i) **Following Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **Modified Following Business Day Convention** or **Modified Business Day Convention** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **Preceding Business Day Convention** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **FRN Convention, Floating Rate Convention** or **Eurodollar Convention** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

- (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
- (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **No Adjustment or Unadjusted** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

Calculation Agent means, in respect of any Notes, the Fiscal Agent or such other Person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or any other amounts which may be specified as being calculated by the Calculation Agent in these Conditions;

Calculation Amount means, in relation to any Series of Notes, (i) where Notes have only one Specified Denomination, such Specified Denomination, and (ii) where Notes of such Series may have more than one Specified Denomination, the lowest common factor of those Specified Denominations;

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

Day Count Fraction means (subject as provided in Condition 5 (*Fixed Rate Note Provisions*)), in respect of the calculation of an amount for any period of time (the **Calculation Period**), such day count fraction as may be specified in these Conditions or the applicable Final Terms and:

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

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

Determination Agent means MSIP or, if different in relation to any Series of Notes, the Person or entity specified as such in the applicable Final Terms. The Determination Agent shall act as an expert and not as an agent for the Issuer or the Noteholders. All determinations, considerations and decisions made by the Determination Agent shall, in the absence of manifest error, wilful default or bad faith, be final and conclusive and the Determination Agent shall have no liability in relation to such determinations except in the case of its wilful default or bad faith;

Early Redemption Amount means, in the case of acceleration of the Notes under Condition 14 (*Events of Default*),

- (i) in the case of Zero Coupon Notes, such amount as may be specified in the applicable Final Terms or, if applicable, determined in accordance with Condition 11.8 (*Early Redemption of Zero Coupon Notes*) and
- (ii) in the case of any other Notes such amount as may be specified in the applicable Final Terms or, if no other amount is specified,
 - (a) if "**Par Redemption**" is, in relation to Condition 14 (*Events of Default*) specified as being applicable in respect of the Notes in the applicable Final Terms, the principal amount of the Notes, together with accrued interest (if any); or
 - (b) if "**Qualified Financial Institution Determination**" is, in relation to Condition 14 (*Events of Default*) specified as being applicable in respect of the Notes in the applicable Final Terms, an amount determined by the Determination Agent, acting in good faith and in a commercially reasonable manner, as at such date as is selected by the Determination Agent in its sole and absolute discretion (**provided that** such day is not more than 15 Business Days prior to the date fixed for redemption of the Notes) to be the amount that a Qualified Financial Institution would charge either to assume all of the Issuer's payment and other obligations with respect to such Notes as if no such Event of Default had occurred or to undertake obligations that would have the effect of preserving the economic equivalent of any payment by the Issuer to the Noteholder with respect to the Notes.

Euroclear means Euroclear Bank S.A./N.V.;

Euroclear France means Euroclear France, a subsidiary of Euroclear;

Euroclear France Account Holder means any authorised financial intermediary institution entitled to hold accounts, directly or indirectly, on behalf of its customers with Euroclear France, and includes Euroclear and the depositary bank for Clearstream, Luxembourg;

Final Redemption Amount means, (i) in respect of Equity-Linked Redemption Notes or Inflation-Linked Redemption Notes, an amount determined in accordance with the applicable provisions of the Additional Terms and Conditions, and (ii) in respect of any other Note, its principal amount or such other amount (which may be expressed as a percentage of the Calculation Amount or an amount per Calculation Amount) as may be specified in the applicable Final Terms;

Fixed Coupon Amount means the amount, if any, specified as such in the applicable Final Terms;

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

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

Interest Determination Date means the date or dates, if any, specified as such in the applicable Final Terms, provided that, in relation to any Equity-Linked Notes, (i) if any such date is not a Scheduled Trading Day (as defined in Condition 9.7 (*Definitions applicable to Equity-Linked Notes*) below), the relevant Interest Determination Day shall fall on the next succeeding Scheduled Trading Day, and (ii) if any Interest Determination Date (including as adjusted pursuant to (i)) is a Disrupted Day (as defined in Condition 9.7 (*Definitions applicable to Equity-Linked Notes*) below), the provisions of Condition 9.1.1 (*Valuation Date*) shall apply *mutatis mutandis* as if such Interest Determination Date were a Valuation Date;

Interest Payment Date means the date or dates specified as such in the applicable Final Terms and, if a Business Day Convention is specified in the applicable Final Terms:

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

Interest Period means, subject as otherwise provided in these Conditions, each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date, or any other period specified as such in the applicable Final Terms, subject to adjustment in accordance with the relevant Business Day Convention;

Implementation of Financial Transaction Tax Event means that, on or after the Trade Date of any Notes, due to the adoption of or any change in any applicable law or regulation (including without limitation any law or regulation implementing a system of financial transaction taxes in any jurisdiction, including the European Union relating to any tax, payable in respect of the transfer of, or issue or modification or redemption of, any financial instruments), the Issuer determines (acting in good faith and in a commercially reasonable manner) that either it or any of its Affiliates would incur or has incurred a materially

increased amount of tax, transfer tax, duty, stamp duty, stamp duty reserve tax, expense or fee (other than brokerage commissions) to (A) enter into, modify or unwind the Notes or any part thereof, or perform its obligations under such Notes, including for the avoidance of doubt any obligation or exercise of any right to deliver Shares or any other asset or (B) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the relevant Notes or (C) realize, recover or remit the proceeds of any such transaction(s) or asset(s), **provided that** the Issuer has determined that the nature of the adoption of or any change in law or regulation is such that it is applicable to investors generally when carrying out similar trading or hedging activities in the relevant jurisdiction.

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

Issue Date means the date specified as such in the applicable Final Terms;

Margin means the rate, if any, specified as such in the applicable Final Terms;

Maturity Date means the date specified as such in the applicable Final Terms;

Morgan Stanley Notes means all Notes issued by Morgan Stanley;

MSBV Notes means all Notes issued by MSBV;

MSIP Notes means all Notes issued by MSIP;

Optional Redemption Amount (Call) means, in respect of any Note, its principal amount, or, if relevant, such other amount (which may be expressed as a percentage of the Calculation Amount or an amount per Calculation Amount) as may be specified as such in the applicable Final Terms;

Optional Redemption Amount (Put) means, in respect of any Note, in respect of any Cash Settlement Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms and, in respect of any Physical Settlement Note, the Physical Delivery Amount as may be specified in, or determined in accordance with, the applicable Final Terms;

Optional Redemption Date (Call) means, in relation to any Series of Notes, the date, if any, specified as such in the applicable Final Terms;

Optional Redemption Date (Put) means, in relation to any Series of Notes, the date, if any, specified as such in the applicable Final Terms;

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

Payment Business Day means:

- (i) if the currency of payment is euro, any day which is:
 - (a) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (b) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Business Centre; or

- (ii) if the currency of payment is not euro, any day which is:
 - (a) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (b) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Business Centre;

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

Principal Financial Centre means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means Sydney and Melbourne and, in relation to New Zealand dollars, it means Wellington and Auckland;

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

Qualified Financial Institution means a financial institution organized under the laws of any jurisdiction in the United States of America, the European Union or Japan, which, as at the date the Determination Agent selects to determine the Early Redemption Amount, has outstanding debt obligations with a stated maturity of one year or less from the date of issue of such outstanding debt obligations, and such financial institution is rated either:

- (i) A2 or higher by Standard & Poor's Ratings Services or any successor, or any other comparable rating then used by that rating agency, or
- (ii) P-2 or higher by Moody's Investors Service, Inc. or any successor, or any other comparable rating then used by that rating agency,

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

Rate of Interest means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes as specified in applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions (including such provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms);

Redemption Amount means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Redemption Amount or such other amount in the nature of a redemption amount as may be specified in the applicable Final Terms, or determined in accordance with the provisions of these Conditions (including such applicable provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms);

Reference Banks means the banks specified as such in the applicable Final Terms or, if none are specified, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

Reference Price means, in relation to any Series of Notes specified as being Zero Coupon Notes, the price specified as such in the applicable Final Terms;

Reference Rate means, in relation to Floating Rate Notes, a floating rate of interest which may be Euribor, Libor or such other similar interbank rate (or CMS rate) as may be specified in the applicable Final Terms;

Registration Agent means a person designated as such in the applicable Final Terms;

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

Relevant Date means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

Relevant Financial Centre means, in relation to any Series of Notes and the applicable Reference Rate, the city specified as such in the applicable Final Terms;

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

Relevant Time means, in relation to any Floating Rate Notes, the time specified as such in the applicable Final Terms;

Specified Currency means the currency or currencies specified as such in the applicable Final Terms;

Specified Denomination(s) means, in relation to Notes of any Series, the denomination or denominations of such Notes specified as such in the applicable Final Terms and may be expressed as (i) currency amounts or (ii) a currency amount and integral multiples of a second currency amount in excess of such currency amount, provided that, the Specified Denomination shall, in no circumstances, be an amount less than €1,000 or, if the Notes are denominated in any other currency, the equivalent amount in such other currency;

Specified Office has the meaning given to it in the Agency Agreement;

Specified Period means a period specified as such in the applicable Final Terms;

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

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

Strike Date means the date specified as such in the applicable Final Terms;

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

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

Trade Date means in relation to any series of Notes, the date specified as such in the applicable Final Terms;

Treaty means the Treaty establishing the European Community, as amended; and

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

2.2 *Interpretation:* In these Conditions:

- (i) any reference to a numbered "Condition" shall be construed as a reference to the relevant Condition contained in Part 1 (*General Terms and Conditions*) of these Conditions;
- (ii) if the Notes are Zero Coupon Notes, references to interest are not applicable;
- (iii) any reference to principal shall be deemed to include the Redemption Amount, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (iv) any reference to interest shall be deemed to include any other amount in the nature of interest payable pursuant to these Conditions;
- (v) references to Notes being "outstanding" means, in relation to the Notes of any Series, all the Notes issued other than (a) those that have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued in relation to such Notes up to the date for such redemption and any interest payable after such date) have been duly paid (i) in the case of Notes in bearer dematerialised form and in administered registered form, to the relevant Euroclear France Account Holders on behalf of the Noteholder and (ii) in the case of Notes in fully registered dematerialised form, to the account of the Noteholder (c) those which have become void or in respect of which claims have become prescribed and (d) those which have been purchased and cancelled as provided in the Conditions.; and
- (vi) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given or specified in the applicable Final Terms, but the applicable Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes.

3. **FORM, MINIMUM DENOMINATION AND TITLE**

Notes will be issued in dematerialised form.

Title to Notes will be evidenced in accordance with article L. 211-3 of the *Code monétaire et financier* by book entries (*inscriptions en compte*). No physical document of title (including certificats représentatifs pursuant to article R. 211-7 of the *Code monétaire et financier*) will be issued in respect of Notes.

Notes are issued, at the option of the Issuer, in either bearer dematerialised form (*au porteur*), which will be inscribed in the books of Euroclear France which shall credit the accounts of Euroclear France Account Holders, or in registered dematerialised form (*nominatif*) and, in such latter case, at the option of the relevant Noteholder in either administered registered form (*nominatif administré*) inscribed in the books of a Euroclear France Account Holder or in fully registered form (*nominatif pur*) inscribed in an account in the books of Euroclear France maintained by the Issuer or by the Registration Agent acting on behalf of the Issuer.

The minimum Denomination for each Note admitted to trading on a European Economic Area exchange and/or offered to the public in an European Economic Area State will be €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

4. **STATUS**

4.1 *Status of the Notes:* The Notes constitute direct and general obligations of the Issuer which rank *pari passu* among themselves.

4.2 *Status of Guarantee:* The Guarantor's obligations under the Guarantee in respect of the Notes issued by MSBV other than by way of a public offer in France constitute direct and general obligations of the Guarantor which rank *pari passu* among themselves.

In the case of a public offer of Notes issued by MSBV in France only, the Guarantors' obligations under the Guarantee in respect of such Notes issued by MSBV constitute direct and general obligations of the Guarantors which rank *pari passu* among themselves.

5. **FIXED RATE NOTE PROVISIONS**

5.1 *Application:* This Condition 5 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the applicable Final Terms as being applicable.

5.2 *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date. Each Note will cease to bear interest from the due date for final redemption unless the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

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

- 5.4 *Regular Interest Periods:* If all of the Interest Payment Dates fall at regular intervals between the Issue Date and the Maturity Date, then:
- 5.4.1 the Notes shall for the purposes of this Condition 5 (*Fixed Rate Note Provisions*) be **Regular Interest Period Notes**;
 - 5.4.2 the day and month (but not the year) on which any Interest Payment Date falls shall, for the purposes of this Condition 5 (*Fixed Rate Note Provisions*), be a **Regular Date**; and
 - 5.4.3 each period from and including a Regular Date falling in any year to but excluding the next succeeding Regular Date shall, for the purposes of this Condition 5 (*Fixed Rate Note Provisions*), be a **Regular Period**.
- 5.5 *Irregular first or last Interest Periods:* If the Notes would be Regular Interest Period Notes but for the fact that either or both of:
- 5.5.1 the interval between the Issue Date and the first Interest Payment Date; and
 - 5.5.2 the interval between the Maturity Date and the immediately preceding Interest Payment Date
- is longer or shorter than a Regular Period, then the Notes shall nevertheless be deemed to be Regular Interest Period Notes, **provided, however, that** if the interval between the Maturity Date and the immediately preceding Interest Payment Date is longer or shorter than a Regular Period, the day and month on which the Maturity Date falls shall not be a **Regular Date**. The amount of interest payable in respect of each Note for any such longer or shorter period shall be the **Broken Amount**.
- 5.6 *Irregular Interest Amount:* If the Notes are Regular Interest Period Notes, the amount of interest payable in respect of each Note for any period which is not a Regular Period shall be an amount per calculation amount calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- 5.7 *Day Count Fraction:* In respect of any period which is not a Regular Period, the relevant day count fraction (the **Day Count Fraction**) shall be determined in accordance with the following provisions:
- 5.7.1 if the Day Count Fraction is specified in the applicable Final Terms as being 30/360, the relevant Day Count Fraction will be the number of days in the relevant period (calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed) divided by 360;
 - 5.7.2 if the Day Count Fraction is specified in the applicable Final Terms as being Actual/Actual (ICMA) and the relevant period falls during a Regular Period, the relevant Day Count Fraction will be the number of days in the relevant period divided by the product of (A) the number of days in the Regular Period in which the relevant period falls and (B) the number of Regular Periods in any period of one year; and
 - 5.7.3 if the Day Count Fraction is specified in the applicable Final Terms as being Actual/Actual (ICMA) and the relevant period begins in one Regular Period and ends

in the next succeeding Regular Period, interest will be calculated on the basis of the sum of:

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

5.8 *Number of days:* For the purposes of this Condition 5 (*Fixed Rate Note Provisions*), unless the Day Count Fraction is specified in the applicable Final Terms as being 30/360 (in which case the provisions of Condition 5.7.1 above shall apply), the number of days in any period shall be calculated on the basis of actual calendar days from and including the first day of the relevant period to but excluding the last day of the relevant period.

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

6. **FLOATING RATE NOTE, EQUITY-LINKED AND INFLATION-LINKED INTEREST NOTE PROVISIONS**

6.1 *Application:* This Condition 6 (*Floating Rate Note, Equity-Linked and Inflation-Linked Interest Note Provisions*) is applicable to the Notes only if one or more of the Floating Rate Note Provisions, the Equity-Linked or Inflation-Linked Interest Note Provisions are specified in the applicable Final Terms as being applicable.

6.2 *Accrual of interest:* The Floating Rate Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date. Each Note will cease to bear interest from the due date for final redemption unless the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Floating Rate Note, Equity-Linked and Inflation-Linked Interest Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment). The Rate of Interest in respect of all or any Interest Periods shall, if so specified in the applicable Final Terms, be zero.

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

- 6.3.1 if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- 6.3.2 in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

6.3.3 if, in the case of Condition 6.3.1 above, such rate does not appear on that page or, in the case of Condition 6.3.2 above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

- (a) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
- (b) determine the arithmetic mean of such quotations; and

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

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

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

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

6.5 *Equity-Linked and Inflation-Linked Interest Note Provisions:* If one or more of the Equity-Linked or Inflation-Linked Interest Note Provisions are specified in the applicable Final Terms as being applicable, the interest payable in respect of the Notes for each Interest Period will be determined in accordance with such applicable provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms.

- 6.6 *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the applicable Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- 6.7 *Calculation of Interest Amount:* In respect of Floating Rate Notes, the Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Floating Rate Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a **sub-unit** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- 6.8 *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it under these Conditions, together with any relevant payment date(s), to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- 6.9 *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (*Floating Rate Note, Equity-Linked and Inflation-Linked Interest Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

7. **ZERO COUPON NOTE PROVISIONS**

- 7.1 *Application:* This Condition 7 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the applicable Final Terms as being applicable.
- 7.2 *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
- 7.2.1 the Reference Price; and
 - 7.2.2 the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums

due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

8. EQUITY-LINKED AND INFLATION-LINKED NOTES

8.1 Morgan Stanley, MSIP or MSBV may issue Notes:

8.1.1 the payment of interest on which is linked to the shares of an entity (**Single Share-Linked Interest Notes**) or a basket of shares (**Share Basket-Linked Interest Notes**) of entities not affiliated with the Issuer and/or to a single index (**Single Index-Linked Interest Notes**) or indices of shares (**Index Basket-Linked Interest Notes**) and/or interests in a single exchange traded fund (**Single ETF-Linked Interest Notes**) or basket of exchange traded funds (**ETF Basket-Linked Interest Notes** and together with Single Share-Linked Interest Notes, Share Basket-Linked Interest Notes, Single Index-Linked Interest Notes, Index Basket-Linked Interest Notes and Single ETF-Linked Interest Notes, **Equity-Linked Interest Notes**;

8.1.2 the payment of principal of which, at maturity or upon the occurrence of an Automatic Early Redemption Event (as defined in Condition 11.11 below), is linked to the shares of an entity (**Single Share-Linked Redemption Notes**, and together with Single Share-Linked Interest Notes, the **Single Share Notes**) or a basket of shares (**Share Basket-Linked Redemption Notes** and along with Share Basket-Linked Interest Notes, **Share Basket Notes**) of entities not affiliated with the Issuer and/or to a single index (**Single Index-Linked Redemption Notes**, and together with Single Index-Linked Interest Notes, **Single Index Notes**) or indices of shares (**Index Basket-Linked Redemption Notes**, and along with Index Basket-Linked Interest Notes, **Index Basket Notes**) and/or interests in a single exchange traded fund (**Single ETF-Linked Redemption Notes**, and together with Single ETF-Linked Interest Notes, **Single ETF Notes**) or basket of exchange traded funds (**ETF Basket-Linked Redemption Notes**, and (i) together with ETF Basket-Linked Interest Notes, **ETF Basket Notes**, and (ii) together with Single Share-Linked Redemption Notes, Basket Share-Linked Redemption Notes, Single Index-Linked Redemption Notes, Basket Index-Linked Redemption Notes and the Single ETF-Linked Redemption Notes, **Equity-Linked Redemption Notes**). Equity-Linked Redemption Notes and Equity-Linked Interest Notes shall together be referred to as **Equity-Linked Notes**;

8.1.3 the payment of interest on which is linked to one or more inflation indices (**Inflation-Linked Interest Notes**),

8.1.4 the payment of principal of which, at maturity or upon the occurrence of an Automatic Early Redemption Event (as defined in Condition 11.11 below), is linked to one or more inflation indices (**Inflation-Linked Redemption Notes**, and together with Inflation-Linked Interest Notes, **Inflation-Linked Notes**); and

in each case, in accordance with the Conditions herein which are specified as applicable to Equity-Linked Notes or Inflation-Linked Notes, as the case may be, and the detailed terms and conditions set out in such provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms, in accordance with the elections made in the applicable Final Terms.

9. PROVISIONS RELATING TO EQUITY-LINKED NOTES

This Condition 9 (*Provisions Relating to Equity-Linked Notes*) is applicable only in relation to Notes specified in the relevant Final Terms as being Single Share Notes, Share Basket Notes, Single Index Notes, Index Basket Notes, Single ETF Notes or ETF Basket Notes.

9.1 *Valuation, Market Disruption and Averaging Dates:*

9.1.1 **Valuation Date** means each date specified as such in the applicable Final Terms and, for the purposes of this Condition 9.1.1 (*Valuation Date*), each date specified as an Observation Date, Determination Date or Interest Determination Date in the applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of this Condition 9.1 (*Valuation, Market Disruption and Averaging Dates:*). If any Valuation Date is a Disrupted Day, then:

- (a) in the case of a Single Index Note, Single Share Note or Single ETF Note, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date (and, as the case may be, the relevant Observation Date or Determination Date) is a Disrupted Day. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine:
 - (i) in respect of a Single Index Note, the level of the Index as of the Determination Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Determination Time on that eighth Scheduled Trading Day of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Determination Time on that eighth Scheduled Trading Day); and
 - (ii) in respect of a Single Share Note or a Single ETF Note, its good faith estimate of the value for the Underlying Share or the ETF Interest (as the case may be) as of the Determination Time on that eighth Scheduled Trading Day;
- (b) in the case of an Index Basket Note, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine the level of that Index as of the Determination Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Determination Time on that eighth Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Determination Time on that eighth Scheduled Trading Day); and

- (c) in the case of a Share Basket Note and an ETF Basket Note, the Valuation Date for each Underlying Share or ETF Interest (as the case may be) not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and for each Underlying Share or ETF Interest (as the case may be) affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Underlying Share or ETF Interest (as the case may be), unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Underlying Share or ETF Interest (as the case may be). In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Underlying Share or ETF Interest (as the case may be), notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine, in its sole and absolute discretion, its good faith estimate of the value for that Underlying Share or ETF Interest (as the case may be) as of the Determination Time on that eighth Scheduled Trading Day;

9.1.2 For the purposes hereof:

Scheduled Valuation Date means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

9.1.3 If Averaging Dates are specified in the applicable Final Terms as being applicable, then, notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index, Underlying Share, ETF Interest, Basket of Indices, Basket of Shares or Basket of ETF Interests in relation to the relevant Valuation Date, Observation Date, Determination Date or Interest Determination Date (such Valuation Date, Observation Date, Determination Date or Interest Determination Date being referred to herein as the **Relevant Date**):

- (a) **Averaging Date** means, in respect of each Relevant Date, each date specified as such in the applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day) and **Relevant Underlying Value** has the meaning given to it in such applicable provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms.
- (b) If an Averaging Date is a Disrupted Day, then if, in relation to **Averaging Date Disruption**, the consequence specified in the relevant Final Terms is:
 - (i) **Omission**, then such Averaging Date will be deemed not to be a relevant Averaging Date for the purposes of determining the Relevant Underlying Value, as applicable **provided that**, if through the operation of this provision no Averaging Date would occur with respect to the Relevant Underlying Value, then Condition 9.1.1 will apply for purposes of determining the Relevant Underlying Value on the final Averaging Date in respect of that Relevant Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day;
 - (ii) **Postponement**, then Condition 9.1.1 will apply for the purposes of determining the Relevant Underlying Value on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that

already is or is deemed to be an Averaging Date in respect of the Relevant Date; or

(iii) **Modified Postponement**, then:

- (1) in the case of a Single Index Note, a Single Share Note or a Single ETF Note, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Determination Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and (B) the Determination Agent shall determine the Relevant Underlying Value for that Averaging Date in accordance with (x) in the case of a Single Index Note, Condition 9.1.1(a)(i) and (y) in the case of a Single Share Note or a Single ETF Note, Condition 9.1.1(a)(ii);
- (2) in the case of an Index Basket Note, a Share Basket Note or an ETF Basket Note, the Averaging Date for each Index, Underlying Share or ETF Interest (as the case may be) not affected by the occurrence of a Disrupted Day shall be the date specified in the applicable Final Terms as an Averaging Date in relation to the Relevant Date, and the Averaging Date for an Index, Underlying Share or ETF Interest (as the case may be) affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index, Underlying Share or ETF Interest (as the case may be). If the first succeeding Valid Date in relation to such Index, Underlying Share or ETF Interest (as the case may be) has not occurred as of the Determination Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Index, Underlying Share or ETF Interest (as the case may be), and (B) the Determination Agent shall determine Relevant Underlying Value for that Averaging Date in accordance with, (x) in the case of an Index Basket Note, Condition 9.1.1(b) and (y) in the case of a Share Basket Note or an ETF Basket Note, Condition 9.1.1(c); and
- (3) **Valid Date** shall mean a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date in respect of the Relevant Date or Interest Determination Date does not, or is not deemed to, occur.

- (c) If any Averaging Dates in relation to a Relevant Date occur after that Relevant Date as a result of the occurrence of a Disrupted Day, then (i) the

relevant Interest Payment Date, Maturity Date, Automatic Early Redemption Date or (ii) the occurrence of an Extraordinary Event, an Extraordinary ETF Event, an Index Adjustment Event, a Potential Adjustment Event or an Additional Disruption Event shall be determined by reference to the last such Averaging Date as though it were that Relevant Date.

9.2 *Adjustments to Indices:*

This Condition 9.2 (*Adjustments to Indices*) is applicable only in relation to Notes specified in the relevant Final Terms as being Single Index Notes or Index Basket Notes.

9.2.1 *Successor Index:*

If a relevant Index is (a) not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor acceptable to the Determination Agent acting in good faith and in a commercially reasonable manner or (b) replaced by a Successor Index using, in the determination of the Determination Agent (such determination to be at the Determination Agent's sole and absolute discretion), the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that index (the **Successor Index**) will be deemed to be the Index.

9.2.2 *Index Adjustment Events:*

If (i) on or prior to any Valuation Date, Observation Date, Determination Date, Interest Determination Date or Averaging Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent securities and capitalisation and other routine events) (an **Index Modification**) or permanently cancels the Index and no Successor Index exists (an **Index Cancellation**) or (ii) on any Valuation Date, Observation Date, Determination Date, Interest Determination Date or Averaging Date, the Index Sponsor fails to calculate and announce a relevant Index (*provided that*, the Calculation Agent may determine that, in respect of a Multi-exchange Index, such failure to calculate and announce such Index shall instead be a Disrupted Day in respect of such Index) (an **Index Disruption** and together with an Index Modification and an Index Cancellation, each an **Index Adjustment Event**), then (A) in the case of an Index Modification or an Index Disruption, the Determination Agent shall determine if such Index Adjustment Event has a material effect on the Notes and, if so, shall calculate in its sole and absolute discretion the Relevant Underlying Value using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date, Observation Date, Determination Date or Interest Determination Date or, as the case may be, that Averaging Date as determined by the Determination Agent in accordance with the formula for and method of calculating that Index last in effect prior to that change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event and (B) in the case of an Index Cancellation, the Issuer may, at any time thereafter, determine that the Notes shall be redeemed as of any later date. If the Issuer so determines that the Notes shall be redeemed, then the Issuer shall give not less than five Business Days' notice to the Noteholders to redeem the Notes and upon redemption the Issuer will pay in respect of each Note an amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent (provided that such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any

related hedging arrangements, all as calculated by the Determination Agent. The Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount. If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent considers appropriate, if any, to the formula and other provisions for determining the Final Redemption Amount, any Interest Amount or the Relevant Underlying Value (as defined in the Additional Terms and Conditions) set out in these Conditions and such provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms and any other variable relevant to the settlement or payment terms of the Notes, which change or adjustment shall be effective on such date as the Determination Agent shall determine.

9.2.3 *Correction of Index Levels:*

If the level of an Index published by the Index Sponsor and which is utilised by the Determination Agent for any calculation or determination (the **Original Determination**) under the Notes is subsequently corrected and the correction (the **Corrected Value**) is published by the Index Sponsor by such time (the **Correction Cut Off Time**) as may be specified in the relevant Final Terms (or, if none is so specified, within one Settlement Cycle after the original publication and prior to the relevant Interest Payment Date, Automatic Early Redemption Date, Early Redemption Date or Maturity Date), then the Determination Agent will notify the Issuer and the Fiscal Agent of the Corrected Value as soon as reasonably practicable and shall determine the relevant value (the **Replacement Determination**) using the Corrected Value. If the result of the Replacement Determination is different from the result of the Original Determination, to the extent that it determines to be necessary and practicable, the Determination Agent may adjust any relevant terms accordingly.

9.3 *Adjustments affecting Underlying Shares and ETF Interests:*

This Condition 9.3 (*Adjustments affecting Underlying Shares and ETF Interests*) is applicable only in relation to Single Share Notes, Single ETF Notes, Share Basket Notes and ETF Basket Notes.

9.3.1 *Adjustments for Potential Adjustment Events:*

Following the declaration by the Underlying Issuer, the relevant ETF or an ETF Service Provider of the terms of a Potential Adjustment Event, the Determination Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Underlying Shares or ETF Interests and, if so, will (i) make such adjustment as it considers appropriate, if any, to the formula or other provisions for determining the Final Redemption Amount, any Interest Amount or the Relevant Underlying Value set out in these Conditions or such provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms, the number of Underlying Shares or ETF Interests to which each Note relates, the number of Underlying Shares or ETF Interests comprised in a Basket of Shares or Basket of ETF Interests and/or any other adjustment and, in any case, to any other variable relevant to the payment or other terms of the relevant Notes as the Determination Agent determines to be appropriate to account for that diluting or concentrative effect and (ii) determine the effective date(s) of such adjustment(s).

9.3.2 *Correction of Underlying Share and ETF Interest Prices:*

If any price published on the Exchange and which is utilised by the Determination Agent for any calculation or determination (the **Original Determination**) under the

Notes is subsequently corrected and the correction (the **Corrected Value**) is published by the Exchange by such time (the **Correction Cut Off Time**) as may be specified in the relevant Final Terms (or, if none is so specified, within one Settlement Cycle after the original publication and prior to the relevant Interest Payment Date, Automatic Early Redemption Date, Early Redemption Date or Maturity Date), then the Determination Agent will notify the Issuer and the Fiscal Agent of the Corrected Value as soon as reasonably practicable and shall determine the relevant value (the **Replacement Determination**) using the Corrected Value. If the result of the Replacement Determination is different from the result of the Original Determination, to the extent that it determines to be necessary and practicable, the Determination Agent may adjust any relevant terms accordingly.

9.4 *Extraordinary Events:*

This Condition 9.4 (*Extraordinary Events*) is applicable only in relation to Notes specified in the relevant Final Terms as being Single Share Notes, Single ETF Notes, Share Basket Notes or ETF Basket Notes.

9.4.1 *Merger Event or Tender Offer:*

- (a) Following the occurrence of any Merger Event or Tender Offer, the Issuer will, in its sole and absolute discretion, determine whether the relevant Notes shall continue or shall be redeemed early.
- (b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent considers appropriate, if any, to the formula or other provisions for determining the Final Redemption Amount, any Interest Amount or the Relevant Underlying Value set out in these Conditions or such provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms, the number of Underlying Shares or ETF Interests to which each Note relates, the number of Underlying Shares or ETF Interests comprised in a Basket of Shares or Basket of ETF Interests (as the case may be) and, in any case, any other variable relevant to the payment terms of the relevant Notes and/or any other adjustment (including, without limitation, in relation to Share Basket Notes or ETF Basket Notes, the cancellation of terms applicable in respect of Underlying Shares or ETF Interests affected by the relevant Merger Event or Tender Offer) which adjustment shall be effective on such date as the Determination Agent shall determine.
- (c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to the Noteholders to redeem the Notes and the Issuer's obligations under the Notes shall be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below) (in the case of a Merger Event) or Tender Offer Settlement Amount (in the case of a Tender Offer).
- (d) For the purposes hereof

Merger Date means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Determination Agent, in its sole discretion;

Merger Event means, in respect of any relevant Underlying Shares or ETF Interests, as determined by the Determination Agent, acting in a

commercially reasonable manner, any: (i) reclassification or change of such Underlying Shares or ETF Interests that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Shares or ETF Interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Issuer or ETF with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Issuer or ETF is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares or ETF Interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 90 per cent. of the outstanding Underlying Shares or ETF Interests of the Underlying Issuer or ETF that results in a transfer of or an irrevocable commitment to transfer all such Underlying Shares or ETF Interests (other than such Underlying Shares or ETF owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Issuer or its subsidiaries or ETF or its sub-funds with or into another entity in which the Underlying Issuer or ETF is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares or ETF Interests outstanding but results in the outstanding Underlying Shares or ETF Interests (other than Underlying Shares or ETF Interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Shares or ETF Interests immediately following such event (a **Reverse Merger**), in each case if the Merger Date is on or before the final date for determining the Relevant Underlying Value in respect of the relevant Underlying Shares or ETF Interests.

Merger Event Settlement Amount means in respect of each Note, an amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent (provided that such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent.

Tender Offer means, in respect of any Underlying Shares or ETF Interests, as determined by the Determination Agent, acting in a commercially reasonable manner, a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 9 per cent. and less than 90 per cent. of the outstanding voting shares of the Underlying Issuer or ETF, as determined by the Determination Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Determination Agent deems relevant.

Tender Offer Date means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained, as determined by the Determination Agent in its sole and absolute discretion.

Tender Offer Settlement Amount means, in respect of each Note, an amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent (provided that such day is not more than 15 days

before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent.

9.4.2 *Nationalisation, Insolvency and Delisting:*

- (a) If in the determination of the Determination Agent, acting in a commercially reasonable manner:
 - (A) all the Underlying Shares or ETF Interests or all or substantially all the assets of an Underlying Issuer, ETF or ETF Service Provider are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof (**Nationalisation**); or
 - (B) by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of, or any analogous proceeding affecting, an Underlying Issuer, ETF or ETF Service Provider, (1) all the Underlying Shares or ETF Interests of that Underlying Issuer, ETF or ETF Service Provider are required to be transferred to a trustee, liquidator or other similar official or (2) holders of the Underlying Shares or ETF Interests of that Underlying Issuer, ETF or ETF Service provider become legally prohibited from transferring them (**Insolvency**); or
 - (C) the Exchange announces that pursuant to the rules of such Exchange, the Underlying Shares or ETF Interests cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any Member State of the European Union) (**Delisting**),
- then the Issuer will, in its sole and absolute discretion, determine whether or not the Notes shall continue.
- (b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent considers appropriate, if any, to the formula or other provisions for determining the Final Redemption Amount, any Interest Amount or the Relevant Underlying Value set out in these Conditions or such provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms, the number of Underlying Shares or ETF Interests to which each Note relates, the number of Underlying Shares or ETF Interests comprised in a Basket of Shares or a Basket of ETF Interests (as the case may be) and, in any case, any other variable relevant to the payment terms of the relevant Notes and/or any other adjustment (including without limitation, in relation to Share Basket Notes or ETF Basket Notes, the cancellation of terms applicable in respect of Underlying Shares or ETF Interests affected by the relevant Extraordinary Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

- (c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to redeem the Notes. The Issuer's obligations under the Notes shall be satisfied in full upon payment of, in respect of each Note, an amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent (provided that such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent.

9.5 *Extraordinary ETF Events*

This Condition 9.5 (*Extraordinary ETF Events*) is applicable only in relation to Single ETF Notes or ETF Basket Notes.

- (a) Following the occurrence of any Extraordinary ETF Event, the Issuer will, in its sole and absolute discretion, determine whether the relevant Notes shall continue or shall be redeemed early. The Determination Agent shall not have any obligation to monitor the occurrence of an Extraordinary ETF Event nor shall it have any obligation to make a determination that an Extraordinary ETF Event has occurred and is continuing.
- (b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may:
 - (i) substitute any Affected ETF Interest with the Successor ETF Interest relating to such Affected ETF interest, provided that if no Successor ETF Interest has been identified in the manner set forth below within 10 Business Days of the Extraordinary ETF Event Notice Date (as defined below), then subparagraph (ii) below shall apply; and/or
 - (ii) make such adjustment as the Determination Agent considers appropriate, if any, to the formula or other provisions for determining the Final Redemption Amount, any Interest Amount or the Relevant Underlying Value set out in these Conditions or such provisions of the Additional Terms and Conditions as specified as being applicable in the applicable Final Terms, the number of ETF Interests to which each Note relates, the number of ETF Interests comprised in a Basket of ETF Interests, the amount and, in any case, any other variable relevant to payment terms of the relevant Notes and/or any other adjustment (including, without limitation, in relation to ETF Basket Notes, the cancellation of terms applicable in respect of ETF Interests affected by the relevant Extraordinary Fund Event) which adjustment shall be effective on such date as the Determination Agent shall determine.
- (c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to the Noteholders to redeem the Notes and the Issuer's obligations under the Notes shall be satisfied in full upon payment of an amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent (provided that such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent.

- (d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Fiscal Agent of the Determination Agent's determination of the occurrence of an Extraordinary ETF Event (the date of such notice, the **Extraordinary ETF Event Notice Date**).

- (e) For the purposes hereof:

Extraordinary ETF Event shall mean, with respect to an ETF or ETF Service Provider (as the case may be), the occurrence of any of the following events, as determined by the Determination Agent:

- (i) there exists any litigation against the ETF or an ETF Service Provider which could materially affect the value of the ETF Interests or on the rights or remedies of any investor therein as determined by the Determination Agent;
- (ii) an allegation of criminal or fraudulent activity is made in respect of the ETF, or any ETF Service Provider, or any employee of any such entity, or the Determination Agent reasonably determines that any such criminal or fraudulent activity has occurred, or any investigative, judicial, administrative or other civil or criminal proceedings is commenced or is threatened against the ETF, any ETF Service Provider or any key personnel of such entities if such allegation, determination, suspicion or proceedings could materially affect the value of the ETF Interests or the rights or remedies of any investor in such ETF Interests as determined by the Determination Agent;
- (iii) (A) an ETF Service Provider ceases to act in such capacity in relation to the ETF (including by way of Merger Event or Tender Offer) and is not immediately replaced in such capacity by a successor acceptable to the Determination Agent; and/or (B) any event occurs which causes, or will with the passage of time (in the opinion of the Determination Agent) cause, the failure of the ETF and/or any ETF Service Provider to meet or maintain any obligation or undertaking under the ETF Documents which failure is reasonably likely to have an adverse impact on the value of the ETF Interests or on the rights or remedies of any investor therein;
- (iv) a material modification of or deviation from any of the investment objectives, investment restrictions, investment process or investment guidelines of the ETF (howsoever described, including the underlying type of assets in which the ETF invests), from those set out in the ETF Documents, or any announcement regarding a potential modification or deviation, except where such modification or deviation is of a formal, minor or technical nature;
- (v) a material modification, cancellation or disappearance (howsoever described), or any announcement regarding a potential future material modification, cancellation or disappearance (howsoever described), of the type of assets (A) in which the ETF invests, (B) the ETF purports to track, or (C) the ETF accepts/provides for purposes of creation/redemption baskets;
- (vi) a material modification, or any announcement regarding a potential future material modification, of the ETF (including but not limited to a material modification of the ETF Documents or to the ETF's liquidity terms) other than a modification or event which does not affect the ETF Interests or the ETF or any portfolio of assets to which the ETF Interest relates (either alone or in common with other ETF Interests issued by the ETF);
- (vii) the ETF ceases to be an undertaking for collective investment under the legislation of its relevant jurisdiction, provided that on the relevant Issue Date,

the ETF was such an undertaking and any such cessation would have a material adverse effect on any investor in such ETF Interests as determined by the Determination Agent;

- (viii) (A) any relevant activities of or in relation to the ETF or any ETF Service Provider are or become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any present or future law, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, in any applicable jurisdiction (including, but not limited to, any cancellation, suspension or revocation of the registration or approval of the ETF by any governmental, legal or regulatory entity with authority over the ETF), (B) a relevant authorisation or licence is revoked, lapses or is under review by a competent authority in respect of the ETF or the ETF Service Provider or new conditions are imposed, or existing conditions varied, with respect to any such authorisation or licence, (C) the ETF is required by a competent authority to redeem any ETF Interests, (D) any hedge provider is required by a competent authority or any other relevant entity to dispose of or compulsorily redeem any ETF Interests held in connection with any hedging arrangements relating to the Notes and/or (E) any change in the legal, tax, accounting or regulatory treatment of the ETF or any ETF Service Provider that is reasonably likely to have an adverse impact on the value of the ETF Interests or other activities or undertakings of the ETF or on the rights or remedies of any investor therein; or
- (ix) the value of any ETF Interest held by the Issuer and its Affiliates is greater than 10 per cent. of the aggregate net asset value of the relevant ETF (whether or not all of such holding results from hedging transactions entered into in connection with the Notes) and including, where the excess holding results from a reduction in the aggregate net asset value of the relevant ETF; and

For these purposes, **Successor ETF Interest** means, in respect of an Affected ETF Interest, (1) if specified in the applicable Final Terms, any Eligible ETF Interest; (2) if no Eligible ETF Interest is specified, the successor ETF Interest as determined by the Determination Agent, using commercially reasonable efforts, taking into account any factors which the Determination Agent determines to be relevant, including (but not limited to) the existence of other ETFs that are linked to the same underlying index or asset as the Affected ETF Interest, liquidity of the proposed successor ETF Interest, the prevailing market conditions at the time the Determination Agent makes its determination and the Issuer's hedging arrangements in respect of the relevant Notes; or (3) if the Determination Agent determines that it is unable to determine a suitable successor ETF Interest, the Determination Agent may determine that the relevant Notes, where the Affected ETF Interest will be linked to the relevant underlying index (the **Related Underlying Index**) and such Related Underlying Index shall be the Successor ETF Interest and the provisions applicable to Index-Linked Notes will apply to the relevant Notes with such adjustments as the Determination Agent determines to be appropriate.

9.6 *Additional Disruption Events:*

- (a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.
- (b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent considers appropriate, if any, to the formula or other provisions for determining the Final Redemption Amount, any Interest Amount or the Relevant Underlying Value set out in the relevant Final Terms, the number of Underlying Shares or ETF Interests to which each Note relates, the number of Underlying Shares or ETF Interest comprised in a Basket, the amount and, in any case, any other variable relevant to the payment terms of the relevant Notes and/or any other adjustment (including without limitation, in relation to Share Basket Notes, Index Basket Notes or ETF Basket Notes, the cancellation of terms applicable in respect of any Underlying Shares, Index or ETF Interest, as the case may be, affected by the relevant Additional Disruption Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.
- (c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to redeem the Notes and the Issuer's obligations under the Notes shall be satisfied in full upon payment in respect of each Note of an amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent (provided that such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent.
- (d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Fiscal Agent and the Determination Agent of the occurrence of an Additional Disruption Event.
- (e) For the purposes hereof:

Additional Disruption Event means with respect to any Series of Notes any or all of (i) a Change in Law, (ii) Hedging Disruption, (iii) Increased Cost of Hedging and (iv) Loss of Stock Borrow, as have been specified in the applicable Final Terms as an applicable Additional Disruption Event with respect to such Notes.

9.7 *Definitions applicable to Equity-Linked Notes:*

In relation to Equity-Linked Notes, the following expressions have the meanings set out below:

Affected ETF Interest means, at any time, any ETF Interest in respect of which the Determination Agent has determined that an Extraordinary ETF Event has occurred;

Basket means in relation to any Share Basket Notes, the Underlying Shares specified in the applicable Final Terms as comprising the Basket, in relation to Index Basket Notes, the Indices specified in the applicable Final Terms as comprising the Basket and in relation to any ETF Basket Notes, the ETF Interests specified in the applicable Final Terms as comprising the Basket, in each case in the relative proportions specified in such Final Terms;

Basket Component means, in relation to a particular Series of Share Basket Notes, Index Basket Notes or ETF Basket Notes, each Underlying Share, Index or ETF Interest comprised in the relevant Basket of Shares, Indices or ETF Interests, as applicable;

Basket of ETF Interests means, in relation to a particular Series, a basket comprising the ETF Interests specified in the applicable Final Terms in the relative proportions or number of ETF Interests specified in the such Final Terms;

Basket of Indices means, in relation to a particular Series, a basket comprising the Indices specified in the applicable Final Terms in the relative proportions specified in such Final Terms;

Basket of Shares means, in relation to a particular Series, a basket comprising Underlying Shares of each Underlying Issuer specified in the applicable Final Terms in the relative proportions or number of Underlying Shares of each Underlying Issuer specified in such Final Terms;

Change in Law means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x), in the case of Single Share Notes, Single ETF Notes, Share Basket Notes or ETF Basket Notes, it has become illegal to hold, acquire or dispose of any relevant Underlying Shares or ETF Interests (as the case may be), or (y) it will incur a materially increased cost in performing its obligations with respect to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

Component means in relation to an Index, any security which comprises such Index;

Determination Date means, in relation to any determination, each date or dates, if any, specified as such in the applicable Final Terms, **provided that** (i) if any such date is not a Scheduled Trading Day, the relevant Determination Date shall fall on the next succeeding Scheduled Trading Day, and (ii) if any Determination Date is a Disrupted Day, the provisions of Condition 9.1.1 (*Valuation Date*) shall apply *mutatis mutandis* as if such Determination Date were a Valuation Date;

Determination Time means the time specified as such in the applicable Final Terms, or if no such time is specified, (a) save with respect to a Multi-exchange Index, the Scheduled Closing Time on the relevant Exchange in relation to each Index, Underlying Share or ETF Interest to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Determination Time is after the actual closing time for its regular trading session, then the Determination Time shall be such actual closing time; and (b) with respect to any Multi-exchange Index, (i) for the purposes of determining whether a Market Disruption Event has occurred: (x) in respect of any Component, the Scheduled Closing Time on the Exchange in respect of such Component and (y) in respect of any option contracts or futures contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor;

Disrupted Day means (a) except with respect to a Multi-exchange Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred, and (b) with respect to any Multi-exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session or (iii) a Market Disruption Event has occurred;

Early Closure means (a) except with respect to a Multi-exchange Index, the closure on any Exchange Business Day of the relevant Exchange (or in the case of a Single Index Note or Index Basket Note, any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of the relevant Index) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Determination Time on such Exchange Business Day and (b) with respect to any Multi-exchange Index, the closure on any Exchange Business Day of the Exchange in respect of any Component or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into such Exchange or Related Exchange system for execution at the relevant Determination Time on such Exchange Business Day;

Eligible ETF Interest means, in respect of any Affected ETF Interest, the interest specified as such in the applicable Final Terms;

ETF means (in respect of an ETF Interest) any exchange traded fund specified in the applicable Final Terms as an ETF;

ETF Documents means with respect to any ETF Interest, the offering document of the relevant ETF, the constitutive and governing documents, subscription agreements and any other agreement or document specifying the terms and conditions of such ETF Interest and any additional documents specified in the applicable Final Terms, each as amended from time to time;

ETF Interest means the share or other interest or unit of holding (including, without limitation, any debt security) issued to or held by an investor in an ETF, as identified in the applicable Final Terms;

ETF Service Provider means, in respect of any ETF, any person who is appointed to provide services, directly or indirectly, in respect of such ETF, whether or not specified in the ETF Documents, including any advisor, manager, administrator, operator, management company, depository, custodian, sub-custodian, prime broker, administrator, trustee, registrar, transfer agent, domiciliary agent, sponsor or general partner or any other person specified in the applicable Final Terms;

Exchange means:

- (a) (i) in respect of an Index relating to Single Index Notes or Index Basket Notes other than a Multi-exchange Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms or, if none is specified, the principal exchange or quotation system for trading in such Index, as determined by the Determination Agent, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the shares underlying such Index has temporarily relocated, **provided that** the Determination Agent has determined that there is comparable liquidity relative to the shares underlying such Index on such temporary substitute exchange or quotation system as on the original Exchange, and (ii) with respect to any Multi-exchange Index, and in respect of each Component, the principal stock exchange on which such Component is principally traded, as determined by the Determination Agent;

- (b) in respect of an Underlying Share relating to Single Share Notes or Share Basket Notes, each exchange or quotation system specified as such for such Underlying Share in the applicable Final Terms or, if none is specified, the principal exchange or quotation system for trading in such Underlying Share, as determined by the Determination Agent, any successor to such Exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying Share has temporarily relocated, **provided that** the Determination Agent has determined that there is comparable liquidity relative to such Underlying Share on such temporary substitute exchange or quotation system as on the original Exchange; and
- (c) in respect of an ETF Interest relating to Single ETF Notes or ETF Basket Notes, each exchange or quotation system specified as such for such ETF Interest in the applicable Final Terms or, if none is specified, the principal exchange or quotation system for trading in such ETF Interest, as determined by the Determination Agent, any successor to such Exchange or quotation system or any substitute exchange or quotation system to which trading in the ETF Interest has temporarily relocated, **provided that** the Determination Agent has determined that there is comparable liquidity relative to such ETF Interest on such temporary substitute exchange or quotation system as on the original Exchange.

Exchange Business Day means (a) except with respect to a Multi-exchange Index, any Scheduled Trading Day on which each Exchange and Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) with respect to any Multi-exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time;

Exchange Disruption means (a) except with respect to a Multi-exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Underlying Shares or ETF Interests on the Exchange (or in the case of Single Index Notes or Index Basket Notes, on any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of the relevant Index), or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Underlying Shares, the relevant Index or the ETF Interests (as the case may be) on any relevant Related Exchange and (b) with respect to any Multi-exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) any Component on the Exchange in respect of such Component, or (ii) futures or options contracts relating to the Index on the Related Exchange;

Extraordinary Dividend means the dividend per Underlying Share or ETF Interest, or portion thereof, characterised as an Extraordinary Dividend as determined by the Determination Agent;

Extraordinary ETF Event has the meaning given in Condition 9.5(e);

Extraordinary Event means a Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting;

Hedging Disruption means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing

its obligations under the Notes, or (B) realise, recover or remit the proceeds of any such transactions or asset(s);

Increased Cost of Hedging means that the Issuer would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Notes or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s) **provided that** any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging;

Index means any index specified as such in the applicable Final Terms, subject to Condition 9.2 (*Adjustments to Indices*);

Index Sponsor means, in respect of an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Scheduled Trading Day;

Loss of Stock Borrow means that the Issuer is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) the Underlying Shares or the ETF Interests with respect to the Notes in an amount which the Issuer deems necessary to hedge the risk of entering into and performing its obligations with respect to the Notes (not to exceed the number of shares underlying the Notes) at a rate determined by the Issuer;

Market Disruption Event means (a) in respect of an Underlying Share, an Index other than a Multi-exchange Index or an ETF Interest, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one-hour period that ends at the relevant Determination Time, or (iii) an Early Closure. For the purpose of determining whether a Market Disruption Event exists in respect of an Index at any time, if a Market Disruption Event occurs in respect of a security included in the Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the Market Disruption Event occurred; and (b) with respect to any Multi-exchange Index either (i)(A) the occurrence or existence, in respect of any Component, of (1) a Trading Disruption, (2) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Determination Time in respect of the Exchange on which such Component is principally traded, OR (3) an Early Closure; AND (B) the aggregate of all Components in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (A) a Trading Disruption, (B) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Determination Time in respect of the Related Exchange; or (C) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component at any time, if a Market Disruption Event occurs in respect of such Component at that time, then the relevant percentage contribution of that Component to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component to (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market **opening data**;

Multi-exchange Index means any Index specified as such in the relevant Final Terms;

Observation Date means, in relation to any determination, each Barrier Observation Date, Value Observation Date and the date or dates, if any, specified as such in the applicable Final Terms, **provided that** (i) if any such date is not a Scheduled Trading Day, the relevant Observation Date shall fall on the next succeeding Scheduled Trading Day, and (ii) if any Observation Date is a Disrupted Day, the provisions of Condition 9.1.1 (*Valuation Date*) shall apply *mutatis mutandis* as if such Observation Date were a Valuation Date;;

Observation Period means, in relation to any determination, the period, if any, specified as such in the applicable Final Terms;

Potential Adjustment Event means, in respect of Single Share Notes, Single ETF Note, Share Basket Notes or ETF Basket Notes:

- (i) a subdivision, consolidation or reclassification of an Underlying Share or ETF Interest (unless resulting in a Merger Event), or a free distribution or dividend of Underlying Shares or ETF Interests to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of relevant Underlying Shares or ETF Interests of (A) such Underlying Shares or ETF Interests, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Issuer or ETF equally or proportionately with such payments to holders of such an Underlying Shares or ETF Interests, or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Underlying Issuer or ETF as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Determination Agent;
- (iii) an Extraordinary Dividend;
- (iv) a call by the Underlying Issuer in respect of relevant Underlying Shares that are not fully paid;
- (v) a repurchase by an Underlying Issuer or ETF (as the case may be) or any of its subsidiaries of Underlying Shares or ETF Interests, whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of an Underlying Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Underlying Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides, upon the occurrence of certain events, for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Determination Agent, **provided that** any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Underlying Shares or ETF Interests.

Related Exchange, in respect of an Index relating to Single Index Notes or Index Basket Notes, an Underlying Share relating to Single Share Notes or Share Basket Notes or an ETF Interest relating to Single ETF Notes or ETF Basket Notes, means the Exchange specified as the Relevant Exchange in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures

and options contracts relating to such Index, Underlying Shares or ETF Interest has temporarily relocated (**provided that** the Determination Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index, Underlying Shares or ETF Interests on such temporary substitute exchange or quotation system as on the original Related Exchange) or, if none is specified, each exchange or quotation system where trading has a material effect (as determined by the Determination Agent) on the overall market for futures or options contracts relating to such Index, Underlying Shares or ETF Interests, as the case may be;

Scheduled Closing Time means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after-hours or any other trading outside of regular trading session hours;

Scheduled Trading Day means (a) except with respect to a Multi-exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading session, and (b) with respect to any Multi-exchange Index, any day on which (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session;

Settlement Cycle means, in respect of an Underlying Share, Index or ETF Interest, the period of Settlement Cycle Days following a trade in such Underlying Share, the securities underlying such Index or ETF Interest, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such exchange (or, in respect of any Multi-exchange Index, the longest such period) and for this purpose **Settlement Cycle Day** means, in relation to a clearing system any day on which such clearing system is (or but for the occurrence of a Settlement Disruption Event would have been) open for acceptance and executions of settlement instructions;

Trading Disruption means (a) except with respect to a Multi-exchange Index, any suspension of or limitation imposed on trading by the Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange, Related Exchange or otherwise (i) relating to the Underlying Share or ETF Interest on the Exchange, or, in the case of a Single Index Note or Index Basket Note, on any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of the relevant Index or (ii) in futures or options contracts relating to the Underlying Share, the relevant Index or Indices or the ETF Interest on any relevant Related Exchange, and (b) with respect to any Multi-exchange Index, any suspension of or limitation imposed on trading by the Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or Related Exchange or otherwise (i) relating to any Component on the Exchange in respect of such Component; or (ii) in futures or options contracts relating to the Index on the Related Exchange;

Underlying Issuer means the entity that is the issuer of the Underlying Share specified in the applicable Final Terms; and

Underlying Share means, in relation to a particular Series of Notes, a share specified as such in the applicable Final Terms, or, in the case of a Share Basket Note, a share forming part of a basket of shares to which such Note relates.

10. PROVISIONS RELATING TO INFLATION-LINKED NOTES

This Condition 10 (*Provisions Relating to Inflation-Linked Notes*) is applicable only in relation to Notes specified in the relevant Final Terms as being Inflation Linked Notes. The definitions set out in Condition 9.7 (*Definitions applicable to Equity-Linked Notes*) will also apply in relation to a Series of Inflation Linked Notes unless the context otherwise requires,

or such term is defined otherwise herein, and for the purposes of this clause, the definition of Index under Condition 9.7 shall be deemed to include an Inflation Index.

10.1 Delay of Publication

If any level of an Inflation Index for a Reference Month which is relevant to the calculation of a payment under the Notes (a **Relevant Level**) has not been published or announced by the day that is five Business Days prior to the next Specified Interest Payment Date, Automatic Early Redemption Date, Maturity Date or other relevant payment date under the Notes or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes, the Determination Agent shall determine a Substitute Inflation Index Level (in place of such Relevant Level) in a commercially reasonable manner in its sole discretion. If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Specified Interest Payment Date, Automatic Early Redemption Date, Maturity Date or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes, such Relevant Level will not be used in any calculations. The Substitute Inflation Index Level so determined pursuant to this Condition 10.1 (*Delay of Publication*), will be the definitive level for that Reference Month.

10.2 Cessation of Publication

If a level for the Inflation Index has not been published or announced for two consecutive months or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index then the Determination Agent shall determine a Successor Index (in lieu of any previously applicable Inflation Index) for the purposes of the Notes by using the following methodology:

- (a) If at any time a Successor Inflation Index has been designated by the Determination Agent pursuant to the terms and conditions of the Related Bond, such Successor Inflation Index shall be designated a "Successor Inflation Index" for the purposes of all subsequent Specified Interest Payment Dates or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes, notwithstanding that any other Successor Inflation Index may previously have been determined under Conditions 10.2(b), 10.2(c) or 10.2(d) below; or
- (b) If a Successor Inflation Index has not been determined under Condition 10.2(a) above and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement index specified by the Inflation Index Sponsor, and the Determination Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Notes from the date that such replacement index comes into effect; or
- (c) If a Successor Inflation Index has not been determined under Condition 10.2(a) or Condition 10.2(b) above, the Determination Agent shall ask five leading independent dealers to state what the replacement Index for the Inflation Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same Inflation Index, this Index will be deemed the "Successor Inflation Index". If three responses are received, and two or more leading independent dealers state the same Inflation Index, this Inflation Index will be deemed the "Successor Inflation Index". If fewer than three responses are received, the Determination Agent will proceed to Condition 10.2(d) below; or
- (d) If no Successor Inflation Index has been deemed under Conditions 10.2(a), 10.2(b) or 10.2(c) above by the fifth Business Day prior to the next Affected Payment Date the

Determination Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed a "Successor Inflation Index"; the Determination Agent shall determine the method of determining the Relevant Level if no such alternative Inflation Index is available.

10.3 Rebasing of the Inflation Index

If the Determination Agent determines that an Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the **Rebased Index**) will be used for purposes of determining the level of such Index from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the Determination Agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. If there is no Related Bond, the Determination Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Notes.

10.4 Material Modification Prior to Payment Date

If, on or prior to the day that is five Business Days before an Interest Payment Date, Automatic Early Redemption Date, Maturity Date or other relevant payment date in relation to the Notes, an Inflation Index Sponsor announces that it will make a material change to an Inflation Index then the Determination Agent shall make any such adjustments to the Inflation Index consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Inflation Index to continue as the Inflation Index.

10.5 Manifest Error in Publication

If, within thirty days of publication and prior to the redemption of the Notes or payments in respect of any relevant Interest Payment Date, Automatic Early Redemption Date, Maturity Date or other relevant payment date in relation to the Notes, the Determination Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Determination Agent will notify the holders of the Notes in accordance with Condition 20 (*Notices*) of (i) that correction, (ii) the adjusted amount that is then payable under the Notes as a result of that correction and (iii) take such other action as it may deem necessary to give effect to such correction, provided that any amount payable pursuant to sub-paragraph (ii) above shall be paid (with no interest accruing thereon) (a) in connection with an Inflation Index Sponsor's correction to remedy a manifest error in the level of an Inflation Index for a Reference Month for which the Interest Payment Date, Automatic Early Redemption Date, Maturity Date or other relevant payment date in relation to the Notes has occurred, within five Business Days after notice of such amount payable by the Determination Agent, (b) in connection with an Inflation Index Sponsor's correction to remedy a manifest error in the level of an Inflation Index for a Reference Month for which the Interest Payment Date, Automatic Early Redemption Date, Maturity Date or other relevant payment date in relation to the Notes has not occurred, as an adjustment to the payment obligation on the next Specified Interest Payment Date or (c) if there is no further Interest Payment Date, Automatic Early Redemption Date, Maturity Date or other relevant payment date in relation to the Notes, within five Business Days after notice of such amount payable by the Determination Agent.

10.6 Index Level Adjustment Correction

In relation to any Inflation Index, as specified in the Final Terms, either (i) the first publication or announcement of the level of the Inflation Index (disregarding estimates) by

the relevant Inflation Index Sponsor for any Reference Month shall be final and conclusive and, subject to this Condition 10, later revisions to the level of the Inflation Index for such Reference Month will not be used in any calculations; or (ii) the first publication or announcement of a level of the Inflation Index (disregarding estimates) published by the relevant Index Sponsor or, if revised, any subsequent revision of such level for a Reference Month shall be final and conclusive for such Reference Month, provided that such revisions are published or announced up to and including the day that is two Business Days prior to any relevant Interest Payment Date, Maturity Date or any other payment in respect of the Notes. The Issuer shall give notice to holders of Inflation Linked Notes of any valid revision in accordance with Condition 20 (*Notices*).

10.7 *Additional Disruption Events:*

- (a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.
- (b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.
- (c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to redeem the Notes and the Issuer's obligations under the Notes shall be satisfied in full upon payment in respect of each Note of an amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute discretion.
- (d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Determination Agent of the occurrence of an Additional Disruption Event.

10.8 *Definitions Applicable to Inflation-Linked Notes*

In relation to Inflation Linked Notes, the following expressions have the meanings set out below:

Additional Disruption Event means, with respect to any Series of Inflation-Linked Notes, such Change in Law, Hedging Disruption or Increased Cost of Hedging as specified as applicable in the applicable Final Terms.

Affected Payment Date means each Interest Payment Date, Automatic Early Redemption Date, Maturity Date or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes in respect of which an Inflation Index has not been published or announced;

Change in Law means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of Hedge Positions or (y) it will incur a materially increased

cost in performing its obligations with respect to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

Fallback Bond means an inflation linked bond selected by the Determination Agent and issued by the government of a country to whose level of inflation the Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to the Inflation Index, with a maturity date which falls on (a) the same date as the Maturity Date, or (b) if no such bond as described in (a) can be determined, the next longest maturity after the Maturity Date, or (c) if no such bond as described in either (a) or (b) can be determined, the next shortest maturity before the Maturity Date. If the Inflation Index relates to the level of inflation across the European Monetary Union, the Determination Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Determination Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Settlement Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Determination Agent from those bonds. If the Fallback Bond redeems the Determination Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged);

Hedge Positions means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by a party in order to hedge, individually or on a portfolio basis, the Notes;

Hedging Disruption means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations under the Notes, or (B) realise, recover or remit the proceeds of any such transactions or asset(s);

Increased Cost of Hedging means that the Issuer would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Notes or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging;

Inflation Index means any index specified as such in the applicable Final Terms;

Inflation Index Sponsor means, in respect of an Inflation Index, the entity specified as such in the relevant Final Terms or, if no entity is specified, the entity that publishes or announces (directly or through an agent) the level of the relevant Inflation Index;

Reference Month means the calendar month for which the level of the relevant Inflation Index was reported, regardless of when this information is published or announced, and, where such Reference Month is relevant to determine the Relevant Underlying Value (as defined in the Additional Terms and Conditions) on any Interest Determination Date, Barrier Observation Date (as defined in the Additional Terms and Conditions) or Automatic Early Redemption Valuation Date or Determination Date (as defined in the Additional Terms and Conditions), means the Reference Month specified in respect of each such date. If the period

for which the Inflation Index level was reported is a period other than a month, the Reference Month will be the period for which the Inflation Index level was reported;

Related Bond means the bond specified in the applicable Final Terms, or if no bond is so specified, the Fallback Bond. If the Related Bond is "Fallback Bond", then for any Related Bond determination under these Conditions, the Determination Agent shall use the Fallback Bond (as that is defined in this Condition 10.6 (*Additional Disruption Events*) herein). If no bond is specified in the applicable Final Terms as the Related Bond and "Fallback Bond: Not applicable" is specified in the applicable Final Terms there will be no Related Bond. If a bond is selected as the Related Bond in the applicable Final Terms, and that bond redeems or matures before the relevant Maturity Date, unless "Fallback Bond: Not applicable" is specified in the applicable Final Terms, the Determination Agent shall use the Fallback Bond for any Related Bond determination;

Substitute Inflation Index Level means an Inflation Index level, determined by the Determination Agent pursuant to the provisions of Condition 10.1 (*Delay of Publication*), in respect of an Affected Payment Date; and

Successor Inflation Index has the meaning specified in Condition 10.2 (*Cessation of Publication*).

11. REDEMPTION AND PURCHASE

11.1 *Scheduled Redemption.* Unless previously redeemed, or purchased and cancelled, and unless otherwise specified in the Conditions, Notes will be redeemed at their Final Redemption Amount on the Maturity Date in accordance with these Conditions including any applicable provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms.

11.2 *Tax Redemption.* The Notes may be redeemed in whole (but not in part), at the option of the relevant Issuer at any time prior to maturity, upon the giving of a notice of redemption as described below, if the relevant Issuer determines, in its sole discretion, that it or any of the Guarantors is or will become required by law to make any withholding or deduction with respect to the Notes, as described in Condition 13 (*Taxation*). If the applicable Final Terms specify that:

11.2.1 **"Par Redemption"** shall apply in relation to any Series of Notes, the Notes shall be redeemed at an amount equal to the principal amount of the Notes, together with accrued interest (if any); or

11.2.2 **"Qualified Financial Institution Determination"** shall apply in relation to any Series of Notes, the Notes shall be redeemed at an amount determined by the Determination Agent, acting in good faith and in a commercially reasonable manner, as at such date as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 Business Days prior to the date fixed for redemption of the Notes) to be the amount that a Qualified Financial Institution would charge either to assume all of the Issuer's payment and other obligations with respect to such Notes as if no such Event of Default had occurred or to undertake obligations that would have the effect of preserving the economic equivalent of any payment by the Issuer to the Noteholder with respect to the Notes.

The Issuer will give notice of any tax redemption in accordance with Condition 20 (*Notices*).

11.3 Prior to the relevant Issuer giving notice of redemption under Condition 11.2 (*Tax Redemption*), it will deliver to the Fiscal Agent:

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

11.3.2 an opinion of independent legal counsel of recognised standing to that effect based on the statement of facts.

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

11.4 *Redemption at the Option of the Issuer.* If the Call Option is specified in the applicable Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the applicable Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

11.5 *Partial Redemption.* If the Notes are to be redeemed in part only on any date in accordance with Condition 11.4 (*Redemption at the Option of the Issuer*), the redemption may be effected, at the option of the Issuer as specified in the applicable Final Terms, either (i) by reducing the nominal amount of all such Notes in a Series in proportion to the aggregate nominal amount redeemed by application of a pool factor or (ii) by redeeming in full some only of such Notes (a reduction in nominal amount) and, in such latter case, the choice between those Notes that will be fully redeemed and those Notes of any Series that will not be redeemed shall be made in accordance with article R. 213-16 of the *Code monétaire et financier* and the provisions of the relevant Final Terms, subject to compliance with any other applicable laws and stock exchange requirements.

11.6 *Redemption at the Option of Noteholders.* If the Put Option is specified in the applicable Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put), together with interest (if any) accrued to such date.

11.7 In order to exercise the option contained in Condition 11.6 (*Redemption at the Option of Noteholders*) the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (i) deposit with any Paying Agent at its specified office a duly completed Put Option Notice in the form obtainable from any Paying Agent and (ii) transfer, or cause to be transferred, the Notes to be redeemed to the account of the Paying Agent specified in the Put Notice

Notwithstanding the foregoing, the right to require redemption of such Notes must be exercised in accordance with the rules and procedures of the Relevant Clearing System and if there is any inconsistency between the above and the rules and procedures of the Relevant Clearing System, then the rules and procedures of the Relevant Clearing System shall prevail.

11.8 *Early Redemption of Zero Coupon Notes:* Unless a different Redemption Amount is specified in the applicable Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

11.8.1 the Reference Price; and

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

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the applicable Final Terms for the purposes of this Condition 11.8 (*Early Redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

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

11.10 *Cancellation:* All Notes so redeemed shall, and all Notes so purchased by Morgan Stanley, MSIP, MSBV or any of their respective Subsidiaries may, at the discretion of the relevant purchaser, be cancelled or retained in accordance with all applicable laws and regulations and in particular Article L.213-1 A of the French *Code monétaire et financier*. All Notes so redeemed or purchased for cancellation will forthwith be cancelled by transfer to an account in accordance with the rules and procedures of Euroclear France and, if so transferred, shall, together with all Notes redeemed by the relevant Issuer be cancelled forthwith (together with all rights relating to payment of interest and other amounts relating to such Notes). Any Notes so cancelled or, where applicable, transferred for cancellation may not be reissued or resold and the obligations of the relevant Issuer in respect of any such Notes shall be discharged.

11.11 *Automatic Early Redemption Event*

Capitalised terms not defined herein shall have the meanings given to them in (i) the applicable provisions of the Additional Terms and Conditions, or, if no such provisions are applicable, (ii) Condition 9.7 above.

If "Automatic Early Redemption Event" is specified as applicable in the Final Terms, then, subject to any applicable provisions of the Additional Terms and Conditions, unless previously redeemed or purchased and cancelled, if on any Automatic Early Redemption Valuation Date the Automatic Early Redemption Event occurs, then the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Early Redemption Amount payable by the Issuer on such date upon redemption of each Note shall be an amount in the Specified Currency specified in the applicable Final Terms equal to the relevant Automatic Early Redemption Amount.

Definitions

In these conditions:

Automatic Early Redemption Amount means (a) an amount in the Specified Currency determined in accordance with the applicable provisions (if any) of the Additional Terms and Conditions, or, if no such provisions are applicable (b) an amount in the Specified Currency (if any) specified as such in the applicable Final Terms or if neither (a) nor (b) applies, (c) an amount equal to the product of (i) the denomination of each Note and (ii) the relevant Automatic Early Redemption Rate relating to that Automatic Early Redemption Date.

Automatic Early Redemption Date means each date specified as such in the applicable Final Terms or if such date is not a Business Day, the next following Business Day, and no Noteholder shall be entitled to any interest or further payment in respect of such delay.

Automatic Early Redemption Event means, unless otherwise defined in such applicable provisions of the Additional Terms and Conditions as are specified as being applicable in the applicable Final Terms (i) in case of a single Index, single ETF Interest or single Underlying Share, that the level of the Index, ETF Interest or the price of the Underlying Share, as the case may be determined by the Determination Agent as of the Determination Time on any Automatic Early Redemption Valuation Date is, and (ii) in the case of a Basket of Indices, basket of ETF Interests or Basket of Shares, the amount determined by the Determination Agent equal to the sum of the values of each Index, ETF Interest or Underlying Share as the product of (x) the level of such Index, ETF Interest or Underlying Share as determined by the Determination Agent as of the Determination Time on any Automatic Early Redemption Valuation Date and (y) the relevant Weighting is, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Automatic Early Redemption Level, as specified in the Final Terms.

Automatic Early Redemption Level means, unless otherwise defined in the applicable provisions of the Additional Terms and Conditions the level of the Index or price of the ETF Interest or Underlying Share, as applicable, specified as such in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions of Conditions 10 (Provisions Relating to Equity-Linked Notes).

Automatic Early Redemption Rate means, in respect of any Automatic Early Redemption Date, the rate specified as such in the applicable Final Terms or, if no such rate is specified, 100 per cent.

Automatic Early Redemption Valuation Date means, in relation to Equity-Linked Notes or Inflation-Linked Notes each date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless, in the opinion of the Determination Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then the corresponding provisions of Condition 9.1.1 (Valuation Date) shall apply *mutatis mutandis* as if references in such provisions to "Valuation Date" were to "Automatic Early Redemption Valuation Date".

12. PAYMENTS

12.1 *Payments in relation to the Notes*

Payments of principal and interest in respect of Notes shall (in the case of Notes in bearer dematerialised form or administered registered form) be made by transfer to the account (denominated in the relevant currency) of the relevant Euroclear France Account Holders for the benefit of the Noteholders and (in the case of Notes in fully registered form) to accounts (denominated in the relevant currency) with a Bank designated by the Noteholders. All payments validly made to such accounts of such Euroclear France Account Holders or Noteholders will be an effective discharge of the Issuer in respect of such payments.

If the date for payment of any amount in respect of any Note is not a Payment Business Day, the holder thereof shall instead be entitled to payment: (i) on the next following Payment Business Day in the relevant place, if "Following Payment Business Day" is specified in the applicable Final Terms; or (ii) on the next following Payment Business Day in the relevant place, unless the date for payment would thereby fall into the next calendar month, in which event such date for payment shall be brought forward to the immediately preceding Payment Business Day in the relevant place, if "Modified Following Payment Business Day" is specified in the applicable Final Terms; provided that if neither "Following Payment Business Day" nor "Modified Following Payment Business Day" is specified in the applicable Final Terms, "Following Payment Business Day" shall be deemed to apply. In the event that any adjustment is made to the date for payment in accordance with this Condition 12 (*Payments*), the relevant amount due in respect of any Note shall not be affected by any such adjustment.

For these purposes, unless otherwise specified in the applicable Final Terms, Payment Business Day means a day (other than a Saturday or a Sunday) (A) on which Euroclear France is open for business, (B) in such jurisdictions as shall be specified as Additional Business Centres in the relevant Final Terms and (C) (i) in the case of a payment in euro, on which the TARGET2 system is open or (ii) in the case of a payment in a currency other than euro, where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency.

12.2 Unavailability of Currency.

If the Specified Currency is not available to the Issuer for making payments of principal of, and premium, interest and/or additional amounts, if any, on any Note (whether due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, or if the Specified Currency is no longer used by the government of the country issuing that currency or by public institutions within the international banking community for the settlement of transactions), the Issuer may satisfy its obligations to Noteholders by making payments on the date of payment in U.S. dollars on the basis of the prevailing exchange rate on the date of the payment or of the most recent practicable date, such rate being based on the highest bid quotation in The City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognised foreign exchange dealers for the purchase by the quoting dealer:

12.2.1 of the Specified Currency for U.S. dollars for settlement on the payment date;

12.2.2 in the aggregate amount of the Specified Currency payable to those holders or beneficial owners of Notes; and

12.2.3 at which the applicable dealer commits to execute a contract.

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

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

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

13. TAXATION

13.1 Withholding tax: All payments of principal and interest by the Issuers and the Guarantors in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied

collected, withheld or assessed by any jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law or agreement with such taxing authority.

13.2 *No gross-up:* None of the Issuer nor the Guarantors shall be required to make any additional payments on account of any such withholding or deduction.

13.3 *Supply of Information:* Each Noteholder shall be responsible for supplying to the Paying Agent, in a timely manner, any information as may be required in order to comply with the identification and reporting obligations imposed on it by the European Council Directive 2003/48/EC on the taxation of savings income or any other European Directive implementing the conclusions of the ECOFIN Council Meeting dated 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to such Directive or the Luxembourg law of 23 December 2005, as amended.

13.4 *Implementation of Financial Transaction Tax:* If **Implementation of Financial Transaction Tax Event** is specified in the applicable Final Terms to be applicable to any Series of Notes, then upon the occurrence of an Implementation of Financial Transaction Tax Event, the Issuer may (i) in its sole discretion, with immediate effect amend the Conditions of the Notes by adjusting downward any amount payable and/or any other value or term of the Conditions to account for the economic impact of the Implementation of Financial Transaction Tax on the Issuer and its Affiliates in relation to the Notes, and (ii) to the extent that at any time thereafter the Issuer determines (acting in good faith and in a commercially reasonable manner) that it (including its Affiliates) has incurred additional loss as a result of the Implementation of Financial Transfer Tax Event that has not been accounted for through the adjustment made pursuant to sub-paragraph (i) (such amount, **Additional Increased Tax**), it may reduce the amount otherwise payable on the Notes on the next payment date (and any payment date thereafter) by an amount up to the Additional Increased Tax amount. Any such adjustments shall be notified to Noteholders as soon as reasonably practicable. If an event or circumstance which would otherwise constitute a Change in Law or Increased Cost of Hedging (where applicable) also constitutes an Implementation of Financial Transaction Tax Event, it will be treated as an Implementation of Financial Transaction Tax Event.

14. **EVENTS OF DEFAULT**

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

14.1.1 *Non-payment:* in the case of Morgan Stanley Notes, Morgan Stanley or, in the case of MSIP Notes, MSIP or, in the case of MSBV Notes, either MSBV or the Guarantors fail to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within thirty days of the due date for payment thereof; or

14.1.2 *Breach of Other Obligations:* in the case of Morgan Stanley Notes, Morgan Stanley or, in the case of MSIP Notes, MSIP or, in the case of MSBV Notes, either MSBV or the Guarantors default in the performance or observance of any of their other obligations under or in respect of the Notes and such default remains unremedied for sixty days after written notice thereof, addressed to the Issuer by Noteholders of not less than 25 per cent. in aggregate principal amount of the relevant Series, has been delivered to the Issuer and to the Specified Office of the Fiscal Agent; or

14.1.3 *Insolvency, etc.:* (i) in the case of Morgan Stanley Notes, Morgan Stanley or, in the case of MSIP Notes, MSIP or, in the case of MSBV Notes, either MSBV or the Guarantors become insolvent or are unable to pay their debts as they fall due, (ii) an administrator or liquidator of the Issuer or the Guarantors or the whole or a substantial part of the undertaking, assets and revenues of the Issuer or the Guarantors

are appointed (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), (iii) the Issuer or the Guarantors take any action for a composition with or for the benefit of their creditors generally, or (iv) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or the Guarantors (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) and, in the case of Morgan Stanley, such order or effective resolution has remained in force and has not been rescinded, revoked or set aside for sixty days after the date on which such order is made or effective resolution is passed,

then Noteholders of not less than 25 per cent. in aggregate principal amount of the Notes may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become so due and payable at their Early Redemption Amount without further action or formality. Notice of any such declaration shall promptly be given to the Noteholders.

15. ILLEGALITY

15.1 The Issuer shall have the right to terminate the Notes if it shall have determined that its performance thereunder, or, if applicable, the Guarantors' performance of their obligations under the Guarantee, shall have become or will be in the near future unlawful in whole or in part as a result of compliance in good faith by the Issuer or, if applicable, the Guarantors, with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (applicable law).

15.2 In such circumstances the Issuer will, however, if and to the extent permitted by applicable law, pay to each Noteholder in respect of each Note held by him an amount determined by the Determination Agent as representing the fair market value of such Note immediately prior to such termination (ignoring such illegality) less the cost to the Issuer (or its affiliates) of, or the loss realised by the Issuer (or its affiliates) on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent.

16. PRESCRIPTION

Claims for payment in respect of Notes issued by an Issuer shall be prescribed and become void unless made within ten (10) years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

17. AGENTS

17.1 In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. All calculation and determination functions required of the relevant Agent may be delegated to such persons as the relevant Agent may decide and all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Notes by the Agents or the Issuer shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer and the Noteholders and (subject as aforesaid) no liability to the Noteholders (or any of them) shall attach to the Agents or the Issuer in connection with the exercise or non-exercise by any of them of their powers, duties and discretions for such purposes.

17.2 The initial Agents and their initial Specified Office are listed below on the inside back cover of this Base Prospectus. The initial Calculation Agent is the Fiscal Agent. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to

appoint a successor Fiscal Agent or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- 17.2.1 there shall at all times be a Fiscal Agent appointed in respect of the Notes;
 - 17.2.2 if a Calculation Agent is specified in the applicable Final Terms, the Issuer shall at all times maintain a Calculation Agent;
 - 17.2.3 if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system; and
 - 17.2.4 the Issuer will at all times maintain a Paying Agent with a Specified Office in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC or any other European Directive implementing the conclusions of the ECOFIN Council Meeting dated 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to that Directive.
- 17.3 Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 20 (*Notices*).

18. REPRESENTATION OF NOTEHOLDERS

Noteholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a masse (in each case, the **Masse**).

The Masse will be governed by the provisions of the French *Code de Commerce* with, where the Notes are issued outside France within the Meaning of Article L. 228-90 of the French *Code de Commerce*, the exception of articles L. 228-48, L. 228-59, R. 228-63, R. 228-67 and R. 228-69 of the French *Code de Commerce* subject to the following provisions:

(a) Legal Personality

The Masse will be a separate legal entity and will act in part through a representative (the **Representative**) and in part through a general meeting of the Noteholders (the **General Meeting**).

The Masse alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Notes.

(b) Representative

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representatives:

- (i) the Issuer, the members of its Supervisory Board or Board of Directors, its general manager, its statutory auditors, or its employees as well as their ascendants, descendants and spouse; or
- (ii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers, general managers, members of their Supervisory Board or Board of Directors, Management Board, or Supervisory Board, their statutory auditors, or employees as well as their ascendants, descendants and spouse; or

- (iii) companies holding 10 per cent. or more of the share capital of the Issuer or companies having 10 per cent. or more of their share capital held by the Issuer; or
- (iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The names and addresses of the initial Representative of the Masse will be set out in the relevant Final Terms. The Representative appointed in respect of the first Tranche of any Series of Notes will be the Representative of the single Masse of all Tranches in such Series.

The Representative will be entitled to such remuneration in connection with its functions or duties as set out in the relevant Final Terms.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by another Representative.

All interested parties will at all times have the right to obtain the name and address of the Representative at the head office of the Issuer and the specified offices of any of the Paying Agents.

(c) Powers of Representative

The Representative shall have the power to take all acts of management necessary in order to defend the common interests of the Noteholders.

All legal proceedings against the Noteholders or initiated by them, must be brought by or against the Representative.

The Representative may not be involved in the management of the affairs of the Issuer.

(d) General Meeting

A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-30th of the principal amount of the Notes outstanding, may address to the Issuer and the Representative a demand for convocation of the General Meeting. If such General Meeting has not been convened within two months after such request, the Noteholders may commission one of their members to petition a competent court in Paris to appoint an agent (*mandataire*) who will call the General Meeting.

Notice of the date, hour, place and agenda of any General Meeting will be published as provided under Condition 20 (*Notices*).

Each Noteholder has the right to participate in a General Meeting in person or by proxy. Each Note carries the right to one vote or, in the case of Notes issued with more than one Specified Denomination, one vote in respect of each multiple of the lowest Specified Denomination comprised in the principal amount of the Specified Denomination of such Note.

(e) Powers of the General Meetings

The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternate Representative and to act with respect to any other matter that relates to the common rights, actions and benefits which may accrue

now or in the future with respect to the Notes, including authorising the Representative to act (in legal proceedings) as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that the General Meeting may not increase amounts payable by Noteholders, nor establish any unequal treatment between the Noteholders.

General Meetings may deliberate validly on first convocation only if Noteholders present or represented hold at least a fifth of the principal amount of the Notes at such time outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a two-third majority of votes cast by Noteholders attending such General Meetings or represented thereat.

In accordance with Article R.228-71 of the French *Code de commerce*, the right of each Noteholder to participate in General Meetings will be evidenced by the entries in the books of the relevant Euroclear France Account Holder of the name of such Noteholder as of 0:00, Paris time, on the third business day in Paris preceding the date set for the meeting of the relevant general assembly.

Decisions of General Meetings must be published in accordance with the provisions in Condition 20 (*Notices*).

(f) Information to Noteholders

Each Noteholder or Representative thereof will have the right, during the 15-day period preceding the holding of each General Meeting (on first convocation), to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the General Meeting, all of which will be available for inspection by the relevant Noteholders at the principal office of the Issuer, at the specified offices of any of the Paying Agents and at any other place specified in the notice of the General Meeting.

(g) Expenses

The Issuer will pay all expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings and, more generally, all administrative expenses resolved upon by the General Meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the Notes.

(h) Single Masse

The holders of Notes of the same Series, and the holders of Notes of any other Series which have been assimilated with the Notes of another Series in accordance with Condition 19 (*Further Issues*), shall, for the defence of their respective common interests, be grouped in a single Masse. The Representative appointed in respect of the first Series of Notes issued will be the Representative of the single Masse of all such Series.

In this Condition 18, the expression "outstanding" (as defined in Condition 2) does not include the Notes subscribed or purchased by the Issuer in accordance with Article L.213-1 A of the French *Code monétaire et financier* which are held by the Issuer and not cancelled.

19. FURTHER ISSUES

Any of the Issuers may from time to time, without the consent of the Noteholders issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

20. NOTICES

- 20.1 Notices to the holders of Notes in registered form (*au nominatif*) shall be valid if either, (i) they are mailed to them at their respective addresses, in which case they will be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the mailing, or, (ii) at the option of the Issuer, as long as such Notes are listed and admitted to trading on Euronext Paris, they are published (a) in a daily leading newspaper of general circulation in France (which is expected to be *Les Echos*) or (b) in accordance with Articles 221-3 and 221-4 of the *Règlement Général* of the *Autorité des marchés financiers* (AMF) or (iii) so long as such Notes are listed and admitted to trading on any Regulated Market or other stock exchange and the rules of such Regulated Market or other stock exchange so require, in a leading daily newspaper with general circulation in the city where the Regulated Market or other stock exchange on which such Notes are listed and admitted to trading is located and on the website of any other competent authority or Regulated Market of the EEA Member State where the Notes are listed and admitted to trading.
- 20.2 Notices to the Noteholders in bearer form (*au porteur*) shall be valid if published (i) so long as such Notes are listed and admitted to trading on Euronext Paris, (a) in a leading daily newspaper of general circulation in France (which is expected to be *Les Echos*) or (b) in accordance with Articles 221-3 and 221-4 of the *Règlement Général* of the AMF or (ii) so long as such Notes are listed and admitted to trading on any Regulated Market or other stock exchange and the rules of such Regulated Market or other stock exchange so require, in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) or other stock exchange(s) on which such Notes are listed and admitted to trading is located and on the website of any other competent authority or Regulated Market of the EEA Member State where the Notes are listed and admitted to trading.
- 20.3 If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication.
- 20.4 Notices required to be given to the Noteholders (whether in registered or in bearer form) pursuant to these Conditions may be given by delivery of the relevant notice to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Notes are for the time being cleared in substitution for the mailing and publication of a notice required by Conditions 20.1, 20.2 and 20.3 above; except that so long as the Notes are listed and admitted to trading on a Regulated Market or other stock exchange and the rules of such Regulated Market or other stock exchange so require, notices shall also be published in a leading daily newspaper of general circulation in the city where the Regulated Market or other stock exchange on which such Note(s) is/are listed and admitted to trading is located.
- 20.5 Notices will, if published more than once, be deemed to have been given on the date of the first publication.

21. CURRENCY INDEMNITY

- 21.1 If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the **first currency**) in which the same is payable under these Conditions or such order or judgment into another currency (the **second currency**) for the purpose of (a) making or filing a claim or proof against the Issuer,

(b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

- 21.2 This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action. However, if a judgment awarded by a French court were to be expressed in euros, it would normally be expressed by reference to the exchange value of the relevant amount of the said foreign currency at the rate of exchange prevailing on the effective date of payment or on the date of the judgment; it should be noted, however, that if, after having obtained a judgment from a French court with respect to the Notes, any party were to seek a separate judgment on the basis of any indemnity clause with respect to currency indemnity, the court may hold that such clause did not survive the original judgment.

22. **ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the applicable Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. rounded up to 0.00001 per cent.), (b) all U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent rounded upward), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downward to the next lower whole Japanese Yen amount and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency (with 0.005 rounded up to 0.01).

23. **REDENOMINATION**

- 23.1 *Application:* This Condition 23 (*Redenomination*) is applicable to the Notes only if it is specified in the applicable Final Terms as being applicable.
- 23.2 *Notice of redenomination:* If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date (the **Redenomination Date**), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.
- 23.3 *Redenomination:* Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date, the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); **provided, however, that**, if the Issuer determines, with the agreement of the Fiscal Agent that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or

quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments.

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

24. **REPRESENTATIONS AND ACKNOWLEDGEMENTS BY NOTEHOLDERS**

Each Noteholder shall be deemed to represent and acknowledge to the Issuer on acquiring any Notes that:

- 24.1 neither the Issuer nor any Affiliate or any of their agents is acting as a fiduciary for it or provides investment, tax, accounting, legal or other advice in respect of the Notes and that such Noteholder and its advisors are not relying on any communication (written or oral and including, without limitation, opinions of third party advisors) of the Issuer or any Affiliate as (i) legal, regulatory, tax, business, investment, financial, accounting or other advice, (ii) a recommendation to invest in any Notes or (iii) an assurance or guarantee as to the expected results of an investment in the Notes (it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be any such advice, recommendation, assurance or guarantee and should be independently confirmed by the recipient and its advisors prior to making any such investment);
- 24.2 such Noteholder (i) has consulted with its own legal, regulatory, tax, business, investments, financial and accounting advisors to the extent that it has deemed necessary, and has made its own investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or any Affiliate or any of their agents and (ii) is acquiring the Notes with a full understanding of the terms, conditions and risks thereof and it is capable of and willing to assume those risks; and
- 24.3 the Issuer and/or any Affiliates may have banking or other commercial relationships with issuers of any securities to which the Notes relate and may engage in proprietary trading in any securities, indices, fund interests or other property to which the Notes relate or options, futures, derivatives or other instruments relating thereto (including such trading as the Issuer and/or any Affiliate deem appropriate in their sole discretion to hedge the market risk on the Notes and other transactions between the Issuer and/or any Affiliates and any third parties), and that such trading (i) may affect the price or level thereof and consequently the amounts payable under the Notes and (ii) may be effected at any time, including on or near any Valuation Date, Observation Date, Interest Determination Date, Determination Date or Averaging Date.

25. **GOVERNING LAW AND JURISDICTION**

- 25.1 *Governing Law:* The Notes shall be governed by and construed in accordance with French law. The Guarantee and any non-contractual obligations arising out of or in connection with the Guarantee will be governed by, and shall be construed in accordance with, New York law.

In the case of a public offer in France of Notes issued by MSBV only, the Guarantee and any non-contractual obligations arising out of or in connection with the Guarantee will be governed by, and shall be construed in accordance with, English law.

25.2 *Jurisdiction:* Any claim against Morgan Stanley, MSIP or MSBV as Issuer, or Morgan Stanley or MSIP as Guarantors, in connection with any Notes may exclusively be brought before the competent courts in Paris.

PART 2 - ADDITIONAL TERMS AND CONDITIONS

Additional Provisions relating to Equity-Linked Notes and Inflation-Linked Notes

Section 1

General

These Additional Terms and Conditions (**Additional Terms and Conditions**) apply to each Series of Equity-Linked Notes and Inflation-Linked Notes (collectively, **Linked Notes**). In relation to each Series of Linked Notes, **Relevant Underlying** means the share(s), index(es), exchange traded fund(s) and/or inflation index(es) specified in the applicable Final Terms as the Underlying Share, the Basket of Shares, the Index (for Equity-Linked Notes), the Basket of Indices (for Equity-Linked Notes), the ETF Interest, the Basket of ETF Interests and/or the Index (for Inflation-Linked Notes) and, where the context so permits, each such share, index, exchange traded fund or inflation index.

The terms relating to the payment of interest (if any) and redemption may be linked to the performance or value of the Relevant Underlying determined in a number of different ways which will be specified in the applicable Final Terms by reference to particular provisions contained in these Additional Terms and Conditions.

For the purpose of determining values of the Relevant Underlying, provisions from among those contained in Section 2 (*Value Determination Terms*) of these Additional Terms and Conditions will be specified in the applicable Final Terms.

For the purpose of determining values for the performance of the Relevant Underlying, provisions from among those contained in Section 3 (*Performance Determination Terms*) of these Additional Terms and Conditions will be specified in the applicable Final Terms.

The applicable Final Terms will also specify:

- (a) the applicable terms (if any) for the payment of interest under Condition 6.5 from among those contained in Section 4 (*Interest Provisions*) of these Additional Terms and Conditions;
- (b) the applicable terms (if any) as to automatic early redemption from among those contained in Section 5 (*Early Redemption Terms*) of these Additional Terms and Conditions; and
- (c) the applicable terms (if any) for determining the Final Redemption Amount from among those contained in Section 6 (*Scheduled Redemption Terms*) of these Additional Terms and Conditions.

The provisions set out in each of the following Sections of these Additional Terms and Conditions (other than any introductory description in italicised script) which are applicable to a Series of Linked Notes comprise additional Terms and Conditions forming part of the Conditions of the Notes of such Series. (Any such introductory description is a general description only, does not form part of, and is subject to, the provisions which it describes.)

Section 2

Value Determination Terms

With respect to each Series of Linked Notes, the **Relevant Underlying Value** for a Relevant Underlying as of any date (including but not limited to a Valuation Date, Interest Determination Date, Determination Date, Observation Date or Averaging Date) for the purposes of determinations linked to the value or performance of the Relevant Underlying shall be, as determined by the Determination Agent and subject as provided in the Conditions:

- (a) for an Underlying Share or ETF Interest and a Series of Equity-Linked Notes, the price (or, if applicable, two or more such prices) of such Underlying Share or ETF Interest on the relevant Exchange;
- (b) for an Index and a Series of Equity-Linked Notes, the official level of the Index (or, if applicable, two or more such levels);
- (c) for an Index and a Series of Inflation-Linked Notes, the level of the Index for a specified calendar month (or, if applicable, two or more such levels);
- (d) for a Relevant Underlying which is a basket comprising any combination of the foregoing, the value for the Relevant Underlying equal to the sum of the weighted values of the components of the Relevant Underlying applying (a) to (c) above, as applicable,

determined, in each case, in accordance with such of the provisions contained in the following provisions of this Section 2 (**Value Determination Terms**) as are applicable to the relevant determination as specified in the applicable Final Terms.

1. If **Closing Value** is specified in the applicable Final Terms or referred to in any other Value Determination Terms that are relevant to the applicable Final Terms, the Relevant Underlying Value will be determined:
 - (a) for an Underlying Share, Index or ETF Interest and a Series of Equity-Linked Notes, as of the Scheduled Closing Time of the Exchange in respect of such Relevant Underlying on the relevant date;
 - (b) for an Index and a Series of Inflation-Linked Notes, for the month specified as the Reference Month with respect to the relevant date in the applicable Final Terms;
 - (c) for a Basket of Shares, Indices or EFTs and a Series of Equity-Linked Notes, as of the Scheduled Closing Time of the Exchange in respect of such Relevant Underlying on the relevant date; and
 - (d) for a Basket of Indices and a Series of Inflation-Linked Notes, for the month specified as the Reference Month with respect to the relevant date in the applicable Final Terms.
2. If **Average Value** is specified in the applicable Final Terms, the Relevant Underlying Value will be equal to the arithmetic mean of the Closing Values of the Relevant Underlying on each of the Averaging Dates

where:

Averaging Dates means the dates specified as such in the applicable Final Terms, subject to adjustment in accordance with the Conditions; and

Closing Value has the meaning given to it in these Value Determination Terms.

3. If **Min Value** is specified in the applicable Final Terms, the Relevant Underlying Value will be equal to the lowest Closing Value of the Relevant Underlying as of any of the Observation Dates

where:

Closing Value has the meaning given to it in these Value Determination Terms; and

Observation Dates means the dates specified as such in the applicable Final Terms.

4. If **Max Value** is specified in the applicable Final Terms, the Relevant Underlying Value will be equal to the highest Closing Value of the Relevant Underlying as of any of the Observation Dates

where:

Closing Value has the meaning given to it in these Value Determination Terms; and

Observation Dates means the dates specified as such in the applicable Final Terms.

5. If **Floored Min Value** is specified in the applicable Final Terms, the Relevant Underlying Value will be equal to the Lowest Closing Value or, if greater, the Floor Value

where:

Floor Value means the value specified as such in the applicable Final Terms;

Closing Value has the meaning given to it in these Value Determination Terms;

Lowest Closing Value the lowest of the Closing Values of the Relevant Underlying as of any of the Observation Dates, and

Observation Dates means the dates specified as such in the applicable Final Terms.

6. If **Capped Max Value** is specified in the applicable Final Terms, the Relevant Underlying Value will be equal to the Highest Closing Value or, if lower, the Cap Value

where:

Cap Value means the value specified as such in the applicable Final Terms;

Closing Value has the meaning given to it in these Value Determination Terms;

Highest Closing Value means the highest of the Closing Values of the Relevant Underlying as of any of the Observation Dates; and

Observation Dates means the dates specified as such in the applicable Final Terms.

7. If **Individually Floored Average Value** is specified in the applicable Final Terms, the Relevant Underlying Value will be the value determined by the Determination Agent to be equal to the arithmetic mean of the values for each Averaging Date equal to the greater of: (a) the Closing Value of the Relevant Underlying as of such Averaging Date; and (b) the Floor Value in respect of the Relevant Underlying as of such Averaging Date, and determined in accordance with the following formula:

$$\text{Relevant Underlying Value} = \sum_{i=1}^n \frac{1}{n} \times \text{Max} [\text{Floor Value}; \text{Closing Value}_i]$$

where:

i is a series of numbers from one to n, each representing an Averaging Date;

n means the number of Averaging Dates;

Averaging Dates means the dates specified as such in the applicable Final Terms, subject to adjustment in accordance with the Conditions;

Closing Value has the meaning given to it in these Value Determination Terms and **Closing Value_i** means the Closing Value of the Relevant Underlying on the relevant Averaging Date; and

Floor Value means the value specified as such in the applicable Final Terms.

8. If **Individually Capped Average Value** is specified in the applicable Final Terms, the Relevant Underlying Value will be the value determined by the Determination Agent to be equal to the arithmetic mean of the values for each Averaging Date equal to the lower of: (a) the Closing Value of the Relevant Underlying as of such Averaging Date; and (b) the Cap Value in respect of such Relevant Underlying as of such Averaging Date and determined in accordance with the following formula:

$$\text{Relevant Underlying Value} = \sum_{i=1}^n \frac{1}{n} \times \text{Min} [\text{Cap Value}; \text{Closing Value}_i]$$

where:

i is a series of numbers from one to n, each representing an Averaging Date;

n means the number of Averaging Dates;

Averaging Dates means the dates specified as such in the applicable Final Terms, subject to adjustment in accordance with the Conditions;

Closing Value has the meaning given to it in these Value Determination Terms and **Closing Value_i** means the Closing Value of the Relevant Underlying on the relevant Averaging Date; and

Cap Value means the value specified as such in the applicable Final Terms.

9. If **Globally Floored Average Value** is specified in the applicable Final Terms, the Relevant Underlying Value will be the value determined by the Determination Agent to be equal to the greater of: (a) arithmetic mean of the Closing Values of the Relevant Underlying as of each of the Averaging Dates; and (b) the Global Floor Value, and determined in accordance with the following formula:

$$\text{Relevant Underlying Value} = \text{Max} \left[\text{Global Floor Value}; \sum_{i=1}^n \frac{1}{n} \times \text{Closing Value}_i \right]$$

where:

i is a series of numbers from one to n, each representing an Averaging Date;

n means the number of Averaging Dates;

Averaging Dates means the dates specified as such in the applicable Final Terms, subject to adjustment in accordance with the Conditions;

Closing Value has the meaning given to it in these Value Determination Terms and **Closing Value_i** means the Closing Value of the Relevant Underlying on the relevant Averaging Date; and

Global Floor Value means the value specified as such in the applicable Final Terms.

10. If **Globally Capped Average Value** is specified in the applicable Final Terms, the Relevant Underlying Value will be the value determined by the Determination Agent to be equal to the lower of: (a) the arithmetic mean of the Closing Values of the Relevant Underlying as of each of the Averaging Dates; and (b) the Global Cap Value, and determined in accordance with the following formula:

$$\text{Relevant Underlying Value} = \text{Min} \left[\text{Global Cap Value}; \sum_{i=1}^n \frac{1}{n} \times \text{Closing Value}_i \right]$$

where:

i is a series of numbers from one to n, each representing an Averaging Date;

n means the number of Averaging Dates;

Averaging Dates means the dates specified as such in the applicable Final Terms, subject to adjustment in accordance with the Conditions;

Closing Value has the meaning given to it in these Value Determination Terms and **Closing Value_i** means the Closing Value of the Relevant Underlying on the relevant Averaging Date; and

Global Cap Value means the value specified as such in the applicable Final Terms.

Section 3

Performance Determination Terms

Where the performance of the Relevant Underlying is to be determined for the purposes of determining any Interest Amount, any Early Redemption Amount or the Final Redemption Amount for the Linked Notes of any Series, the value of such performance will be determined applying the provisions of one or more of the paragraphs set out below in this Section 3 (each **Performance Determination Terms**) as specified in the applicable Final Terms. For the purposes of such provisions, **Performance Determination Date** means, as applicable, the Interest Determination Date, Valuation Date or Determination Date as of which performance is to be determined.

Performance Determination Terms for Notes linked to a single Share, Index, ETF Interest or Inflation Index

1. Basic Performance

If "Basic Performance" is specified in the applicable Final Terms, the Performance will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = Performance Rate \times \left(\frac{Final Reference Value}{Initial Reference Value} - 1 \right)$$

where:

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value means the Relevant Underlying Value as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms.

2. Capped Performance

If "Capped Performance" is specified in the applicable Final Terms, the Performance will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = Performance Rate \times \text{Min} \left(\text{Cap}; \frac{Final Reference Value}{Initial Reference Value} - 1 \right)$$

where:

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Cap means the value specified as such in the applicable Final Terms;

Final Reference Value means the Relevant Underlying Value as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms.

3. **Floored Performance**

If "Floored Performance" is specified in the applicable Final Terms, the Performance will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = Performance Rate \times \text{Max} \left(\text{Floor}; \frac{Final Reference Value}{Initial Reference Value} - 1 \right)$$

where:

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Floor means the value specified as such in the applicable Final Terms;

Final Reference Value means the Relevant Underlying Value as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms.

4. **Capped & Floored Performance**

If "Capped & Floored Performance" is specified in the applicable Final Terms, the Performance will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = Performance Rate \times \text{Min} \left(\text{Cap}; \text{Max} \left[\text{Floor}; \frac{Final Reference Value}{Initial Reference Value} - 1 \right] \right)$$

where:

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Cap means the value specified as such in the applicable Final Terms;

Floor means the value specified as such in the applicable Final Terms;

Final Reference Value means the Relevant Underlying Value as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions

of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms.

5. Absolute Basic Performance

If "Absolute Basic Performance" is specified in the applicable Final Terms, the Performance will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value by the Initial Reference Value and the subsequent subtraction of 1):

$$Performance = Performance Rate \times \left| \frac{Final Reference Value}{Initial Reference Value} - 1 \right|$$

where:

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value means the Relevant Underlying Value as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms.

6. Absolute Capped Performance

If "Absolute Capped Performance" is specified in the applicable Final Terms, the Performance will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value by the Initial Reference Value and the subsequent subtraction of 1):

$$Performance = Performance Rate \times \text{Min} \left[\text{Cap}; \left| \left(\frac{Final Reference Value}{Initial Reference Value} - 1 \right) \right| \right]$$

where:

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Cap means the value specified as such in the applicable Final Terms;

Final Reference Value means the Relevant Underlying Value as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms.

7. Absolute Floored Performance

If "Absolute Floored Performance" is specified in the applicable Final Terms, the Performance will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value by the Initial Reference Value and the subsequent subtraction of 1):

$$Performance = Performance Rate \times Max \left(Floor; \left| \left(\frac{Final Reference Value}{Initial Reference Value} - 1 \right) \right| \right)$$

where:

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Floor means the value specified as such in the applicable Final Terms;

Final Reference Value means the Relevant Underlying Value as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms.

8. Absolute Capped & Floored Performance

If "Absolute Capped & Floored Performance" is specified in the applicable Final Terms, the Performance will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value by the Initial Reference Value and the subsequent subtraction of 1):

$$Performance = Performance Rate \times Min \left(Cap; Max \left[Floor; \left| \left(\frac{Final Reference Value}{Initial Reference Value} - 1 \right) \right| \right] \right)$$

where:

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Cap means the value specified as such in the applicable Final Terms;

Floor means the value specified as such in the applicable Final Terms;

Final Reference Value means the Relevant Underlying Value as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms.

Selected Average Performance Determination Terms for Notes linked to a Relevant Underlying which is a basket (referred to below as the Basket) consisting of a number of components (with each such component of the Basket, as specified in the Final Terms, being a Basket Component)

9. Selected Average Basic Performance

If "Selected Average Basic Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = \sum_{i=1}^n \frac{1}{n} \left\{ Performance Rate \times \left(\frac{Final Reference Value_i}{Initial Reference Value_i} - 1 \right) \right\}$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

10. **Selected Average Individually Capped Performance**

If "Selected Average Individually Capped Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = \sum_{i=1}^n \frac{1}{n} \left(Performance\ Rate \times Min \left[Cap_i; \frac{Final\ Reference\ Value_i}{Initial\ Reference\ Value_i} - 1 \right] \right)$$

where:

i is a series of numbers from one to *n*, each representing a Basket Component;

n means the number of Basket Components in the Basket;

Cap_i means, in respect of any Selected Basket Component_i, the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the

Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7), ,

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

11. **Selected Average Individually Floored Performance**

If "Selected Average Individually Floored Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = \sum_{i=1}^n \frac{1}{n} \left(Performance\ Rate \times Max \left[Floor_i; \frac{Final\ Reference\ Value_i}{Initial\ Reference\ Value_i} - 1 \right] \right)$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Floor_i means, in respect of any Selected Basket Component_i, the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected

Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

12. Selected Average Individually Capped & Floored Performance

If "Selected Average Individually Capped & Floored Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = \sum_{i=1}^n \frac{1}{n} Performance Rate \times Min \left(Cap_i; Max \left[Floor_i; \frac{Final Reference Value_i}{Initial Reference Value_i} - 1 \right] \right)$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Cap_i means, in respect of any Selected Basket Component_i, the value specified as such in the applicable Final Terms;

Floor_i means, in respect of any Selected Basket Component_i, the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and

- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

13. Selected Average Global Capped Performance

If "Selected Average Global Capped Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = Min \left[Cap; \sum_{i=1}^n \frac{1}{n} \left(Performance Rate \times \left(\frac{Final Reference Value_i}{Initial Reference Value_i} - 1 \right) \right) \right]$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Cap means the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and

- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

14. Selected Average Global Floored Performance

If "Selected Average Global Floored Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = Max \left[Floor; \sum_{i=1}^n \frac{1}{n} \left(Performance Rate \times \left(\frac{Final Reference Value_i}{Initial Reference Value_i} - 1 \right) \right) \right]$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Floor means the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and

- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

15. Selected Average Global Capped & Floored Performance

If "Selected Average Global Capped & Floored Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = Min \left[Cap; Max \left[Floor; \sum_{i=1}^n \frac{1}{n} \left(Performance Rate \times \left(\frac{Final Reference Value_i}{Initial Reference Value_i} - 1 \right) \right) \right] \right]$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Cap means the value specified as such in the applicable Final Terms;

Floor means the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket

Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and

- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

16. Selected Absolute Average Basic Performance

If "Selected Absolute Average Basic Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value_i by the Initial Reference Value_i and the subsequent subtraction of 1):

$$Performance = \sum_{i=1}^n \frac{1}{n} \left(Performance Rate \times \left| \left(\frac{Final Reference Value_i}{Initial Reference Value_i} - 1 \right) \right| \right)$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket

Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and

- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

17. Selected Absolute Average Individually Capped Performance

If "Selected Absolute Average Individually Capped Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value_i by the Initial Reference Value_i and the subsequent subtraction of 1):

$$Performance = \sum_{i=1}^n \frac{1}{n} \left(Performance\ Rate \times Min \left[Cap_i; \left| \left(\frac{Final\ Reference\ Value_i}{Initial\ Reference\ Value_i} - 1 \right) \right| \right] \right)$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Cap_i means, in respect of any Selected Basket Component_i, the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such

Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and

- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,2...5" in the applicable Final Terms, the Selected Basket Components will comprise the 5 Basket Components from and including Basket Component 1 to and including Basket Component 5),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

18. Selected Absolute Average Individually Floored Performance

If "Selected Absolute Average Individually Floored Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value_{*i*} by the Initial Reference Value_{*i*} and the subsequent subtraction of 1):

$$Performance = \sum_{i=1}^n \frac{1}{n} \left(Performance\ Rate \times Max \left[Floor_i ; \left| \left(\frac{Final\ Reference\ Value_i}{Initial\ Reference\ Value_i} - 1 \right) \right| \right] \right)$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Floor_{*i*} means, in respect of any Selected Basket Component_{*i*}, the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_{*i*}** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_{*i*}** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

19. **Selected Absolute Average Individually Capped & Floored Performance**

If "Selected Absolute Average Individually Capped & Floored Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value_{*i*} by the Initial Reference Value_{*i*} and the subsequent subtraction of 1):

$$\sum_{i=1}^n \frac{1}{n} \left(Performance\ Rate \times Min \left[Cap_i; Max \left[Floor_i; \left| \left(\frac{Final\ Reference\ Value_i}{Initial\ Reference\ Value_i} - 1 \right) \right| \right] \right] \right)$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Cap_{*i*} means, in respect of any Selected Basket Component_{*i*}, the value specified as such in the applicable Final Terms;

Floor_{*i*} means, in respect of any Selected Basket Component_{*i*}, the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_{*i*}** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value**; means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

20. **Selected Absolute Average Global Capped Performance**

If "Selected Absolute Average Global Capped Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value_{*i*} by the Initial Reference Value_{*i*} and the subsequent subtraction of 1):

$$Performance = Min \left[Cap; \sum_{i=1}^n \frac{1}{n} \left(Performance Rate \times \left| \left(\frac{Final Reference Value_i}{Initial Reference Value_i} - 1 \right) \right| \right) \right]$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Cap means the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final

Terms and **Final Reference Value_i**, means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i**, means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

21. **Selected Absolute Average Global Floored Performance**

If "Selected Absolute Average Global Floored Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value_i by the Initial Reference Value_i and the subsequent subtraction of 1):

$$Performance = Max \left[Floor; \sum_{i=1}^n \frac{1}{n} \left(Performance Rate \times \left| \left(\frac{Final Reference Value_i}{Initial Reference Value_i} - 1 \right) \right| \right) \right]$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Floor means the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as

determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i**; means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i**; means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

22. **Selected Absolute Average Global Capped & Floored Performance**

If "Selected Absolute Average Global Capped & Floored Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula (treating as an absolute value any negative value resulting from the division of the Final Reference Value_i by the Initial Reference Value_i and the subsequent subtraction of 1):

$$Performance = Min \left[Cap; Max \left[Floor; \sum_{i=1}^n \frac{1}{n} \left(Performance Rate \times \left| \left(\frac{Final Reference Value_i}{Initial Reference Value_i} - 1 \right) \right| \right) \right] \right]$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

Cap means the value specified as such in the applicable Final Terms;

Floor means the value specified as such in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

23. **Best of – Non Equally Weighted Average Performance**

If "Best of – Non Equally Weighted Average Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$Performance = \sum_{i=1}^n W_i \times Performance Rate \times \left(\frac{Final Reference Value_i}{Initial Reference Value_i} - 1 \right)$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

W_i or Relevant Weighting means, for any Selected Basket Component, the value specified as the Weighting for such Selected Basket Component in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,2...5" in the applicable Final Terms, the Selected Basket Components will comprise the 5 Basket Components from and including Basket Component 1 to and including Basket Component 5),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

24. **Worst of – Non Equally Weighted Average Performance**

If "Worst of – Non Equally Weighted Average Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$\sum_{i=1}^n W_i \times \text{Performance Rate} \times \left(\frac{\text{Final Reference Value}_i}{\text{Initial Reference Value}_i} - 1 \right)$$

where:

i is a series of numbers from one to n , each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

W_i or **Relevant Weighting** means, for any Selected Basket Component, the value specified as the Weighting for such Selected Basket Component in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value _{i}** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value _{i}** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *lowest* such value (Basket Component 1) and ending with the Basket Component with the *highest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format " $J = \dots$ " (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as " $J=1,2\dots5$ " in the applicable Final Terms, the Selected Basket Components will comprise the 5 Basket Components from and including Basket Component 1 to and including Basket Component 5),

where " J " is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and " N " is the total number of Basket Components.

25. Selection of – Non Equally Weighted Average Performance

If "Selection of – Non Equally Weighted Average Performance" is specified in the applicable Final Terms, the Performance in respect of the Basket will be determined by the Determination Agent as of the relevant Performance Determination Date in accordance with the following formula:

$$\sum_{i=1}^n W_i \times \text{Performance Rate} \times \left(\frac{\text{Final Reference Value}_i}{\text{Initial Reference Value}_i} - 1 \right)$$

where:

i is a series of numbers from one to *n*, each representing a Selected Basket Component;

n means the number of Selected Basket Components in the Basket;

W_i or **Relevant Weighting** means, for any Selected Basket Component, the value specified as the weighting for such Selected Basket Component in the applicable Final Terms;

Performance Rate means the percentage rate specified as such in the applicable Final Terms;

Final Reference Value, for any Basket Component, means the Relevant Underlying Value in respect of such Basket Component as of the relevant Performance Determination Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Final Reference Value_i** means such value in respect of the relevant Selected Basket Component;

Initial Reference Value, for any Basket Component, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value in respect of such Basket Component as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms and **Initial Reference Value_i** means such value in respect of the relevant Selected Basket Component; and

Selected Basket Component means the Basket Components determined by the Determination Agent as follows:

- (a) by numbering the Basket Components in order according to the respective values for each Basket Component determined by dividing the Final Reference Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the *highest* such value (Basket Component 1) and ending with the Basket Component with the *lowest* such value (and so that, if more than one Basket Component has the same value, the order of the relevant Basket Components shall be as determined by the Determination Agent); and
- (b) by selecting the numbered Basket Components corresponding to the numbers specified for the Selected Basket Components in the applicable Final Terms in the format "J = ..." (so that, for example, where there are 10 Basket Components and the Selected Basket Components are identified as "J=1,5...7" in the applicable Final Terms, the Selected Basket Components will comprise the 4 Basket Components numbered 1, 5, 6 and 7),

where "J" is a number from 1 to N denoting one of the Basket Components numbered as described in (a) and selected as described in (b) above and "N" is the total number of Basket Components.

Section 4 Interest Provisions

Where the Equity-Linked or Inflation-Linked Interest Note Provisions are applicable as specified in the applicable Final Terms, interest payable in relation to the Linked Notes of the relevant Series shall be determined applying the provisions of one or more of the paragraphs set out below in this Section 4 (each **Interest Provision**) as specified in the applicable Final Terms.

Fixed Interest Provisions

1. Fixed Coupon

If "Fixed Coupon" is applicable as specified in the applicable Final Terms, the Issuer will pay a fixed amount of interest in respect of the Notes on each Interest Payment Date.

If "Fixed Coupon" is applicable as specified in the applicable Final Terms, the Issuer shall pay interest on the Notes on each Interest Payment Date in an amount per Calculation Amount equal to the Coupon Amount determined by the Determination Agent as of the relevant Interest Determination Date immediately preceding such Interest Payment Date in accordance with the following formula:

$$\text{Coupon Amount} = \text{Coupon Rate} \times \text{Calculation Amount}$$

Where **Coupon Rate** means, for the relevant Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms.

The Coupon Amount determined as being payable in accordance with this Paragraph 1 shall be referred to in these Conditions as the **Fixed Coupon Amount**.

Barrier Conditional Interest Provisions

2. Non Memory Barrier Conditional Coupon

If "Non Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will pay an amount of interest in respect of the Notes on each Interest Payment Date, in each case conditional on the performance of the Relevant Underlying as of the or one of the relevant Interest Determination Dates being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a specified barrier value. If such condition is not satisfied, no such interest will be payable.

If, "Additional Non Memory Barrier Conditional Coupon" is also applicable as specified in the applicable Final Terms, the Issuer will also pay an amount of interest in respect of the Notes on each Interest Payment Date immediately following an Additional Interest Determination Date, in each case conditional on the performance of the Relevant Underlying as of the or one of the relevant Additional Interest Determination Dates being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a specified barrier value. If such condition is not satisfied, no such interest will be payable.

If "Bonus Coupon" is applicable as specified in the applicable Final Terms, in addition to any interest payable as calculated in accordance with the previous paragraphs, the Issuer will also pay interest in respect of the Notes on the earliest of the dates specified as the "Redemption Date", calculated as of each Bonus Coupon Interest Determination Date by the Determination Agent as being an amount which is a specified percentage multiplied by the total amount of interest determined in respect of the Notes on preceding Interest Determination Dates and, if specified as applicable, Additional Interest Determination Dates

or Bonus Coupon Interest Determination Dates.

If "Non Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, and if the Relevant Underlying Performance as of the or one of the Interest Determination Dates is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value for such Interest Determination Date, the Issuer will on the immediately following Interest Payment Date pay interest on the Notes in an amount per Calculation Amount (the **Coupon Amount**) determined by the Determination Agent in accordance with the following formula:

$$\text{Coupon Amount} = \text{Coupon Rate} \times \text{Calculation Amount}$$

Save for any amount payable in accordance with the following provision of this Paragraph 2, if applicable, no interest will otherwise be payable on the Notes on an Interest Payment Date.

If **Additional Non Memory Barrier Conditional Coupon** is also applicable as specified in the applicable Final Terms, and if the Relevant Underlying Performance as of any Additional Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Additional Coupon Barrier Value for such Additional Interest Determination Date, the Issuer will on the immediately following Interest Payment Date pay interest on the Notes (in addition to any interest payable in accordance with the foregoing provision of this Paragraph 2) in an amount per Calculation Amount (the **Additional Coupon Amount**) determined by the Determination Agent in accordance with the following formula:

$$\text{Additional Coupon Amount} = \text{Additional Coupon Rate} \times \text{Calculation Amount}$$

If "**Bonus Coupon**" is applicable as specified in the applicable Final Terms, and if the Relevant Underlying Performance as of each Bonus Coupon Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Bonus Coupon Barrier Value, the Issuer will, on the Redemption Date, and in addition to any other amounts which may be payable on such date, pay interest on the Notes in an amount per Calculation Amount (the **Bonus Coupon Amount**) determined by the Determination Agent in accordance with the following formula:

$$\text{Bonus Coupon Amount} = \text{Specified Rate} \times \text{Prior Coupon Amount}$$

The Coupon Amount and any Additional Coupon Amount or Bonus Coupon Amount determined as being payable in accordance with this Paragraph 2 shall be referred to in these Conditions as the **Non-Memory Barrier Conditional Coupon Amount**.

Save for any amount payable pursuant to any of the foregoing provisions, no interest will otherwise be payable on the Notes on an Interest Payment Date.

where:

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Coupon Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Coupon Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value;

Interest Determination Dates means the dates specified as such in the applicable Final Terms;

Coupon Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms (expressed as a single value or as a specified percentage of the Initial Reference Value);

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Coupon Rate means, for each Interest Determination Date, either the fixed rate expressed as a percentage specified as such in the applicable Final Terms or the rate, expressed as a percentage, calculated by applying the following formula:

Coupon Rate = Max [Minimum Rate; Participation Rate x Relevant Underlying Performance]

Minimum Rate means a rate expressed as a percentage as specified in the applicable Final Terms;

Participation Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms which will increase on each successive Interest Determination Date;

Additional Interest Determination Dates means the dates specified as such in the applicable Final Terms. Where the context so requires, references to "Interest Determination Date" in Part 1 (*General Terms and Conditions*) of these Conditions shall be interpreted to include references to the Additional Interest Determination Dates;

Additional Coupon Barrier Value means, for each Additional Interest Determination Date, the value specified as such in the applicable Final Terms (expressed as a single value or as a specified percentage of the Initial Reference Value);

Additional Coupon Rate means, for each Additional Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms;

Bonus Coupon Interest Determination Date means the date or dates specified as such in the applicable Final Terms;

Redemption Date means the Maturity Date or, [(i) if Automatic Early Redemption Event (as defined in Condition 11.11 or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions) is specified in the applicable Final Terms as being applicable and if an Automatic Early Redemption Event occurs, the Automatic Early Redemption Date (as defined in Condition 11.11 (*Automatic Early Redemption Event*) or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions); (ii) if Call Option is specified in the applicable Final Terms as being applicable and such Call Option has been exercised by the Issuer as specified in Condition 11.4 (*Redemption at the Option of the Issuer*), the relevant Optional Redemption Date (Call), (iii) if Put Option is specified in the applicable Final Terms as being applicable and such Put Option has been exercised by the Noteholder as specified in Condition 11.7 (*Redemption at the Option of Noteholders*), the Optional Redemption Date (Put), or (iv) the date on which the Notes are redeemed pursuant to Condition 11.2 (*Tax Redemption*)].

Bonus Coupon Barrier Value means, in respect of each Bonus Coupon Interest Determination Date, the value specified as such in the applicable Final Terms (expressed as a single value or as a specified percentage of the Initial Reference Value);

Specified Rate means, in respect of each Bonus Coupon Barrier Interest Determination Date, the percentage rate specified as such in the applicable Final Terms; and

Prior Coupon Amount means, in respect of each Bonus Coupon Interest Determination Date, the sum of, as specified in the Final Terms, (a) all Coupon Amounts determined for preceding Interest Determination Dates (if any), and/or (b) all Additional Coupon Amounts, if any, determined for preceding Interest Determination Dates (if any) and/or (c) the sum of any Fixed Coupon Amounts (if any) which may have been determined in respect of preceding Interest Determination Dates (if any).

3. **Memory Barrier Conditional Coupon**

If "Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will pay interest in respect of the Notes on each Interest Payment Date, conditional on the performance of the Relevant Underlying as of the relevant Interest Determination Date being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a specified barrier value, and calculated after applying a multiplier based on the number of Period End Dates elapsed and after deducting all such interest previously paid in respect of the Notes (if any). If such condition is not satisfied in respect of any Interest Determination Date, the amount determined as of such Interest Determination Date will be zero. However, if such condition is then satisfied in respect of a later Interest Determination Date, the amount determined in respect of that later Interest Determination Date will include the amount which would have been determined in respect of the earlier Interest Determination Date had the condition then been satisfied.

If "**Memory Barrier Conditional Coupon**" is applicable as specified in the applicable Final Terms, and if the Relevant Underlying Performance as of any Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value for such Interest Determination Date, the Issuer will on the immediately following Interest Payment Date pay interest on the Notes in an amount per Calculation Amount (the **Coupon Amount**) determined by the Determination Agent in accordance with the following formula:

$$\text{Coupon Amount} = \text{Calculation Amount} \times (\text{Coupon Rate} \times \text{NPED}) - \text{Prior Coupon Amount}$$

where:

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Coupon Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Coupon Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value;

Interest Determination Dates means the dates specified as such in the applicable Final Terms;

NPED means, as of any Interest Determination Date, the number of Period End Dates that have occurred (including such Interest Determination Date) as determined by the Determination Agent;

Period End Dates means the Interest Determination Dates and each date specified as an additional Period End Date in the applicable Final Terms;

Coupon Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms (which may be expressed as a single value or as a specified percentage of the Initial Reference Value);

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms;

Coupon Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms; and

Prior Coupon Amount means, for each Interest Determination Date, the sum of all Coupon Amounts determined for preceding Interest Determination Dates (if any) **provided that** if the applicable Final Terms specify "**Cumulative Prior Coupon**" as being applicable, the Prior Coupon Amount shall also include, as specified in the applicable Final Terms, the sum of any Fixed Coupon Amounts and/or Non Memory Barrier Conditional Coupon Amounts which may have been determined for preceding Interest Determination Dates.

No interest will otherwise be payable on the Notes on an Interest Payment Date.

4. **Participation & Barrier Conditional Coupon**

If "Participation & Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will pay interest in respect of the Notes on each Interest Payment Date, in each case conditional on the performance of the Relevant Underlying as of the relevant Interest Determination Date being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a specified barrier value, and in an amount which is calculated at the greater of (a) a specified fixed rate and (b) a rate linked to the performance of the Relevant Underlying. If such condition is not satisfied, no interest will be payable.

If "Participation & Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, and if the Relevant Underlying Performance as of any Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value for such Interest Determination Date, the Issuer will on the immediately following Interest Payment Date pay interest on the Notes in an amount per Calculation Amount (the **Coupon Amount**) determined by the Determination Agent in accordance with the following formula:

$$\text{Coupon Amount} = \text{Max} (\text{Coupon Rate}; \text{Relevant Underlying Performance}) \times \text{Calculation Amount}$$

where:

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and (a) for the purposes of determining the Coupon Amount, the Determination Agent shall use such value; and (b) for the purposes only of comparing the Relevant Underlying Performance and the Coupon Barrier Value and where the Coupon Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value;

Interest Determination Dates means the dates specified as such in the applicable Final Terms;

Coupon Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms;

Coupon Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms; and

No interest will otherwise be payable on the Notes on an Interest Payment Date.

5. **Lock in Non Memory Barrier Conditional Coupon**

If "Lock in Non Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will pay interest in respect of the Notes on each Interest Payment Date if either:

- (a) *the performance of the Relevant Underlying as of the immediately preceding Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Coupon Barrier Value for such Interest Determination Date, or*
- (b) *the performance of the Relevant Underlying as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) above is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Lock in Barrier Value for such earlier Interest Determination Date.*

If neither such condition is satisfied, no interest will be payable on an Interest Payment Date. Interest (if any) payable on an Interest Payment Date will be a fixed amount.

If "Lock in Non Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will pay interest on an Interest Payment Date in an amount (the **Coupon Amount**) per Calculation Amount determined by the Determination Agent in accordance with the following formula:

$$\text{Coupon Amount} = \text{Coupon Rate} \times \text{Calculation Amount}$$

if either:

- (a) the Relevant Underlying Performance as of the immediately preceding Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value for such Interest Determination Date; or
- (b) the Relevant Underlying Performance as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) above is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Lock in Barrier Value for such earlier Interest Determination Date

where:

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Coupon Barrier Value and / or the Lock in Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Coupon Barrier Value and / or the Lock in Barrier Value (as relevant), determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value;

Interest Determination Dates means the dates specified as such in the applicable Final Terms;

Lock in Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms, which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Coupon Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Coupon Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms.

No interest will otherwise be payable on the Notes on an Interest Payment Date.

6. **Lock in Memory Barrier Conditional Coupon**

If "Lock in Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will pay interest in respect of the Notes on each Interest Payment Date if either:

- (a) the performance of the Relevant Underlying as of the immediately preceding Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Coupon Barrier Value for such Interest Determination Date, or*
- (b) the performance of the Relevant Underlying as of any Interest Determination Date preceding the preceding the Interest Determination Date referred to in (a) above is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Lock in Barrier Value for such earlier Interest Determination Date.*

If neither such condition is satisfied, no interest will be payable on an Interest Payment Date. Interest (if any) payable on an Interest Payment Date will be a fixed amount after applying a multiplier based on the number of Period End Dates elapsed less all interest payments previously paid. However, if such condition is then satisfied in respect of a later Interest Determination Date, the amount determined in respect of that later Interest Determination

Date will include the amount which would have been determined in respect of the earlier Interest Determination Date had the condition then been satisfied.

If "Lock in Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will pay interest on an Interest Payment Date in an amount (the **Coupon Amount**) per Calculation Amount determined by the Determination Agent in accordance with the following formula:

$$\text{Coupon Amount} = \text{Calculation Amount} \times (\text{Coupon Rate} \times \text{NPED}) - \text{Prior Coupon Amount}$$

if either:

- (a) the Relevant Underlying Performance as of the immediately preceding Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value for such Interest Determination Date; or
- (b) the Relevant Underlying Performance determined as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) above is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Lock in Barrier Value for such earlier Interest Determination Date

where:

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Coupon Barrier Value and / or the Lock in Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Coupon Barrier Value and / or the Lock in Barrier Value (as relevant), determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value;

Interest Determination Dates means the dates specified as such in the applicable Final Terms;

NPED means, as of any Interest Determination Date, the number of Period End Dates that have occurred (including such Interest Determination Date) as determined by the Determination Agent;

Period End Dates means the Interest Determination Dates and each date specified as an additional Period End Date in the applicable Final Terms;

Lock in Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms, which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Coupon Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms (which may be expressed as a single value or as a specified percentage of the Initial Reference Value);

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions

of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms;

Coupon Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms; and

Prior Coupon Amount means, for each Interest Determination Date, the sum of all Coupon Amounts determined for preceding Interest Determination Dates (if any) **provided that** if the applicable Final Terms specify "**Cumulative Prior Coupon**" as being applicable, the Prior Coupon Amount shall also include, as specified in the applicable Final Terms, the sum of any Fixed Coupon Amounts and/or Non Memory Barrier Conditional Coupon Amounts which may have been determined for preceding Interest Determination Dates.

No interest will otherwise be payable on the Notes on an Interest Payment Date.

7. **Capitalised Non Memory Barrier Conditional Coupon**

If "Capitalised Non Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will on the earliest of the dates specified as the "Redemption Date" pay an amount of interest equal to the sum of amounts determined as of each Interest Determination Date, in each case conditional on the performance of the Relevant Underlying as of the relevant Interest Determination Date being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a specified barrier value. If such condition is not satisfied in respect of any Interest Determination Date, the amount determined as of such Interest Determination Date will be zero.

If "Capitalised Non Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer shall pay interest on the Notes on the Redemption Date in an amount per Calculation Amount equal to the Total Coupon Amount

where:

Total Coupon Amount means the sum of the Coupon Amounts for each Interest Determination Date as determined by the Determination Agent;

Coupon Amount means, for an Interest Determination Date:

- (a) if the Relevant Underlying Performance as of such Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value for such Interest Determination Date, an amount calculated by the Determination Agent in accordance with the following formula:

$$\text{Coupon Amount} = \text{Coupon Rate} \times \text{Calculation Amount}$$

or

- (b) in any other case, zero;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Coupon Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Coupon Barrier Value, determine Relevant Underlying Performance by

multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value;

Interest Determination Dates means the dates specified as such in the applicable Final Terms;

Redemption Date means the Maturity Date or, (i) if Automatic Early Redemption Event (as defined in Condition 11.11 or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions) is specified in the applicable Final Terms as being applicable and if an Automatic Early Redemption Event occurs, the Automatic Early Redemption Date (as defined in Condition 11.11 (*Automatic Early Redemption Event*) or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions); (ii) if Call Option is specified in the applicable Final Terms as being applicable and such Call Option has been exercised by the Issuer as specified in Condition 11.4 (*Redemption at the Option of the Issuer*), the relevant Optional Redemption Date (Call), (iii) if Put Option is specified in the applicable Final Terms as being applicable and such Put Option has been exercised by the Noteholder as specified in Condition 11.7 (*Redemption at the Option of Noteholders*), the Optional Redemption Date (Put), or (iv) the date on which the Notes are redeemed pursuant to Condition 11.2 (*Tax Redemption*).

Coupon Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms (expressed as a single value or as a specified percentage of the Initial Reference Value);

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Coupon Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms.

8. Capitalised Memory Barrier Conditional Coupon

If "Capitalised Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will on the earliest of the dates specified as the "Redemption Date" pay an amount of interest equal to the sum of amounts determined as of each Interest Determination Date, in each case conditional on the performance of the Relevant Underlying as of the relevant Interest Determination Date being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a specified barrier value, and calculated after applying a multiplier based on the number of Period End Dates elapsed and deducting amounts determined in respect of earlier Interest Determination Dates, if any. If such condition is not satisfied in respect of any Interest Determination Date, the amount determined as of such Interest Determination Date will be zero. However, if such condition is then satisfied in respect of a later Interest Determination Date, the amount determined in respect of that later Interest Determination Date will include the amount which would have been determined in respect of the earlier Interest Determination Date had the condition then been satisfied.

If "Capitalised Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer shall pay interest on the Notes on the Redemption Date in an amount per Calculation Amount equal to the Total Coupon Amount

where:

Total Coupon Amount means the sum of the Coupon Amounts for each Interest Determination Date as determined by the Determination Agent;

Coupon Amount means, for an Interest Determination Date:

- (a) if the Relevant Underlying Performance as of such Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value for such Interest Determination Date, an amount per Calculation Amount, calculated by the Determination Agent in accordance with the following formula:

$$\text{Coupon Amount} = \text{Calculation Amount} \times (\text{Coupon Rate} \times \text{NPED}) - \text{Prior Coupon Amount}$$

or

- (b) in any other case, zero;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Coupon Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Coupon Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value;

Interest Determination Dates means the dates specified as such in the applicable Final Terms;

Redemption Date means the Maturity Date or, (i) if Automatic Early Redemption Event (as defined in Condition 11.11 or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions) is specified in the applicable Final Terms as being applicable and if an Automatic Early Redemption Event occurs, the Automatic Early Redemption Date (as defined in Condition 11.11 (*Automatic Early Redemption Event*) or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions); (ii) if Call Option is specified in the applicable Final Terms as being applicable and such Call Option has been exercised by the Issuer as specified in Condition 11.4 (*Redemption at the Option of the Issuer*), the relevant Optional Redemption Date (Call), (iii) if Put Option is specified in the applicable Final Terms as being applicable and such Put Option has been exercised by the Noteholder as specified in Condition 11.7 (*Redemption at the Option of Noteholders*), the Optional Redemption Date (Put), or (iv) the date on which the Notes are redeemed pursuant to Condition 11.2 (*Tax Redemption*).

NPED means, as of any Interest Determination Date, the number of Period End Dates that have occurred (including such Interest Determination Date) as determined by the Determination Agent;

Period End Dates means the Interest Determination Dates and each date specified as an additional Period End Date in the applicable Final Terms;

Coupon Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms;

Coupon Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms; and

Prior Coupon Amount means, for each Interest Determination Date, the sum of all Coupon Amounts determined for preceding Interest Determination Dates (if any) **provided that** if the applicable Final Terms specify "**Cumulative Prior Coupon**" as being applicable, the Prior Coupon Amount shall also include, as specified in the applicable Final Terms, the sum of any Fixed Coupon Amounts and/or Non Memory Barrier Conditional Coupon Amounts which may have been determined for preceding Interest Determination Dates.

9. **Capitalised Participation & Barrier Conditional Coupon**

If "Capitalised Participation & Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will on the earliest of the dates specified as the "Redemption Date" pay an amount of interest equal to the sum of amounts determined as of each Interest Determination Date, in each case conditional on the performance of the Relevant Underlying as of the relevant Interest Determination Date being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a specified barrier value, and in an amount which is calculated at the greater of (a) a specified fixed rate and (b) a rate linked to the performance of the Relevant Underlying. If such condition is not satisfied in respect of any Interest Determination Date, the amount determined as of such Interest Determination Date will be zero.

If "Capitalised Participation & Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer shall pay interest on the Notes on the Redemption Date in an amount per Calculation Amount equal to the Total Coupon Amount

where:

Total Coupon Amount means the sum of the Coupon Amounts for each Interest Determination Date as determined by the Determination Agent;

Coupon Amount means, for an Interest Determination Date:

- (a) if the Relevant Underlying Performance as of such Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value for such Interest Determination Date, an amount per Calculation Amount, calculated by the Determination Agent in accordance with the following formula:

$$\text{Coupon Amount} = \text{Max} (\text{Coupon Rate}; \text{Relevant Underlying Performance}) \times \text{Calculation Amount}$$

or

- (b) in any other case, zero;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and (a) for the purposes of determining the Coupon Amount, the Determination Agent shall use such value; and (b) for the purposes only of comparing the Relevant Underlying Performance and the Coupon

Barrier Value and where the Coupon Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value;

Interest Determination Dates means the dates specified as such in the applicable Final Terms;

Redemption Date means the Maturity Date or, (i) if Automatic Early Redemption Event (as defined in Condition 11.11 or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions) is specified in the applicable Final Terms as being applicable and if an Automatic Early Redemption Event occurs, the Automatic Early Redemption Date (as defined in Condition 11.11 (*Automatic Early Redemption Event*) or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions); (ii) if Call Option is specified in the applicable Final Terms as being applicable and such Call Option has been exercised by the Issuer as specified in Condition 11.4 (*Redemption at the Option of the Issuer*), the relevant Optional Redemption Date (Call), (iii) if Put Option is specified in the applicable Final Terms as being applicable and such Put Option has been exercised by the Noteholder as specified in Condition 11.7 (*Redemption at the Option of Noteholders*), the Optional Redemption Date (Put), or (iv) the date on which the Notes are redeemed pursuant to Condition 11.2 (*Tax Redemption*).

Coupon Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Coupon Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms.

10. **Capitalised Lock in Non Memory Barrier Conditional Coupon**

If "Capitalised Lock in Non Memory Barrier Conditional Coupon" is specified in the applicable Final Terms, the Issuer will on the earliest of the dates specified as the "Redemption Date" pay an amount of interest equal to the sum of amounts determined as of each Interest Determination Date, in each case conditional on either (a) the performance of the Relevant Underlying as of the relevant Interest Determination Date being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a value specified as the relevant Coupon Barrier Value or (b) the performance of the Relevant Underlying as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) above is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a value specified as the Lock in Barrier Value for that earlier Interest Determination Date. If neither such condition is satisfied, the amount determined as of the relevant Interest Determination Date will be zero. Otherwise, the amount to be determined will be a fixed amount.

If "Capitalised Lock-in Non Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer shall pay interest on the Notes on the Redemption Date in an amount per Calculation Amount equal to the Total Coupon Amount

where:

Total Coupon Amount means the sum of the Coupon Amounts for each Interest Determination Date as determined by the Determination Agent;

Coupon Amount means, for an Interest Determination Date, the amount determined by the Determination Agent in accordance with the following formula:

$$\text{Coupon Amount} = \text{Coupon Rate} \times \text{Calculation Amount}$$

(a) if either:

- (1) the Relevant Underlying Performance determined as of the Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value for such Interest Determination Date; or
- (2) the Relevant Underlying Performance determined as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) above is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Lock in Barrier Value for such earlier Interest Determination Date;

or

(b) in any other case, zero;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Coupon Barrier Value and / or the Lock in Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Coupon Barrier Value and / or the Lock in Barrier Value (as relevant), determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value;

Interest Determination Dates means the dates specified as such in the applicable Final Terms;

Redemption Date means the Maturity Date or, (i) if Automatic Early Redemption Event (as defined in Condition 11.11 or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions) is specified in the applicable Final Terms as being applicable and if an Automatic Early Redemption Event occurs, the Automatic Early Redemption Date (as defined in Condition 11.11 (*Automatic Early Redemption Event*) or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions); (ii) if Call Option is specified in the applicable Final Terms as being applicable and such Call Option has been exercised by the Issuer as specified in Condition 11.4 (*Redemption at the Option of the Issuer*), the relevant Optional Redemption Date (Call), (iii) if Put Option is specified in the applicable Final Terms as being applicable and such Put Option has been exercised by the Noteholder as specified in Condition 11.7 (*Redemption at the Option of Noteholders*), the Optional Redemption Date (Put), or (iv) the date on which the Notes are redeemed pursuant to Condition 11.2 (*Tax Redemption*).

Lock in Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms, which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Coupon Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Coupon Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms.

11. **Capitalised Lock in Memory Barrier Conditional Coupon**

If "Capitalised Lock in Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer will on the earliest of the dates specified as the "Redemption Date" pay an amount of interest equal to the sum of amounts determined as of each Interest Determination Date, in each case conditional on either (a) the performance of the Relevant Underlying as of the relevant Interest Determination Date being (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a value specified as the relevant Coupon Barrier Value or (b) the performance of the Relevant Underlying as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) above is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, a value specified as the Lock in Barrier Value for that earlier Interest Determination Date. The amount to be determined will be a fixed amount after applying a multiplier based on the number of Period End Dates elapsed and less all amounts determined in respect of earlier Interest Determination Dates. If neither such condition is satisfied, the amount determined as of the relevant Interest Determination Date will be zero. However, if such condition is then satisfied in respect of a later Interest Determination Date, the amount determined in respect of that later Interest Determination Date will include the amount which would have been determined in respect of the earlier Interest Determination Date had the condition then been satisfied.

If "Capitalised Lock-in Memory Barrier Conditional Coupon" is applicable as specified in the applicable Final Terms, the Issuer shall pay interest on the Notes on the Redemption Date in an amount per Calculation Amount equal to the Total Coupon Amount.

where:

Total Coupon Amount means the sum of the Coupon Amounts for each Interest Determination Date as determined by the Determination Agent;

Coupon Amount means, for an Interest Determination Date, the amount determined by the Determination Agent in accordance with the following formula:

$$\text{Coupon Amount} = \text{Calculation Amount} \times (\text{Coupon Rate} \times \text{NPED}) - \text{Prior Coupon Amount}$$

(a) if either:

- (1) the Relevant Underlying Performance determined as of the Interest Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value for such Interest Determination Date; or

- (2) the Relevant Underlying Performance determined as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) above is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Lock in Barrier Value for such earlier Interest Determination Date,

or

- (b) in any other case, zero;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Coupon Barrier Value and / or the Lock in Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Coupon Barrier Value and / or the Lock in Barrier Value (as relevant), determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value;

Interest Determination Dates means the dates specified as such in the applicable Final Terms;

Redemption Date means the Maturity Date or, (i) if Automatic Early Redemption Event (as defined in Condition 11.11 or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions) is specified in the applicable Final Terms as being applicable and if an Automatic Early Redemption Event occurs, the Automatic Early Redemption Date (as defined in Condition 11.11 (*Automatic Early Redemption Event*) or Section 5 (*Early Redemption Terms*) of the Additional Terms and Conditions); (ii) if Call Option is specified in the applicable Final Terms as being applicable and such Call Option has been exercised by the Issuer as specified in Condition 11.4 (*Redemption at the Option of the Issuer*), the relevant Optional Redemption Date (Call), (iii) if Put Option is specified in the applicable Final Terms as being applicable and such Put Option has been exercised by the Noteholder as specified in Condition 11.7 (*Redemption at the Option of Noteholders*), the Optional Redemption Date (Put), or (iv) the date on which the Notes are redeemed pursuant to Condition 11.2 (*Tax Redemption*).

NPED means, as of any Interest Determination Date, the number of Period End Dates that have occurred (including such Interest Determination Date) as determined by the Determination Agent;

Period End Dates means the Interest Determination Dates and each date specified as an additional Period End Date in the applicable Final Terms;

Lock in Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms, which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Coupon Barrier Value means, for each Interest Determination Date, the value specified as such in the applicable Final Terms (which may be expressed as a single value or as a specified percentage of the Initial Reference Value);

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms;

Coupon Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms; and

Prior Coupon Amount means, for each Interest Determination Date, the sum of all Coupon Amounts determined for preceding Interest Determination Dates (if any) **provided that** if the applicable Final Terms specify "**Cumulative Prior Coupon**" as being applicable, the Prior Coupon Amount shall also include, as specified in the applicable Final Terms, the sum of any Fixed Coupon Amounts and/or Non Memory Barrier Conditional Coupon Amounts which may have been determined for preceding Interest Determination Dates.

Participation Coupon Categories

12. Basic Participation Coupon

If "Basic Participation Coupon" is applicable as specified in the applicable Final Terms, the Issuer will pay interest on the Notes on each Interest Payment Date in an amount linked to a percentage of the performance of the Relevant Underlying determined as of the relevant Interest Determination Date.

If "Basic Participation Coupon" is applicable as specified in the applicable Final Terms the Issuer will on each Interest Payment Date pay interest on the Notes in an amount per Calculation Amount (the **Coupon Amount**) determined by the Determination Agent as of the Interest Determination Date immediately preceding such Interest Payment Date in accordance with the following formula:

Coupon Amount = Max [0; Participation Rate × Relevant Underlying Performance × Calculation Amount]

where:

Participation Rate means the rate expressed as a percentage specified as such in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent as of the relevant Interest Determination Date in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Interest Determination Dates means the dates specified as such in the applicable Final Terms.

13. Locked Participation Coupon

If "Locked Participation Coupon" is applicable as specified in the applicable Final Terms, the Issuer will pay interest on the Notes on each Interest Payment Date in an amount linked to a percentage (defined as the Participation Rate) of the performance of the Relevant Underlying determined as of the relevant Interest Determination Date less all interest payments previously paid. The applicable Participation Rate will increase on each successive Interest Determination Date.

If "Locked Participation Coupon" is applicable as specified in the applicable Final Terms, the Issuer will on each Interest Payment Date pay interest on the Notes in an amount per Calculation Amount (the **Coupon Amount**) determined by the Determination Agent as of the Interest Determination Date immediately preceding such Interest Payment Date in accordance with the following formula:

Coupon Amount =
 $\text{Max } [0; \text{Calculation Amount} \times (\text{Participation Rate} \times \text{Relevant Underlying Performance})$
 $- \text{Prior Coupon Amount}]$

where:

Participation Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms which will increase on each successive Interest Determination Date;

Relevant Underlying Performance means the value determined by the Determination Agent as of the relevant Interest Determination Date in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms;

Interest Determination Dates means the dates specified as such in the applicable Final Terms; and

Prior Coupon Amount means, for each Interest Determination Date, the sum of all Coupon Amounts determined for preceding Interest Determination Dates (if any).

14. **Capitalised Basic Participation Coupon**

If "Capitalised Basic Participation Coupon" is applicable as specified in the applicable Final Terms, the Issuer will on the Maturity Date pay an amount of interest equal to the sum of amounts linked to a percentage of the performance of the Relevant Underlying determined as of each Interest Determination Date.

If "Capitalised Basic Participation Coupon" is applicable as specified in the applicable Final Terms, the Issuer shall pay interest on the Notes on the Maturity Date in an amount per Calculation Amount equal to the Total Coupon Amount

where:

Total Coupon Amount means the sum of the Coupon Amounts for each Interest Determination Date as determined by the Determination Agent;

Coupon Amount means, for an Interest Determination Date, the amount determined by the Determination Agent in accordance with the following formula:

Coupon Amount = $\text{Max } [0; \text{Participation Rate} \times \text{Relevant Underlying Performance} \times \text{Calculation Amount}]$

Participation Rate means the rate expressed as a percentage specified as such in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent as of the relevant Interest Determination Date in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Interest Determination Dates means the dates specified as such in the applicable Final Terms.

15. **Capitalised Locked Participation Coupon**

If "Capitalised Locked Participation Coupon" is applicable as specified in the applicable Final Terms, the Issuer will on the Maturity Date pay an amount of interest equal to the sum

of amounts linked to a percentage of the performance defined as the Participation Rate of the Relevant Underlying determined as of each Interest Determination Date, deducting in respect of such Interest Determination Date all interest payments previously paid. The applicable Participation Rate will increase on each successive Interest Determination Date.

If "Capitalised Locked Participation Coupon" is applicable as specified in the applicable Final Terms, the Issuer shall pay interest on the Notes on the Maturity Date in an amount per Calculation Amount equal to the Total Coupon Amount

where:

Total Coupon Amount means the sum of the Coupon Amounts for each Interest Determination Date as determined by the Determination Agent;

Coupon Amount means, for an Interest Determination Date, the amount determined by the Determination Agent in accordance with the following formula:

Coupon Amount = Max [0; Calculation Amount \times (Participation Rate \times Relevant Underlying Performance) - Prior Coupon Amount]

where:

Participation Rate means, for each Interest Determination Date, the rate expressed as a percentage specified as such in the applicable Final Terms which will increase on each successive Interest Determination Date;

Relevant Underlying Performance means the value determined by the Determination Agent as of the relevant Interest Determination Date in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms;

Interest Determination Dates means the dates specified as such in the applicable Final Terms; and

Prior Coupon Amount means, for each Interest Determination Date, the sum of all Coupon Amounts determined for preceding Interest Determination Dates (if any).

16. Cumulative Participation Inflation Coupon

If "Cumulative Participation Inflation Coupon" is applicable as specified in the applicable Final Terms, the Issuer will on the Maturity Date pay an amount of interest linked to a percentage of the performance of the Relevant Underlying as of the relevant Interest Determination Date.

If "Cumulative Participation Inflation Coupon" is applicable as specified in the applicable Final Terms, the Issuer shall pay interest on the Notes on the Maturity Date in an amount per Calculation Amount (the **Coupon Amount**) determined by the Determination Agent as of the Interest Determination Date in accordance with the following formula:

Coupon Amount = Calculation Amount \times Participation Rate \times Max [0; (Multiplier \times Relevant Underlying Performance) - Adjustment]

where:

Interest Determination Date means the date specified as such in the applicable Final Terms;

Participation Rate means the percentage specified as such in the applicable Final Terms;

Multiplier means the percentage specified as such in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent as of the relevant Interest Determination Date in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms; and

Adjustment means the percentage specified as such in the applicable Final Terms.

17. **Range Accrual Coupon Categories**

If "Range Accrual Coupon" is applicable as specified in the applicable Final Terms, the Issuer will, on each Interest Payment Date, pay an amount of interest linked to the value which is, as determined by the Determination Agent as of the immediately preceding Interest Determination Date, (i) the number of days in a specified Barrier Observation Period where the performance of the Relevant Underlying is, as specified in the applicable Final Terms (a) greater than, (b) greater than or equal to, (c) less than, or (d) less than or equal to, a value specified as being a Coupon Barrier Value divided by (ii) the total number of days in that Barrier Observation Period.

If "Range Accrual Coupon" is applicable as specified in the applicable Final Terms, the Issuer shall, on each Interest Payment Date, pay interest on the Notes of the relevant Series in an amount (which may be zero) per Calculation Amount (the **Coupon Amount**) determined by the Determination Agent on the immediately preceding Interest Determination Date in accordance with the following formula:

$$\text{Coupon Amount} = \text{Coupon Rate} \times \text{Calculation Amount} \times \frac{\text{Number of Relevant Days (Barrier Condition Satisfied)}}{\text{Total Number of Relevant Days}}$$

where:

Coupon Rate means, for each Barrier Observation Period, the rate expressed as a percentage specified as such in the applicable Final Terms;

Number of Relevant Days (Barrier Condition Satisfied) means, in respect of each Barrier Observation Period, the number of Relevant Days in such Barrier Observation Period on which, as determined by the Determination Agent, the Relevant Underlying Performance is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Coupon Barrier Value;

Total Number of Relevant Days means, in respect of each Barrier Observation Period, the total number of Relevant Days in such Barrier Observation Period, as determined by the Determination Agent;

Barrier Observation Period means, in respect of any Interest Determination Date, a period specified as such in the applicable Final Terms, which may, without limitation, be expressed as beginning from (and including) a specified date and ending on and excluding a specified date, **provided that** if such specified date is not a Relevant Day, the Barrier Observation Period will begin on the next succeeding Relevant Day, and if any such specified date is a Disrupted Day, the provisions of, as applicable, Condition 9.1.1 or Condition 10.1 shall apply as if such Barrier Observation Period were a Valuation Date;

Relevant Days means, in respect of each Barrier Observation Period, (i) calendar days, (ii) Business Days or (iii) Scheduled Trading Days, as specified in the applicable Final Terms;

Coupon Barrier Value means, in respect of each Barrier Observation Period, the value specified as such in the applicable Final Terms which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Initial Reference Value means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Coupon Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Coupon Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Interest Determination Date means the dates specified as such in the applicable Final Terms.

Section 5

Early Redemption Terms

If applicable as specified in the applicable Final Terms for any Series of Linked Notes, the provisions of one of the paragraphs set out below in this Section 5 (each **Early Redemption Terms**) shall apply to such Notes.

Early Redemption Terms

1. **Barrier Automatic Early Redemption (Principal at Risk)**

If "Barrier Automatic Early Redemption" is applicable as specified in the applicable Final Terms, and if the Relevant Underlying Performance as of any specified Automatic Early Redemption Valuation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the relevant value specified as the Autocall Barrier Value, the Notes will be redeemed early by the Issuer at a fixed Automatic Early Redemption Amount on the relevant Automatic Early Redemption Date.

If "Barrier Automatic Early Redemption" is applicable as specified in the applicable Final Terms, and the Determination Agent determines that the Relevant Underlying Performance, as of any Automatic Early Redemption Valuation Date, is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Autocall Barrier Value in respect of such date, then (unless the Notes have been previously redeemed or purchased and cancelled in accordance with the Conditions) an Automatic Early Redemption Event shall be deemed to have occurred and the Issuer shall redeem the Notes on the immediately following Automatic Early Redemption Date at the Automatic Early Redemption Amount for such Automatic Early Redemption Valuation Date being an amount per Calculation Amount determined by the Determination Agent in accordance with the following formula:

Automatic Early Redemption Amount = Autocall Early Redemption Rate x Calculation Amount

where

Automatic Early Redemption Date means each date specified as such in the applicable Final Terms;

Autocall Early Redemption Rate means the percentage rate specified as such in the applicable Final Terms (and if different rates are so specified for different Automatic Early Redemption Valuation Dates, the percentage rate so specified for the relevant Automatic Early Redemption Valuation Date);

Automatic Early Redemption Valuation Date means each date specified as such in the applicable Final Terms;

Autocall Barrier Value means, in respect of an Automatic Early Redemption Valuation Date, the value specified as such in the applicable Final Terms (which may be expressed as a single value or as a specified percentage of the Initial Reference Value);

Initial Reference Value, if applicable, means, as specified in the applicable Final Terms, either the value specified as such in the applicable Final Terms or the Relevant Underlying Value as of the Strike Date as determined by the Determination Agent in accordance with the such provisions of Section 2 (*Value Determination Terms*) as are specified as being applicable in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as

are specified as being applicable in the applicable Final Terms, and where the Autocall Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Autocall Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Relevant Underlying Value means the value as determined by the Determination Agent in accordance with the applicable Value Determination Terms as specified in the applicable Final Terms.

Section 6 Final Redemption Terms

Where Equity-Linked Redemption or Inflation-Linked Redemption is applicable as specified in the applicable Final Terms, the Final Redemption Amount for the Linked Notes of the relevant Series shall be determined applying the provisions of one of the paragraphs set out below in this Section 6 (each **Final Redemption Terms**) as specified in the applicable Final Terms.

1. **Barrier Redemption (Principal at Risk)**

If "Barrier Redemption" is applicable as specified in the applicable Final Terms, the Notes, if not previously redeemed or cancelled, will be redeemed by the Issuer on the Maturity Date at either: (a) par, if the Relevant Underlying Performance as of the Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Final Redemption Barrier Value in the applicable Final Terms, OR (b) in any other case, at an amount linked to the performance of the Relevant Underlying, which may be less than par.

If "Barrier Redemption" is applicable as specified in the applicable Final Terms, the Final Redemption Amount at which the Notes will be redeemed in accordance with Condition 14.1 (*Scheduled Redemption*) shall be an amount per Calculation Amount equal to:

- (a) the Calculation Amount, if the Determination Agent determines that the Relevant Underlying Performance as of the Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Final Redemption Barrier Value; or
- (b) in any other case, the amount determined by the Determination Agent in accordance with the following formula:

$$\text{Final Redemption Amount} = \text{Calculation Amount} \times (100\% + \text{Relevant Underlying Performance})$$

where:

Determination Date means, subject to the Conditions, the date specified as such in the applicable Final Terms;

Final Redemption Barrier Value means the value specified as such in the applicable Final Terms which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Final Redemption Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Final Redemption Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Relevant Underlying Value means the value determined by the Determination Agent in accordance with the applicable Value Determination Terms as specified in the applicable Final Terms.

2. Lock in Redemption (Principal at Risk)

If "Lock in Redemption" is applicable as specified in the applicable Final Terms, the Notes, if not previously redeemed or cancelled, will be redeemed by the Issuer on the Maturity Date at either: (a) par, if the Relevant Underlying Performance determined as of any specified Barrier Observation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Lock in Barrier Value in the applicable Final Terms, OR (b) in any other case, at an amount linked to the performance of the Relevant Underlying determined as of the Determination Date, which may be less than par.

If "Lock in Redemption" is specified in relation to the Final Redemption Amount in the applicable Final Terms, the Final Redemption Amount at which the Notes will be redeemed in accordance with Condition 14.1 (*Scheduled Redemption*) shall be an amount per Calculation Amount equal to:

- (a) the Calculation Amount, if the Determination Agent determines that the Relevant Underlying Performance as of any Barrier Observation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Lock in Barrier Value; or
- (b) in any other case, the amount determined by the Determination Agent in accordance with the following formula:

$$\text{Final Redemption Amount} = \text{Calculation Amount} \times (100\% + \text{Relevant Underlying Performance})$$

where:

Determination Date means, subject to the Conditions, the date specified as such in the applicable Final Terms;

Lock in Barrier Value means, in respect of each Barrier Observation Date, the value specified as such in the applicable Final Terms, which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Barrier Observation Dates means the dates specified as such in the applicable Final Terms (or if any such day is not a Scheduled Trading Day, the next following Scheduled Trading Day);

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Final Redemption Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Final Redemption Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Relevant Underlying Value means the value determined in accordance with the applicable Value Determination Terms as specified in the applicable Final Terms.

3. Barrier & Lock in Redemption (Principal at Risk)

If "Barrier & Lock in Redemption" is applicable as specified in the applicable Final Terms, the Notes, if not previously redeemed or cancelled, will be redeemed by the Issuer on the Maturity Date either: (a) at par, if either (1) the Relevant Underlying Performance as of the

Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Final Redemption Barrier Value or (2) the Relevant Underlying Value determined as of any Barrier Observation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Lock in Barrier Value, OR (b) if neither (1) nor (2) above applies, at an amount linked to the performance of the Relevant Underlying, which may be less than par.

If "Barrier & Lock in Redemption" is applicable as specified in the applicable Final Terms, the Final Redemption Amount at which the Notes will be redeemed in accordance with Condition 14.1 (*Scheduled Redemption*) shall be an amount per Calculation Amount equal to:

- (a) the Calculation Amount, if the Determination Agent determines that either (1) the Relevant Underlying Performance as of the Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Final Redemption Barrier Value; OR (2) the Relevant Underlying Value as of any Barrier Observation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Lock in Barrier Value; or
- (b) in any other case, the amount determined by the Determination Agent in accordance with the following formula:

$$\text{Final Redemption Amount} = \text{Calculation Amount} \times (100\% + \text{Relevant Underlying Performance})$$

where:

Determination Date means, subject to the Conditions, the date specified as such in the applicable Final Terms;

Final Redemption Barrier Value means the value specified as such in the applicable Final Terms which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Lock in Barrier Value means, in respect of each Barrier Observation Date, the value specified as such in the applicable Final Terms, which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Barrier Observation Dates means, subject to the Conditions, the dates specified as such in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Final Redemption Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Final Redemption Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Relevant Underlying Value means the value determined in accordance with the applicable Value Determination Terms as specified in the applicable Final Terms.

4. **Airbag Barrier Redemption (Principal at Risk)**

If "Airbag Barrier Redemption" is applicable as specified in the applicable Final Terms, the Notes, if not previously redeemed or cancelled, will be redeemed by the Issuer on the Maturity Date at either: (a) par, if the Relevant Underlying Performance as of the Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Final Redemption Barrier Value in the applicable Final Terms, OR (b) in any other case, at an amount linked to a specified percentage of the performance of the Relevant Underlying, which may be less than par.

If "Airbag Barrier Redemption" is specified in relation to the Final Redemption Amount in the applicable Final Terms, the Final Redemption Amount at which the Notes will be redeemed in accordance with Condition 14.1 (*Scheduled Redemption*) shall be an amount per Calculation Amount equal to:

- (a) the Calculation Amount, if the Determination Agent determines that the Relevant Underlying Performance as of the Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Final Redemption Barrier Value; or
- (b) in any other case, the amount determined by the Determination Agent in accordance with the following formula:

$$\begin{aligned} \text{Final Redemption Amount} \\ = \text{Calculation Amount} \times (\text{Airbag rate} \times (100\% + \text{Relevant Underlying Performance})) \end{aligned}$$

where:

Airbag Rate means the percentage rate specified as such in the applicable Final Terms;

Determination Date means, subject to the Conditions, the date specified as such in the applicable Final Terms;

Final Redemption Barrier Value means the value specified as such in the applicable Final Terms which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Final Redemption Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Final Redemption Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Relevant Underlying Value means the value determined in accordance with the applicable Value Determination Terms as specified in the applicable Final Terms.

5. **Airbag Lock in Redemption (Principal at Risk)**

If "Airbag Lock in Redemption" is applicable as specified in the applicable Final Terms, the Notes, if not previously redeemed or cancelled, will be redeemed by the Issuer on the Maturity Date at either: (a) par, if the Relevant Underlying Performance determined as of

any specified Barrier Observation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Lock in Barrier Value in the applicable Final Terms, OR (b) in any other case, at an amount calculated by reference to a percentage of the performance of the Relevant Underlying determined as of the Determination Date, which may be less than par.

If "Airbag Lock in Redemption" is applicable as specified in the applicable Final Terms, the Final Redemption Amount at which the Notes will be redeemed in accordance with Condition 14.1 (*Scheduled Redemption*) shall be an amount per Calculation Amount equal to:

- (a) the Calculation Amount, if the Determination Agent determines that the Relevant Underlying Performance as of any Barrier Observation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Lock in Barrier Value; or
- (b) in any other case, the amount determined by the Determination Agent in accordance with the following formula:

Final Redemption Amount

$$= \text{Calculation Amount} \times (\text{Airbag rate} \times (100\% + \text{Relevant Underlying Performance}))$$

where:

Airbag Rate means the percentage rate specified as such in the applicable Final Terms;

Determination Date means, subject to the Conditions, the date specified as such in the applicable Final Terms;

Lock in Barrier Value means, in respect of each Barrier Observation Date, the value specified as such in the applicable Final Terms, which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Barrier Observation Dates means the dates specified as such in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Final Redemption Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Final Redemption Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Relevant Underlying Value means the value determined in according with the applicable Value Determination Terms as specified in the applicable Final Terms.

6. **Airbag Barrier & Lock in Redemption (Principal at Risk)**

If "Airbag Barrier & Lock in Redemption" is applicable as specified in the applicable Final Terms, the Notes, if not previously redeemed or cancelled, will be redeemed by the Issuer on the Maturity Date, either: (a) at par, if either (1) the Relevant Underlying Performance as of the Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Final Redemption Barrier Value or (2) the Relevant Underlying Performance determined as of any Barrier

Observation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Lock in Barrier Value, OR (b) if neither (1) nor (2) above applies, at an amount calculated by reference to a percentage of the performance of the Relevant Underlying, which may be less than par.

If "Airbag Barrier & Lock in Redemption" is applicable as specified in the applicable Final Terms, the Final Redemption Amount at which the Notes will be redeemed in accordance with Condition 14.1 (*Scheduled Redemption*) shall be an amount per Calculation Amount equal to:

- (a) the Calculation Amount, if the Determination Agent determines that either (1) the Relevant Underlying Performance as of the Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Final Redemption Barrier Value; OR (2) the Relevant Underlying Performance as of any Barrier Observation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Lock in Barrier Value; or
- (b) in any other case, the amount determined by the Determination Agent in accordance with the following formula:

$$\begin{aligned} \text{Final Redemption Amount} \\ = \text{Calculation Amount} \times (\text{Airbag rate} \times (100\% + \text{Relevant Underlying Performance})) \end{aligned}$$

where:

Airbag Rate means the percentage rate specified as such in the applicable Final Terms;

Determination Date means, subject to the Conditions, the date specified as such in the applicable Final Terms;

Final Redemption Barrier Value means the value specified as such in the applicable Final Terms which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Lock in Barrier Value means, in respect of each Barrier Observation Date, the value specified as such in the applicable Final Terms, which may be expressed as a single value or as a specified percentage of the Initial Reference Value;

Barrier Observation Dates means, subject to the Conditions, the dates specified as such in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Final Redemption Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Final Redemption Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Relevant Underlying Value means the value determined in according with the applicable Value Determination Terms as specified in the applicable Final Terms.

7. **Participation (Floored) Redemption (Principal at Risk)**

If "Participation (Floored) Redemption" is applicable as specified in the applicable Final Terms the Notes, if not previously redeemed or cancelled, will be redeemed by the Issuer on the Maturity Date at an amount calculated by reference to a percentage of the performance of the Relevant Underlying, such percentage being subject to a specified minimum percentage (Floor), which may be less than par (and which will never be more than par).

If "Participation (Floored) Redemption" is applicable as specified in the applicable Final Terms, the Final Redemption Amount at which the Notes will be redeemed in accordance with Condition 14.1 (*Scheduled Redemption*) shall be an amount per Calculation Amount determined by the Determination Agent in accordance with the following formula:

$$\begin{aligned} & \text{Final Redemption Amount} = \\ & \text{Calculation Amount} \times \\ & \text{Min [100\%; Max (Floor; Participation Rate} \times (100\% + \text{Relevant Underlying Performance))]} \end{aligned}$$

where:

Determination Date means, subject to the Conditions, the date specified as such in the applicable Final Terms;

Floor means the percentage rate specified as such in the applicable Final Terms;

Participation Rate means the percentage rate specified as such in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Final Redemption Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Final Redemption Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Relevant Underlying Value means the value determined in according with the applicable Value Determination Terms as specified in the applicable Final Terms.

8. **Participation (Conditional Floored) Redemption (Principal at Risk)**

If "Participation (Conditional Floored) Redemption" is applicable as specified in the applicable Final Terms, the Notes, if not previously redeemed or cancelled, will be redeemed by the Issuer on the Maturity Date at either: (a) an amount calculated by reference to a percentage of the performance of the Relevant Underlying, such percentage being subject to a specified minimum percentage (Floor), which may be less than par and which will never be more than par, if the Relevant Underlying Performance determined as of any Barrier Observation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Final Redemption Barrier Value, or, (b) in any other case, at par.

If "Participation (Conditional Floored) Redemption" is specified in relation to the Final Redemption Amount in the applicable Final Terms, the Final Redemption Amount at which the Notes will be redeemed in accordance with Condition 14.1 (*Scheduled Redemption*) shall be an amount per Calculation Amount which is either:

- (a) if the Determination Agent determines that the Relevant Underlying Performance as of any Barrier Observation Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Final Redemption Barrier Value, an amount determined by the Determination Agent in accordance with the following formula:

Final Redemption Amount =

Calculation Amount ×
Min (100%; Max [Floor; Participation Rate × (100% + Relevant Underlying Performance)])

or

- (b) in any other case, the Calculation Amount

where:

Determination Date means, subject to the Conditions, the date specified as such in the applicable Final Terms;

Floor means the value specified as such in the applicable Final Terms;

Barrier Observation Dates means the dates specified as such in the applicable Final Terms;

Final Redemption Barrier Value means, for each Barrier Observation Date, the value specified as such in the applicable Final Terms;

Participation Rate means the percentage rate specified as such in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Final Redemption Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Final Redemption Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Relevant Underlying Value means the value determined in according with the applicable Value Determination Terms as specified in the applicable Final Terms.

9. **Participation (Low Barrier) Redemption (Principal at Risk)**

If "Participation (Low Barrier) Redemption" is applicable as specified in the applicable Final Terms, the Notes, if not previously redeemed or cancelled, will be redeemed by the Issuer on the Maturity Date either: (a) at par, if the Relevant Underlying Performance as of the Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the value specified as the Final Redemption Barrier Value OR (b) in any other case, at an amount calculated by reference to the performance of the Relevant Underlying plus a percentage equal to 100% minus the percentage specified as the Barrier Percentage, which may be less than par.

If "Participation (Low Barrier) Redemption" is specified in relation to the Final Redemption Amount in the applicable Final Terms, the Final Redemption Amount at which the Notes will

be redeemed in accordance with Condition 14.1 (*Scheduled Redemption*) shall be an amount per Calculation Amount equal to:

- (a) the Calculation Amount, if the Determination Agent determines that (i) the Relevant Underlying Performance as of the Determination Date is (i) greater than, (ii) greater than or equal to, (iii) less than or (iv) less than or equal to, as specified in the applicable Final Terms, the Final Redemption Barrier Value; and
- (b) in any other case, the amount determined by the Determination Agent in accordance with the following formula:

$$\begin{aligned} \text{Final Redemption Amount} &= \text{Calculation Amount} \\ &\times [(100\% + \text{Relevant Underlying Performance}) + (100\% - \text{Barrier Percentage})] \end{aligned}$$

where:

Final Redemption Barrier Value means the value specified as such in the applicable Final Terms (which may be expressed as a single value or as a specified percentage of the Initial Reference Value);

Barrier Percentage means the percentage equal to the Final Redemption Barrier Value (if such Final Redemption Barrier Value is expressed as a percentage) and otherwise equal to the Final Redemption Barrier Value divided by the Initial Reference Value;

Determination Date means, subject to the Conditions, the date specified as such in the applicable Final Terms;

Relevant Underlying Performance means the value determined by the Determination Agent in accordance with the such provisions of Section 3 (*Performance Determination Terms*) as are specified as being applicable in the applicable Final Terms, and where the Final Redemption Barrier Value is expressed in the Final Terms as a percentage of the Initial Reference Value, the Determination Agent shall, for the purposes of comparing the Relevant Underlying Performance and the Final Redemption Barrier Value, determine Relevant Underlying Performance by multiplying the value determined in accordance with such provisions of Section 3 (*Performance Determination Terms*) and the Initial Reference Value; and

Relevant Underlying Value means the value determined in according with the applicable Value Determination Terms as specified in the applicable Final Terms.

PRO FORMA FINAL TERMS

[Morgan Stanley/Morgan Stanley & Co. International plc/Morgan Stanley B.V.]

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

[Guaranteed by Morgan Stanley [and MSIP]²]³

under the Programme for the Issuance of Notes

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 27 of Part A below, provided such person is one of the persons mentioned in Paragraph 27 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

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

The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU)⁴

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), to the extent implemented in the Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Distribution Agent has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the

² To be included in the case of a public offer in France of Notes issued by MSBV.

³ To be included if the Notes are issued by MSBV.

⁴ To be included where sub-paragraph (ii) is applicable to the offer.

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

THE NOTES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES. THE NOTES DESCRIBED HEREIN MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE "SUBSCRIPTION AND SALE". IN PURCHASING THE NOTES, PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON.

This document constitutes Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Base Prospectus dated 6 January 2015 [and the supplemental Base Prospectus[es] dated [•]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) for the purposes of the Prospectus Directive (Directive 2003/71/EC) (as amended by Directive 2010/73/EU, the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer, [the Guarantor[s]]⁶ and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. Copies of the Base Prospectus [and any supplements thereto] are available, in accordance with Article 14 of Directive 2003/71/EC, on the website of (a) the AMF (www.amf-france.org) and (b) the Issuers (www.morganstanleyiq.eu) and copies may be obtained at the registered offices of the Issuers and at the specified offices of the Paying Agents. A summary of the issue is annexed to the Final Terms and includes information contained in the summary of the Base Prospectus as well as pertinent information from the Final Terms.

1. [(i)] Issuer: [Morgan Stanley (**Morgan Stanley**) / Morgan Stanley & Co. International plc (**MSIP**) /Morgan Stanley B.V. (**MSBV**)]

⁸ To be included in the case of a public offer in France of Notes issued by MSBV

2. [(i)] Series Number: [•]
 [(ii)] [Tranche Number:] [•]
 (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount: [•]¹¹
 [(i)] Series: [•]
 [(ii)] Tranche: [•]
5. Issue Price [•] per cent. of par per Note/[•] per Note
6. (i) Specified Denominations (Par): [•]
 (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
 (ii) Trade Date: [•]
 (iii) Interest Commencement Date [Specify] / [Issue Date] / [Not Applicable]
 [OR]
 [In relation to interest payable under Condition 5 (*Fixed Rate Note Provisions*), [date]. See Paragraph 14 below for further details]
 [In relation to interest payable under Condition 6 (*Floating Rate Note, Equity-Linked and Inflation Linked Interest Note Provisions*), [date]. See Paragraph 15 below for further details]
 [In relation to interest payable under Condition 6.5 (*Equity-Linked and Inflation-Linked Interest Note*

⁹ To be included in the case of a public offer in France of Notes issued by MSBV

¹⁰ To be included if the Notes are issued by MSBV.

¹¹ Where the amount is not known at the beginning of the offer period (e.g. an "up to" amount), notices of final offer amount will need to be submitted where the Notes are listed or admitted to trading.

Provisions) and Part 2 of the Terms and Conditions, [date]. See Paragraphs 17 and 18(A)[I/ II / III...] below for further details]

[In relation to interest payable under Condition 6.5 (*Equity-Linked and Inflation-Linked Interest Note Provisions*) and Part 2 of the Terms and Conditions, [date]. See Paragraphs 17 and 18(A)[I/ II / III...] below for further details]

(Include if Notes are subject to different Interest Basis during their lifetime, and delete as appropriate)

- (iv) Strike Date: [•]
8. Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in, or nearest to, the relevant month and year*]
9. Interest Basis: [[•]per cent. Fixed Rate]
- [[specify reference rate] +/- [•]per cent. Floating Rate]
- [Zero Coupon]
- [Share-Linked Interest]
- [Index-Linked Interest]
- [ETF-Linked Interest]
- [Inflation-Linked Interest]
- (further particulars specified below)
- [*include all that apply*]
10. Redemption/Payment Basis: [Redemption at par]
- [Share-Linked Redemption]
- [Index-Linked Redemption]
- [ETF-Linked Redemption]
- [Inflation-Linked Redemption]
- (further particulars specified below)
- [*include all that apply*]

11. Put/Call Options:
- (i) Redemption at the option of the Issuer: [Applicable/Not Applicable]
(Condition 11.4)
- (ii) Redemption at the option of the Noteholders: [Applicable/Not Applicable]
(Condition 11.6)
12. Dates of the corporate authorisations for issuance of the Notes: [•]
13. Method of distribution: [Syndicated/Non-syndicated]
14. **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**
- 1. RELEVANT UNDERLYING**
- (A) **Single Share-Linked Interest Notes, Share Basket-Linked Interest Notes:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Whether the Notes relate to a single share or a basket of shares (each an **Underlying Share**): [Single Share-Linked Interest Notes] / [Share Basket-Linked Interest Notes]
- (ii) The identity of the relevant issuer(s) (each an **Underlying Issuer**), class of the Underlying Share and ISINs or other security identification code for the Underlying Share: *(Specify (i) names of each Underlying Issuer (ii) class of each Underlying Share and (iii) ISIN or other security identification code for each Underlying Share)*
- (iii) Exchange[s]: [•] / [All Exchanges]
- (iv) Related Exchange[s]: [•] / [None specified]
- (v) Determination Agent responsible for calculating Interest Amount: [•]
- (vi) Determination Time: [•] / As per Condition 9.7
- (vii) Additional Disruption Events: [Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging] shall apply
(delete any which are not applicable)
- (viii) Correction Cut Off Time: [•] / within one Settlement Cycle after the original publication and prior to the relevant Interest Payment Date
(Condition 9.3.2)

- (ix) Weighting for each Underlying Share comprising the basket: [Not Applicable]

[OR]

Underlying Share	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

- (B) **Single Index-Linked Interest Notes / Index Basket-Linked Interest Notes:** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Types of Notes: [Single Index-Linked Interest Notes]

[Index Basket-Linked Interest Notes]

- (ii) Index / Indices: *(Specify Index for Single Index-Linked Interest Notes, and specify each of Indices for Index Basket-Linked Interest Notes)*

- (iii) Exchange[s]: *[Specify Exchange][, which is a Multi Index Exchange].*

[OR]

Index	Exchange
[•]	<i>[Specify Exchange][, which is a Multi Index Exchange]</i>
[...]	[...]
[•]	<i>[Specify Exchange][, which is a Multi Index Exchange]</i>

- (iv) Related Exchange[s]: [•] / [None specified]

- (v) Determination Agent responsible for calculating Interest Amount; [•]

- (vi) Determination Time; [•] / As per Condition 9.7
- (vii) Additional Disruption Events: [Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging] shall apply
(delete any which are not applicable)
- (viii) Correction Cut Off Time; [•] / within one Settlement Cycle after the original publication and prior to the relevant Interest Payment Date
(Condition 9.2.3)
- (ix) Weighting for each Index: [Not Applicable]
[OR]

Index	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

(C) Single ETF-Linked Notes, ETF Basket Linked Interest Notes:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Whether the Notes relate to a single ETF Interest or a basket of ETF Interests (each, an **ETF Interest**): [Single ETF-Linked Interest Notes]
[ETF Basket-Linked Interest Notes]
- (ii) Names of each ETF Interest and the related ETF (each, an **ETF**): *(specify ETF Interest(s) and ETF(s))*
- (iii) Exchange[s]: [•] / [All Exchanges]
- (iv) Related Exchange[s]: [•] / [None specified]
- (v) Determination Agent responsible for calculating Interest Amount: [•]
- (vi) Determination Time: [•] As per Condition 9.7
- (vii) Additional Disruption Events: [Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging] shall apply
(delete any which are not applicable)
- (viii) Correction Cut Off Time: [•] / within one Settlement Cycle

(Condition 9.3.2)

after the original publication and prior to the relevant Interest Payment Date

(ix) Eligible ETF Interest: *[specify or delete if not applicable or fallback provisions in Condition 9.5 apply.]*

(x) Weighting for each ETF Interest comprising the basket: [Not Applicable]

[OR]

ETF Interest	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

(D) Inflation-Linked Interest Notes

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Inflation Index / Inflation Indices: *(Specify Index or Indices)*

(ii) Inflation Index Sponsor(s): [•]

(iii) Additional Disruption Events: [Change in Law, Hedging Disruption, and Increased Cost of Hedging] shall apply

(delete any which are not applicable)

(iv) Index Level Adjustment Correction: (Condition 10.7) The first publication or announcement of the level of the Inflation Index (disregarding estimates) by the relevant Inflation Index Sponsor for any Reference Month shall be final and conclusive and, subject to this Condition 10, later revisions to the level of the Inflation Index for such Reference Month will not be used in any calculations / The first publication or announcement of a level of the Inflation Index (disregarding estimates) published by the relevant Index Sponsor or, if revised, any subsequent revision of such level for a Reference Month shall be final and conclusive for such Reference Month, provided that such revisions

are published or announced up to and including the day that is two Business Days prior to the relevant Interest Payment Date].

(delete as appropriate)

(v) Related Bond: *[specify]* / [Fallback Bond] / [Fallback Bond: Not Applicable]

(vi) Weighting for each Inflation Index comprising the basket: [Not Applicable]

[OR]

Inflation Index	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

2. PERFORMANCE OF THE RELEVANT UNDERLYING

(A) **Performance Determination Terms for Notes linked to a single Share, Index, ETF Interest or Inflation Index:** [Not Applicable] / [Basic Performance] / [Capped Performance] / [Floored Performance] / [Capped & Floored Performance] / [Absolute Basic Performance] / [Absolute Capped Performance] / [Absolute Floored Performance] / [Absolute Capped & Floored Performance]

(for determining "Relevant Underlying Performance" for Interest Terms)

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Performance Rate: [•] per cent.

[OR]

Interest Determination Date	Performance Rate
In respect of the Interest Determination Date falling on <i>[date]</i>	[•] per cent.

[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

(ii) Initial Reference Value: [•] / [Determined in accordance with the Value Determination Terms specified below]

(iii) **Value Determination Terms** for Initial Reference Value: [Not Applicable] / [Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

• Reference Month: [•]

(specify if Notes are Inflation-Linked Notes otherwise delete this provision)

• Averaging Dates in relation to the Strike Date: [date][, [date].... and [date]]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

• Averaging Date Disruption: [Omission] / [Postponement] / [Modified Postponement]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Value Observation Dates in relation to the Strike Date: [date][, [date].... and [date]]

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

- Floor Value: [•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

- Global Floor Value: [•]

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value: [•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

- (iv) **Value Determination Terms** for Final Reference Value as of each Interest Determination Date:

(Section 2 of Part 2 of the Terms and Conditions)

[Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]

- Reference Month:

(specify if Notes are Inflation-Linked Notes otherwise delete this provision)

Interest Determination Date	Reference Month
[•]	[•]
[...]	[...]
[•]	[•]

- Averaging Dates in relation to each Interest Determination Date:

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

Interest Determination Date	Averaging Dates
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Averaging Date Disruption:

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

[Omission] / [Postponement] / [Modified Postponement]

- Value Observation Dates in relation to each Interest Determination Date:

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

Interest Determination Date	Value Observation Dates
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Floor Value:

[•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

- Global Floor Value:

[•]

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value: [•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

- (v) Cap: [•] per cent.

(specify if Capped Performance / Capped & Floored Performance / Absolute Capped Performance / Absolute Capped & Floored Performance is selected, otherwise delete this provision)

- (vi) Floor: [•] per cent.

(specify if Floored Performance / Capped & Floored Performance / Absolute Floored Performance / Absolute Capped & Floored Performance is selected, otherwise delete this provision)

(B) Selected Average Performance Determination Terms for Notes linked to a Basket:

(for determining "Relevant Underlying Performance" for Interest Terms)

[Not Applicable] / [Selected Average Basic Performance] / [Selected Average Individually Capped Performance] / [Selected Average Individually Floored Performance] / [Selected Average Individually Capped & Floored Performance] / [Selected Average Global Capped Performance] / [Selected Average Global Floored Performance] / [Selected Average Global Capped & Floored Performance] / [Selected Absolute Average Basic Performance] / [Selected Absolute Average Individually Capped Performance] / [Selected Absolute Average Individually Floored Performance] / [Selected Absolute Average Individually Capped & Floored Performance] / [Selected Absolute Average Global Capped Performance] / [Selected Absolute Average Global Floored Performance] / [Selected Absolute

Average Global Capped & Floored Performance] / [Best of – Non Equally Weighted Average Performance] / [Worst of – Non Equally Weighted Average Performance] / [Selection of – Non Equally Weighted Average Performance]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Performance Rate: [•]

[OR]

Interest Determination Date	Performance Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

(ii) Initial Reference Value:

Basket Component	Initial Reference Value
[•]	[•] / [Determined in accordance with the Value Determination Terms specified below]
[•]	[•] / [Determined in accordance with the Value Determination Terms specified

	below]
[•]	[•] / [Determined in accordance with the Value Determination Terms specified below]

- (iii) **Value Determination Terms for Initial Reference Value:** [Not Applicable] / [Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]
- (Section 2 of Part 2 of the Terms and Conditions)
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Reference Month: [•]
- (specify if Notes are Inflation-Linked Notes otherwise delete this provision)*
- Averaging Dates in relation to Strike Date: [date][, [date].... and [date]]
- (specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)*
- Averaging Date Disruption: [Omission] / [Postponement] / [Modified Postponement]
- (specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)*
- Value Observation Dates in [date][, [date].... and [date]]

relation to the Strike Date:

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

- Floor Value: [•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

- Global Floor Value: [•]

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value: [•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

- (iv) **Value Determination Terms** for Final Reference Value as of each Interest Determination Date:

(Section 2 of Part 2 of the Terms and Conditions)

[Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]

- Reference Month:

(specify if Notes are Inflation-Linked Notes otherwise delete this provision)

Interest Determination Date	Reference Month
[•]	[•]
[...]	[...]
[•]	[•]
Interest Determination Date	Averaging Dates

- Averaging Dates in relation to each Interest Determination Date:

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Averaging Date Disruption:

[Omission] / [Postponement] / [Modified Postponement]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Value Observation Dates in relation to each Interest Determination Date:

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

Interest Determination Date	Value Observation Dates
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Floor Value:

[•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

- Global Floor Value:

[•]

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value:

[•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

- (v) Cap: [Not Applicable]

[OR]

[•] per cent.

[OR]

(specify if Selected Average Individually Capped Performance / Selected Average Individually Capped & Floored Performance / Selected Average Global Capped Performance / Selected Average Global Capped & Floored Performance / Selected Absolute Average Individually Capped Performance / Selected Absolute Average Individually Capped & Floored Performance / Selected Absolute Average Global Capped Performance / Selected Absolute Average Global Capped & Floored Performance is selected, otherwise specify "Not Applicable")

Basket Component	Cap
[•]	[•]
[•]	[•]
[•]	[•]

- (vi) Floor: [Not Applicable]

[OR]

[•] per cent.

[OR]

(specify if Selected Average Individually Floored Performance / Selected Average Individually Capped & Floored Performance / Selected Average Global Floored Performance / Selected Average Global Capped & Floored Performance / Selected Absolute Average Individually Floored Performance / Selected Absolute Average Individually Capped & Floored Performance / Selected Absolute Average Global Floored Performance is selected, otherwise specify "Not Applicable")

Basket Component	Floor
[•]	[•]
[•]	[•]
[•]	[•]

Performance / Selected Absolute Average Global Capped & Floored Performance is selected, otherwise specify "Not Applicable")

- (vii) Selected Basket Components: For the purposes of determining the Selected Basket Component, "J" = [number], [number]... and [number]

[insert number assigned to "J", where "J" is a number from 1 to N denoting one of the Basket Components numbered in order according to the respective values for each Basket Component determined by dividing the Closing Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the highest such value (Basket Component 1) and ending with the Basket Component with the lowest such value (Basket Component N), "N" being the total number of Basket Components]

- (viii) Relevant Weighting or " W_i ": [Not Applicable]

[OR]

(specify if Best of – Non Equally Weighted Average Performance / Worst of – Non Equally Weighted Average Performance / Selection of - Non Equally Weighted Average Performance is selected, otherwise specify "Not Applicable")

W_i	Basket Component
[•]	[•]
[...]	[...]
[•]	[•]

3. INTEREST PROVISIONS

(A) Fixed Rate Note Provisions

[Applicable/Not Applicable]

(Condition 5)

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Rate[(s)] of Interest:

[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/ other (specify)] in arrear]

(ii)	Interest Period:	[As set out in Condition 2] / <i>[Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period]</i>
(iii)	Interest Payment Date(s):	[•] in each year [adjusted in accordance the Business Day Convention specified below]/not adjusted]
(iv)	Business Day Convention	[Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [No Adjustment / Unadjusted] <i>(Delete as appropriate)</i>
(v)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
(vi)	Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
(vii)	Day Count Fraction:	[Actual/Actual; Actual/365(Fixed); Actual/360; 30/360; 30E/360, Eurobond Basis]
(B)	Floating Rate Note Provisions	[Applicable/Not Applicable]
	(Condition 6)	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Interest Payment Dates:	[date][, [date].... and [date]]
(ii)	First Interest Payment Date:	<i>[delete if not applicable]</i>
(iii)	Interest Period:	[As set out in Condition 2] / <i>[Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period]</i>
(iv)	Business Day Convention:	[Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention / Floating Rate Convention / Eurodollar Convention] / [No Adjustment /

- Unadjusted]
- (Delete as appropriate)*
- (v) Specified Period [Not Applicable]
- [OR]*
- [Each of the following shall be a Specified Period:
- From (and including) *[date]* to (but excluding) *[date]*;
- [...] and
- From (and including) *[date]* to (but excluding) *[date]*;
- (Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")*
- (vi) Additional Business Centre(s): [•]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [•]
- (ix) Screen Rate Determination:
- Reference Rate: [•]
 - Interest Determination Date(s): *[date]*[, *[date]*.... and *[date]*]
 - Relevant Screen Page: [•]
 - Relevant Time [•]
- (x) ISDA Determination
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum

(xiv)	Day Count Fraction:	[•]								
(C)	Zero Coupon Note Provisions	[Applicable/Not Applicable]								
	(Condition 7)	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>								
(i)	Accrual Yield:	[•] per cent. per annum								
(ii)	Reference Price:	[•]								
(D)	Equity-Linked and Inflation-Linked Interest Note Provisions	[Applicable/Not Applicable]								
	(Condition 8 and Condition 6.5)	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>								
(i)	Minimum Rate of Interest:	[[•] per cent.] / Not Applicable								
(ii)	Maximum Rate of Interest:	[[•] per cent.] / Not Applicable								
I	Fixed Coupon:	[Applicable/Not Applicable]								
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>								
(i)	Coupon Rate:	[•] per cent.								
		[OR]								
		<table><tr><th>Interest Determination Date</th><th>Coupon Rate</th></tr><tr><td>[date]</td><td>[•] per cent.</td></tr><tr><td>[...]</td><td>[...]</td></tr><tr><td>[date]</td><td>[•] per cent.</td></tr></table>	Interest Determination Date	Coupon Rate	[date]	[•] per cent.	[...]	[...]	[date]	[•] per cent.
Interest Determination Date	Coupon Rate									
[date]	[•] per cent.									
[...]	[...]									
[date]	[•] per cent.									
(ii)	Coupon Amount:	Coupon Rate × Calculation Amount								
(iii)	Interest Determination Date(s):	[date][, [date], and [date]]								
(iv)	Interest Payment Date(s):	[date][, [date], and [date]]								
(v)	Business Day Convention:	[Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / Floating Rate Convention / Eurodollar Convention] / [No Adjustment / Unadjusted]								

(Delete as appropriate)

(vi) Specified Period:

[Not Applicable]

[OR]

[Each of the following shall be a Specified Period:

From (and including) *[date]* to (but excluding) *[date]*;

[...] and

From (and including) *[date]* to (but excluding) *[date]*];

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

II Non Memory Barrier Conditional Coupon:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Coupon Amount is payable if Relevant Underlying Performance as of [the] / [one of the] relevant Interest Determination Dates[s] is:

[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Coupon Barrier Value

(Delete as appropriate)

(ii) Coupon Rate:

[•] per cent. or Max [Minimum Rate; Participation Rate * Relevant Underlying Performance]

[OR]

Interest Determination Date	Coupon Rate
In respect of the Interest Determination Date falling on <i>[date]</i>	[•] per cent. or Max [Minimum Rate; Participation Rate * Relevant

	Underlying Performance]
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent. or Max [Minimum Rate; Participation Rate * Relevant Underlying Performance

(iii) Intermediary Reference Value Observation Dates:

[Applicable/Not Applicable]

Interest Determination Date	Intermediary Reference Value Observation Dates
In respect of the Interest Determination Date falling on [date]	Insert relevant dates
[...]	[...]
In respect of the Interest Determination Date falling on [date]	Insert relevant dates

(iv) Minimum Rate:

[[•] per cent.]/[[•] per cent. in respect of the Interest Determination Date falling on [date]] [and] [[•] per cent. in respect of the Interest Determination Date falling on [date]]

(v) Participation Rate:

[•] per cent.

(vi) Coupon Amount:

Coupon Rate × Calculation Amount

(vii) Coupon Barrier Value:

[[•] / [•] per cent.]

[OR]

Interest Determination Date	Coupon Barrier Value
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

- (viii) Interest Determination Date Date(s): [date][, [date], and [date]]
- (ix) Additional Non Memory Barrier Conditional Coupon [Applicable] / [Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- Additional Coupon Amount is payable if Relevant Underlying Performance as of [the] / [one of the] relevant Additional Interest Determination Date(s) is: [greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Additional Coupon Barrier Value
(Delete as appropriate)
- Additional Coupon Rate: [•] per cent.
[OR]

Additional Interest Determination Date	Additional Coupon Rate
In respect of the Additional Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Additional Interest	[•] per cent.

- | | |
|--------------------------------------|--|
| Determination Date falling on [date] | |
|--------------------------------------|--|
- Additional Coupon Amount Additional Coupon Rate x Calculation Amount
 - Additional Coupon Barrier Value [[•] / [•] per cent.]

[OR]

- | Additional Interest Determination Date | Additional Coupon Barrier Value |
|--|---------------------------------|
| In respect of the Additional Interest Determination Date falling on [date] | [[•] / [•]%] |
| [...] | [...] |
| In respect of the Additional Interest Determination Date falling on [date] | [[•] / [•]%] |
- Additional Interest Determination Date(s) [date][, [date],...and [date]]

(x) Bonus Coupon: [Applicable] / [Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- Bonus Coupon Amount is payable if Relevant Underlying Performance as of the relevant Bonus Coupon Interest Determination Date is: [greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Bonus Coupon Barrier Value.
(Delete as appropriate)
- Bonus Coupon Barrier Value: [[•] / [•] per cent.]

[OR]

Bonus Coupon Interest Determination	Bonus Coupon Barrier Value
-------------------------------------	----------------------------

Date	
In respect of the Bonus Coupon Interest Determination Date falling on [date]	[[•] / [•] per cent.]
[...]	[...]
In respect of the Bonus Coupon Interest Determination Date falling on [date]	[[•] / [•] per cent.]

- Bonus Coupon Interest Determination Date(s): [date][, [date],...and [date]]
- Specified Rate: [•] per cent.

[OR]

Bonus Coupon Interest Determination Date	Specified Rate
In respect of the Bonus Coupon Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Bonus Coupon Interest Determination Date falling on [date]	[•] per cent.

- Prior Coupon Amount: the sum of [all Coupon Amounts determined for preceding Interest Determination Dates (if any)] [./and] [all Additional Coupon Amounts, if any, determined for preceding Interest Determination Dates (if any)] [and] [all Fixed Coupon Amounts (if any) which may have been determined in

respect of preceding Interest Determination Dates (if any)].

- (xi) Interest Payment Date(s): [date][, [date], and [date]]
- (xii) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention / Floating Rate Convention / Eurodollar Convention] / [No Adjustment / Unadjusted]

(Delete as appropriate)

- (xiii) Specified Period: [Not Applicable]

[OR]

[Each of the following shall be a Specified Period:

From (and including) [date] to (but excluding) [date];

[...] and

From (and including) [date] to (but excluding) [date];]

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

- (xiv) Initial Reference Value: [•] / [Determined in accordance with the Value Determination Terms specified below] / [Not Applicable]

- (xv) **Value Determination Terms** for Initial Reference Value: [Not Applicable] / [Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped
- (Section 2 of Part 2 of the Terms and Conditions)

Average Value]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- Reference Month: [•]

(specify if Notes are Inflation-Linked Notes otherwise delete this provision)

- Averaging Dates in relation to Strike Date: [date][, [date], and [date]]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Averaging Date Disruption: [Omission] / [Postponement] / [Modified Postponement]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Value Observation Dates in relation to Strike Date: [date], [, [date], ... and [date]]

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

- Floor Value: [•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision))

- Global Floor Value: [•]

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value: [•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

III Memory Barrier Conditional Coupon: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Coupon Amount is payable if Relevant Underlying Performance as of the relevant Interest Determination Date is: [greater than] / [greater than or equal to] / [less than]/ [less than or equal to] the relevant Coupon Barrier Value

(Delete as appropriate)

- (ii) Coupon Rate: [•] per cent.

[OR]

Interest Determination Date	Coupon Rate
In relation to the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In relation to the Interest Determination Date falling on [date]	[•] per cent.

- (iii) Coupon Amount: Calculation Amount x (Coupon Rate x NPED) - Prior Coupon Amount

- (iv) Coupon Barrier Value: [[•] / [•] per cent.]

[OR]

Interest Determination Date	Coupon Barrier Value
In relation to the Interest Determination Date falling on [date]	[[•] / [•] per cent.]
[...]	[...]
In relation to the Interest Determination Date falling on [date]	[[•] / [•] per cent.]

- (v) Cumulative Prior Coupon: [Not Applicable] / [Applicable. The Prior Coupon Amount determined in respect of any Interest Determination Date will also include any [Fixed Coupon Amounts] [and] [Non Memory Barrier Conditional Coupon Amounts] determined in respect of preceding Interest Determination Dates.]

(Delete as appropriate)

- (vi) Interest Determination Date(s): [date][, [date], and [date]]
- (vii) Additional Period End Date(s)(if any): [date][, [date], and [date]]
- (viii) Interest Payment Date(s): [date][, [date], and [date]]
- (ix) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention / Floating Rate Convention / Eurodollar Convention] / [No Adjustment / Unadjusted]

(Delete as appropriate)

- (x) Specified Period: [Not Applicable]

[OR]

[Each of the following shall be a Specified Period:

From (and including) *[date]* to (but excluding) *[date]*;

[...] and

From (and including) *[date]* to (but excluding) *[date]*;]

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

IV Participation & Barrier Conditional Coupon:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Coupon Amount is payable if Relevant Underlying Performance as of the relevant Interest Determination Date is:

[greater than] / [greater than or equal to] / [less than]/ [less than or equal to] the relevant Coupon Barrier Value

(Delete as appropriate)

- (ii) Coupon Rate:

[•] per cent.

[OR]

Interest Determination Date	Coupon Rate
In respect of the Interest Determination Date falling on <i>[date]</i>	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on <i>[date]</i>	[•] per cent.

(iii) Coupon Amount: Max (Coupon Rate; Relevant Underlying Performance) × Calculation Amount

(iv) Coupon Barrier Value: $[[\bullet] / [\bullet] \text{ per cent.}]$

[OR]

Interest Determination Date	Coupon Barrier Value
In respect of the Interest Determination Date falling on <i>[date]</i>	$[[\bullet] / [\bullet] \text{ per cent.}]$
<i>[...]</i>	<i>[...]</i>
In respect of the Interest Determination Date falling on <i>[date]</i>	$[[\bullet] / [\bullet] \text{ per cent.}]$

(v) Interest Determination Date(s): *[date]*, *[date]*, and *[date]*

(vi) Interest Payment Date(s): *[date]*, *[date]*, and *[date]*

(vii) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [No Adjustment / Unadjusted]

(Delete as appropriate)

(viii) Specified Period: [Not Applicable]

[Each of the following shall be a Specified Period:

From (and including) *[date]* to (but excluding) *[date]*;

[...] and

From (and including) *[date]* to (but excluding) *[date]*;

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

V Lock in Non Memory Barrier Conditional Coupon:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Coupon Amount is payable on a relevant Interest Payment Date if either:

(a) Relevant Underlying Performance as of the immediately preceding Interest Determination Date is:

[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Coupon Barrier Value for such Interest Determination Date.

(Delete as appropriate)

OR

(b) Relevant Underlying Performance as of any Interest Determination Date (if any) preceding the Interest Determination Date referred to in (a) above is:

[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Lock in Barrier Value for such Interest Determination Date.

(Delete as appropriate)

- (ii) Coupon Rate:

[•] per cent.

[OR]

Interest Determination Date	Coupon Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination	[•] per cent.

Date falling on [<i>date</i>]	
------------------------------------	--

(iii) Coupon Amount: $\text{Coupon Rate} \times \text{Calculation Amount}$

(iv) Coupon Barrier Value: $[[\bullet] / [\bullet] \text{ per cent.}]$

[OR]

Interest Determination Date	Coupon Barrier Value
In respect of the Interest Determination Date falling on [<i>date</i>]	$[[\bullet] / [\bullet] \text{ per cent.}]$
[...]	[...]
In respect of the Interest Determination Date falling on [<i>date</i>]	$[[\bullet] / [\bullet] \text{ per cent.}]$

(v) Lock in Barrier Value: $[[\bullet] / [\bullet] \text{ per cent.}]$

[OR]

Interest Determination Date	Lock in Barrier Value
In respect of the Interest Determination Date falling on [<i>date</i>]	$[[\bullet] / [\bullet] \text{ per cent.}]$
[...]	[...]
In respect of the Interest Determination Date falling on [<i>date</i>]	$[[\bullet] / [\bullet] \text{ per cent.}]$

(vi) Interest Determination Date(s): [*date*][, [*date*], and [*date*]]

(vii) Interest Payment Date(s): [*date*][, [*date*], and [*date*]]

(viii) Business Day Convention:	<p>[Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [No Adjustment / Unadjusted]</p> <p><i>(Delete as appropriate)</i></p>
(ix) Specified Period:	<p>[Not Applicable]</p> <p><i>[OR]</i></p> <p>[Each of the following shall be a Specified Period:</p> <p>From (and including) <i>[date]</i> to (but excluding) <i>[date]</i>;</p> <p>[...] and</p> <p>From (and including) <i>[date]</i> to (but excluding) <i>[date]</i>;</p> <p><i>(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")</i></p> <p><i>(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)</i></p>
VI Lock in Memory Barrier Conditional Coupon:	<p>[Applicable/Not Applicable]</p> <p><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i></p>
(i) Coupon Amount is payable on a relevant Interest Payment Date if either:	<p>(a) Relevant Underlying Performance as of the immediately preceding Interest Determination Date is:</p> <p>[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Coupon Barrier Value for such Interest Determination Date.</p> <p><i>(Delete as appropriate)</i></p>

OR

(b) Relevant Underlying Performance as of any Interest Determination Date (if any) immediately preceding the Interest Determination Date referred to in (a) above is:

[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Lock in Barrier Value for such Interest Determination Date.

(Delete as appropriate)

(ii) Coupon Rate:

[•] per cent.

[OR]

Interest Determination Date	Coupon Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

(iii) Coupon Amount:

Calculation Amount x (Coupon Rate x NPED) - Prior Coupon Amount

(iv) Coupon Barrier Value:

[[•] / [•] per cent.]

[OR]

Interest Determination Date	Coupon Barrier Value
In respect of the Interest Determination Date falling on [date]	[[•] / [•] per cent.]
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[[•] / [•] per cent.]

[date]	
--------	--

(v) Lock in Barrier Value: $[[\bullet] / [\bullet] \text{ per cent.}]$

[OR]

Interest Determination Date	Lock in Barrier Value
In respect of the Interest Determination Date falling on [date]	$[[\bullet] / [\bullet] \text{ per cent.}]$
[...]	[...]
In respect of the Interest Determination Date falling on [date]	$[[\bullet] / [\bullet] \text{ per cent.}]$

(vi) Interest Determination Date(s): [date][, [date], and [date]]

(vii) Additional Period End Date(s)(if any): [date][, [date], and [date]]

(viii) Interest Payment Date(s): [date][, [date], and [date]]

(ix) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention / Floating Rate Convention] / [No Adjustment / Unadjusted]

(Delete as appropriate)

(x) Specified Period: [Not Applicable]

[OR]

[Each of the following shall be a Specified Period:

From (and including) [date] to (but excluding) [date];

[...] and

From (and including) [date] to (but

excluding) [date];]

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

(xi) Cumulative Prior Coupon:

[Not Applicable] / [Applicable. The Prior Coupon Amount determined in respect of any Interest Determination Date will also include any [Fixed Coupon Amounts] [and] [Non Memory Barrier Conditional Coupon Amounts] determined in respect of preceding Interest Determination Dates.]

(Delete as appropriate)

VII Capitalised Non Memory Barrier Conditional Coupon:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Total Coupon Amount:

As per paragraph 7 of Section 4 of the Terms and Conditions

(ii) Coupon Amount for an Interest Determination Date will be calculated in accordance with the formula in (iv) below if Relevant Underlying Performance as of the relevant Interest Determination Date is:

[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Coupon Barrier Value.

(Delete as appropriate)

(iii) Coupon Rate:

[•] per cent.

[OR]

Interest Determination Date	Coupon Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.

[...]	[...]
In respect of the Interest Determination Date falling on <i>[date]</i>	[•] per cent.

- (iv) Coupon Amount: Coupon Rate \times Calculation Amount
- (v) Coupon Barrier Value: $[[\bullet] / [\bullet] \text{ per cent.}]$

[OR]

Interest Determination Date	Coupon Barrier Value
In respect of the Interest Determination Date falling on <i>[date]</i>	$[[\bullet] / [\bullet] \text{ per cent.}]$
[...]	[...]
In respect of the Interest Determination Date falling on <i>[date]</i>	$[[\bullet] / [\bullet] \text{ per cent.}]$

- (vi) Interest Determination Date(s): *[date]*[, *[date]*, and *[date]*]
- (vii) Interest Payment Date: Redemption Date, being the Maturity Date [and (i) [if an Automatic Early Redemption Event occurs, the relevant Automatic Early Redemption Date][./ or] (i)/(ii) [if the Call Option is exercised, the Optional Redemption Date (Call)] [./ or] (i)/(ii)/(iii) [if the Put Option is exercised, the Optional Redemption Date (Put)] [or] (ii)/(iii)/(iv) [the date on which the Notes are redeemed early pursuant to Condition 11.2 (*Tax Redemption*)].
- (viii) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN

Convention / Floating Rate
 Convention / Eurodollar
 Convention] / [No Adjustment /
 Unadjusted]

(Delete as appropriate)

(ix) Specified Period:

[Not Applicable]

[OR]

[Each of the following shall be a
 Specified Period:

From (and including) [date] to (but
 excluding) [date];

[...] and

From (and including) [date] to (but
 excluding) [date];]

*(Note: "Specified Period" should
 only be specified if FRN Convention
 is chosen. Otherwise specify "Not
 Applicable")*

*(Note: where the Notes are not
 Floating Rate or Inflation Linked
 Notes, consider if FRN Convention
 is appropriate)*

**VIII Capitalised Memory Barrier Conditional
 Coupon:**

[Applicable/Not Applicable]

*(If not applicable, delete the
 remaining sub-paragraphs of this
 paragraph)*

(i) Total Coupon Amount:

As per paragraph 8 of Section 4 of
 Part 2 of the Terms and Conditions

(ii) Coupon Amount for an Interest
 Determination Date will be
 calculated in accordance with the
 formula in (iv) below if Relevant
 Underlying Performance as of the
 relevant Interest Determination
 Date is:

[greater than] / [greater than or
 equal to] / [less than] / [less than or
 equal to] the relevant Coupon
 Barrier Value.

(Delete as appropriate)

(iii) Coupon Rate:

[•] per cent.

[OR]

Interest Determination Date	Coupon Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

(iv) Coupon Amount: Calculation Amount x (Coupon Rate x NPED) – Prior Coupon Amount

(v) Coupon Barrier Value: [[•] / [•] per cent.]

[OR]

Interest Determination Date	Coupon Barrier Value
In respect of the Interest Determination Date falling on [date]	[[•] / [•] per cent.]
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[[•] / [•] per cent.]

(vi) Interest Determination Date(s): [date][, [date], and [date]]

(vii) Additional Period End Date(s)(if any): [date][, [date], and [date]]

(viii) Interest Payment Date(s): Redemption Date, being the Maturity Date [and (i)] [if an Automatic Early Redemption Event occurs, the relevant Automatic Early Redemption Date][,/ or] [(i)/(ii)] [if the Call Option is

exercised, the Optional Redemption Date (Call)] [./ or] [(i)/(ii)/(iii)] [if the Put Option is exercised, the Optional Redemption Date (Put)] [or] [(ii)/(iii)/(iv)] [the date on which the Notes are redeemed early pursuant to Condition 11.2 (*Tax Redemption*)].

(ix) Business Day Convention:

[Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention / Floating Rate Convention / Eurodollar Convention] / [No Adjustment / Unadjusted]

(Delete as appropriate)

(x) Specified Period:

[Not Applicable]

[OR]

[Each of the following shall be a Specified Period:

From (and including) [date] to (but excluding) [date];

[...] and

From (and including) [date] to (but excluding) [date];]

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

(xi) Cumulative Prior Coupon:

[Not Applicable] / [Applicable. The Prior Coupon Amount determined in respect of any Interest Determination Date will also include any [Fixed Coupon Amounts] [and] [Non Memory Barrier Conditional Coupon Amounts] determined in respect of preceding Interest Determination

Dates.]

(Delete as appropriate)

IX Capitalised Participation & Barrier Conditional Coupon:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Total Coupon Amount: As per paragraph 9 of Section 4 of Part 2 of the Terms and Conditions

(ii) Coupon Rate: [•] per cent.

[OR]

Interest Determination Date	Coupon Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

(iii) Coupon Amount:

(a) if Relevant Underlying Performance as of the relevant Interest Determination Date is: [greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Coupon Barrier Value,

(Delete as appropriate)

Coupon Amount will be calculated in accordance with the following formula: [Max (Coupon Rate; Relevant Underlying Performance) x Calculation Amount]

(b) Otherwise Zero.

(iv) Coupon Barrier Value: [[•] / [•] per cent.]

[OR]

Interest Determination Date	Coupon Barrier Value
In respect of the Interest Determination Date falling on [date]	[[•] / [•] per cent.]
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[[•] / [•] per cent.]

- (v) Interest Determination Date(s): [date][, [date], and [date]]
- (vi) Interest Payment Date(s): Redemption Date, being the Maturity Date [and (i)] [if an Automatic Early Redemption Event occurs, the relevant Automatic Early Redemption Date][, / or] [(i)/(ii)] [if the Call Option is exercised, the Optional Redemption Date (Call)] [, / or] [(i)/(ii)/(iii)] [if the Put Option is exercised, the Optional Redemption Date (Put)] [or] [(ii)/(iii)/(iv)] [the date on which the Notes are redeemed early pursuant to Condition 11.2 (*Tax Redemption*)].
- (vii) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention / Floating Rate Convention / Eurodollar Convention] / [No Adjustment / Unadjusted]
- (viii) Specified Period: (Delete as appropriate)
- [Not Applicable]
- [OR]
- [Each of the following shall be a Specified Period:
- From (and including) [date] to (but

excluding) [*date*];

[...] and

From (and including) [*date*] to (but excluding) [*date*];]

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

X Capitalised Lock in Non Memory Barrier Conditional Coupon:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Total Coupon Amount: As per paragraph 10 of Section 4 of Part 2 of the Terms and Conditions

(ii) Coupon Amount condition:

(A) Coupon Amount for an Interest Determination will be calculated in accordance with the formula in (iv) below if either:

(a) Relevant Underlying Performance as of the immediately preceding Interest Determination Date is:

[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Coupon Barrier Value for such Interest Determination Date.

(Delete as appropriate)

OR

(b) Relevant Underlying Performance as of any Interest Determination Date (if any) immediately preceding the Interest Determination Date referred to in (a) above is:

[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Lock in Barrier Value for such Interest Determination Date.

(Delete as appropriate)

(B) In all other cases Coupon Amount will be: Zero

(iii) Coupon Rate: [•] per cent.

[OR]

Interest Determination Date	Coupon Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

(iv) Coupon Amount: Coupon Rate \times Calculation Amount

(v) Coupon Barrier Value: $[[\bullet] / [\bullet]]$ per cent.]

[OR]

Interest Determination Date	Coupon Barrier Value
In respect of the Interest Determination Date falling on [date]	$[[\bullet] / [\bullet]]$ per cent.]
[...]	[...]
In respect of the Interest Determination Date falling on [date]	$[[\bullet] / [\bullet]]$ per cent.]

(vi) Lock in Barrier Value: $[[\bullet] / [\bullet]]$ per cent.]

[OR]

Interest Determination Date	Lock in Barrier Value
In respect of the Interest Determination	$[[\bullet] / [\bullet]]$ per cent.]

Date falling on [<i>date</i>]	
[...]	[...]
In respect of the Interest Determination Date falling on [<i>date</i>]	[[•] / [•] per cent.]

- (vii) Interest Determination Date(s): [*date*][, [*date*], and [*date*]]
- (viii) Interest Payment Date(s): Redemption Date, being the Maturity Date [and [(i)] [if an Automatic Early Redemption Event occurs, the relevant Automatic Early Redemption Date][, / or] [(i)/(ii)] [if the Call Option is exercised, the Optional Redemption Date (Call)] [, / or] [(i)/(ii)/(iii)] [if the Put Option is exercised, the Optional Redemption Date (Put)] [or] [(ii)/(iii)/(iv)] [the date on which the Notes are redeemed early pursuant to Condition 11.2 (*Tax Redemption*)].
- (ix) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention / Floating Rate Convention / Eurodollar Convention] / [No Adjustment / Unadjusted]
- (Delete as appropriate)
- (x) Specified Period: [Not Applicable]
- [OR]
- [Each of the following shall be a Specified Period:
- From (and including) [*date*] to (but excluding) [*date*];
- [...] and
- From (and including) [*date*] to (but excluding) [*date*];]

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

XI Capitalised Lock in Memory Barrier Conditional Coupon:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Total Coupon Amount: As per paragraph 11 of Section 4 of Part 2 of the Terms and Conditions

(ii) Coupon Amount condition

(A) Coupon Amount for an Interest Determination Date will be calculated in accordance with the formula in (iv) below if either:

(a) Relevant Underlying Performance as of the immediately preceding Interest Determination Date is:

[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Coupon Barrier Value for such Interest Determination Date.

(Delete as appropriate)

OR

(b) Relevant Underlying Performance as of any Interest Determination Date (if any) immediately preceding the Interest Determination Date referred to in (a) above is:

[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Lock in Barrier Value for such Interest Determination Date.

(Delete as appropriate)

(B) In all other cases, Coupon Amount will be:

Zero.

(iii) Coupon Rate:

[•] per cent.

[OR]

Interest Determination Date	Coupon Rate
In respect of the Interest	[•] per cent.

Determination Date falling on [date]	
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

(iv) Coupon Amount: Calculation Amount x (Coupon Rate x NPED) – Prior Coupon Amount

(v) Coupon Barrier Value: [[•] / [•] per cent.]

[OR]

Interest Determination Date	Coupon Barrier Value
In respect of the Interest Determination Date falling on [date]	[[•] / [•] per cent.]
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[[•] / [•] per cent.]

(vi) Lock in Barrier Value: [[•] / [•] per cent.]

[OR]

Interest Determination Date	Lock in Barrier Value
In respect of the Interest Determination Date falling on [date]	[[•] / [•] per cent.]
[...]	[...]
In respect of	[[•] / [•] per

the Interest Determination Date falling on [date]	cent.]
---	--------

- (vii) Interest Determination Date(s): [date][, [date], and [date]]
- (viii) Additional Period End Date(s)(if any): [date][, [date], and [date]]
- (ix) Interest Payment Date(s): Redemption Date, being the Maturity Date [and [(i)] [if an Automatic Early Redemption Event occurs, the relevant Automatic Early Redemption Date][./ or] [(i)/(ii)] [if the Call Option is exercised, the Optional Redemption Date (Call)] [./ or] [(i)/(ii)/(iii)] [if the Put Option is exercised, the Optional Redemption Date (Put)] [or] [(ii)/(iii)/(iv)] [the date on which the Notes are redeemed early pursuant to Condition 11.2 (*Tax Redemption*)].
- (x) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [No Adjustment / Unadjusted]
- (Delete as appropriate)*
- (xi) Specified Period: [Not Applicable]
- [OR]*
- [Each of the following shall be a Specified Period:
- From (and including) [date] to (but excluding) [date];
- [...] and
- From (and including) [date] to (but excluding) [date];]
- (Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not*

Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

- (xii) Cumulative Prior Coupon: [Not Applicable] / [Applicable. The Prior Coupon Amount determined in respect of any Interest Determination Date will also include any [Fixed Coupon Amounts] [and] [Non Memory Barrier Conditional Coupon Amounts] determined in respect of preceding Interest Determination Dates.]

(Delete as appropriate)

XII Basic Participation Coupon: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Participation Rate: [•] per cent.

[OR]

Interest Determination Date	Participation Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

- (ii) Coupon Amount: Max [0; Participation Rate x Relevant Underlying Performance x Calculation Amount]
- (iii) Interest Determination Date(s): [date][, [date], and [date]]
- (iv) Interest Payment Date(s): [date][, [date], and [date]]

(v) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [No Adjustment / Unadjusted]

(Delete as appropriate)

(vi) Specified Period: [Not Applicable]

[OR]

[Each of the following shall be a Specified Period:

From (and including) [date] to (but excluding) [date];

[...] and

From (and including) [date] to (but excluding) [date];]

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

XIII Locked Participation Coupon:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Participation Rate: [•] per cent.

[OR]

Interest Determination Date	Participation Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.

[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

- (ii) Coupon Amount: Max [0; Calculation Amount \times (Participation Rate \times Relevant Underlying Performance) – Prior Coupon Amount]
- (iii) Interest Determination Date(s): [date][, [date], and [date]]
- (iv) Interest Payment Date(s): [date][, [date], and [date]]
- (v) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [No Adjustment / Unadjusted]
- (Delete as appropriate)*
- (vi) Specified Period: [Not Applicable]
- [OR]*
- [Each of the following shall be a Specified Period:
- From (and including) [date] to (but excluding) [date];
- [...] and
- From (and including) [date] to (but excluding) [date];]
- (Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")*
- (Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)*

XIV Capitalised Basic Participation Coupon: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Total Coupon Amount: As per paragraph 14 of Section 4 of Part 2 of the Terms and Conditions

(ii) Participation Rate: [•] per cent.

[OR]

Interest Determination Date	Participation Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

(iii) Coupon Amount: Max [0; Participation Rate \times Relevant Underlying Performance \times Calculation Amount]

(iv) Interest Determination Date(s): [date][, [date], and [date]]

(v) Interest Payment Date(s): [date][, [date], and [date]]

(vi) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [No Adjustment / Unadjusted]

(Delete as appropriate)

(vii) Specified Period: [Not Applicable]

[OR]

[Each of the following shall be a Specified Period:

From (and including) [date] to (but excluding) [date];

[...] and

From (and including) [date] to (but excluding) [date];]

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

XV Capitalised Locked Participation Coupon:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Total Coupon Amount:

As per paragraph 15 of Section 4 of Part 2 of the Terms and Conditions

(ii) Participation Rate:

[•] per cent.

[OR]

Interest Determination Date	Participation Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

(iii) Coupon Amount:

Max [0; Calculation Amount x (Participation Rate x Relevant Underlying Performance) – Prior

	Coupon Amount]
(iv)	Interest Determination Date(s): [date][, [date], and [date]]
(v)	Interest Payment Date(s): [date][, [date], and [date]]
(vi)	Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention / Floating Rate Convention] / [No Adjustment / Unadjusted]
	<i>(Delete as appropriate)</i>
(vii)	Specified Period: [Not Applicable]
	<i>[OR]</i>
	[Each of the following shall be a Specified Period:
	From (and including) [date] to (but excluding) [date];
	[...] and
	From (and including) [date] to (but excluding) [date];]
	<i>(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")</i>
	<i>(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)</i>
XVI Cumulative Participation Inflation Coupon:	[Applicable/Not Applicable]
	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	<i>(Only specify as applicable for Notes are Inflation-Linked Interest Notes.)</i>
(i)	Coupon Amount Calculation Amount x Participation Rate x Max [0; (Multiplier x Relevant Underlying Performance)

- Adjustment]
- (ii) Participation Rate [•] per cent.
- (iii) Multiplier: [•] per cent.
- (iv) Adjustment: [•] per cent.
- (v) Interest Determination Date Date(s): [date][, [date], and [date]]
- (vi) Interest Payment Date(s): [date][, [date], and [date]]
- (vii) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention / Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention / Floating Rate Convention / Eurodollar Convention] / [No Adjustment / Unadjusted]

(Delete as appropriate)

- (viii) Specified Period: [Not Applicable]

[OR]

[Each of the following shall be a Specified Period:

From (and including) [date] to (but excluding) [date];

[...] and

From (and including) [date] to (but excluding) [date];]

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

XVII Range Accrual Coupon:

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Coupon Amount: Coupon Rate × Calculation Amount

× [Number of Relevant Days
(Barrier Condition Satisfied) / Total
Number of Relevant Days]

(ii) Coupon Rate: [•] per cent.

[OR]

Barrier Observation Period	Coupon Rate
From [and including] / [but excluding] [•] to [and including] / [but excluding] [•]	[•] per cent.
[...]	[...]
From [and including] / [but excluding] [•] to [and including] / [but excluding] [•]	[•] per cent.

(iii) Interest Determination Dates: [date][, [date], and [date]]

(iv) Interest Payment Date(s): [date][, [date], and [date]]

(v) Business Day Convention: [Following Business Day
Convention] / [Modified Following
Business Day Convention] /
[Modified Business Day
Convention] / [Preceding Business
Day Convention] / [FRN
Convention] / [Floating Rate
Convention] / [Eurodollar
Convention] / [No Adjustment /
Unadjusted]

(Delete as appropriate)

(vi) Specified Period: [Not Applicable]

[OR]

[Each of the following shall be a
Specified Period:

From (and including) [date] to (but
excluding) [date];

[...] and

From (and including) [date] to (but excluding) [date];]

(Note: "Specified Period" should only be specified if FRN Convention is chosen. Otherwise specify "Not Applicable")

(Note: where the Notes are not Floating Rate or Inflation Linked Notes, consider if FRN Convention is appropriate)

(vii) Number of Relevant Days (Barrier Condition Satisfied) means the number of Relevant Days in each Barrier Observation Period on which, as determined by the Determination Agent, the Relevant Underlying Performance is:

[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the relevant Coupon Barrier Value

(Delete as appropriate)

(viii) Relevant Day: [Calendar day] / [Business Day] / [Scheduled Trading Day]

(ix) Barrier Observation Period: From [and including] / [but excluding] [•] to [and including] / [but excluding] [•].

[OR]

1	From [and including] / [but excluding] [•] to [and including] / [but excluding] [•]
2	From [and including] / [but excluding] [•] to [and including] / [but excluding] [•]
[..]	[...]

(x) Coupon Barrier Value: [[•] / [•] per cent.]

[OR]

Barrier Observation Period	Coupon Barrier Value
From [and including] / [but excluding]	[[•] / [•] per cent.]

[•] to [and including] / [but excluding] [•]	
[...]	[...]
From [and including] / [but excluding] [•] to [and including] / [but excluding] [•]	[[•] / [•] per cent.]

15. PROVISIONS RELATING TO FINAL REDEMPTION

1. RELEVANT UNDERLYING

- (A) **Single Share-Linked Redemption Notes, Share Basket-Linked Redemption Notes:** [Applicable/ In accordance with Item 1. (A) of the Interest Provisions] / Not Applicable]

(Condition 8)

(If in accordance with item 1. (A) of the Interest Provisions/not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Whether the Notes relate to a single share or a basket of shares (each an **Underlying Share**): [Single Share-Linked Redemption Notes] / [Share Basket-Linked Redemption Notes]
- (ii) The identity of the relevant issuer(s) (each, an **Underlying Issuer**), class of the Underlying Share and ISINs or other security identification code for the Underlying Share: *(Specify (i) names of each Underlying Issuer (ii) class of each Underlying Share and (iii) ISIN or other security identification code for each Underlying Share)*
- (iii) Exchange[s]: [•] / [All Exchanges]
- (iv) Related Exchange[s]: [•] / [None specified]
- (v) Determination Agent responsible for calculating the Final Redemption Amount: [•]
- (vi) Determination Time: [•] / As per Condition 9.7
- (vii) Weighting for each Underlying Share comprising the basket: [Not Applicable]

[OR]

Underlying Share	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

(viii) Additional Disruption Events

[Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging] shall apply

(delete any which are not applicable)

(ix) Correction Cut Off Time:
(Condition 9.3.2)

[•] / within one Settlement Cycle after the original publication and prior to the relevant Interest Payment Date.

**(B) Single Index-Linked Redemption Notes/
Index Basket-Linked Redemption Notes:**

[Applicable/ In accordance with Item 1. (B) of the Interest Provisions] / Not Applicable]

(Condition 8)

(If in accordance with item 1. (B) of the Interest Provisions/not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Types of Notes:

[Single Index-Linked Redemption Notes] / [Index Basket-Linked Redemption Notes]

(ii) Index / Indices:

(Specify Index for Single Index-Linked Interest Notes, and specify each of Indices for Index Basket-Linked Interest Notes)

(iii) Exchange[s]:

[Specify Exchange][, which is a Multi Index Exchange].

[OR]

Index	Exchange
[•]	[Specify Exchange][, which is a Multi Index Exchange]
[...]	[...]

[•]	[Specify Exchange][, which is a Multi Index Exchange]
-----	---

(iv) Related Exchange[s]: [•] / [None specified]

(v) Determination Agent responsible for calculating the Final Redemption Amount: [•]

(vi) Determination Time: [•] / As per Condition 9.7

(vii) Weighting for each Index: [Not Applicable]

[OR]

Index	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

(viii) Additional Disruption Events: [Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging] shall apply

(delete any which are not applicable)

(ix) Correction Cut Off Time: [•] / within one Settlement Cycle after the original publication and prior to the relevant Maturity Date
(Condition 9.2.3)

(C) Single ETF-Linked Redemption Notes/ ETF Basket-Linked Redemption Notes: [Applicable/ In accordance with Item 1. (C) of the Interest Provisions] / Not Applicable]

(Condition 8) *(If in accordance with item 1. (C) of the Interest Provisions/not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Whether the Notes relate to a single ETF Interest or a basket of ETF Interests (each, an **ETF Interest**): [Single ETF-Linked Redemption Notes]

[ETF Basket-Linked Redemption Notes]

(ii) Names of each ETF Interest and the related ETF (each, an **ETF**) *(specify ETF Interest(s) and ETF(s))*

(iii) Exchange[s]: [•] / [All Exchanges]

- (iv) Related Exchange[s]: [•] / [None specified]
- (v) Determination Agent responsible for calculating the Final Redemption Amount: [•]
- (vi) Determination Time: [•] / As per Condition 9.7
- (vii) Weighting for each ETF comprising the basket: [Not Applicable]

[OR]

ETF Interest	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

- (viii) Eligible ETF Interest: *[specify or delete if not applicable or fallback provisions in Condition 9.5 apply]*
- (ix) Additional Disruption Events *[Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging] shall apply*
(delete any which are not applicable)
- (x) Correction Cut Off Time (Condition 9.3.2) [•] / within one Settlement Cycle after the original publication and prior to the relevant Interest Payment Date

(D) Inflation-Linked Redemption Notes

[Applicable/ In accordance with Item 1. (D) of the Interest Provisions] / Not Applicable]

(Condition 8)

(If in accordance with item 1. (D) of the Interest Provisions/not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Inflation Index / Inflation Indices: [•]
- (ii) Inflation Index Sponsor(s): [•]
- (iii) Weighting for each Inflation Index comprising the basket: [Not Applicable]

[OR]

Inflation Index	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

(iv) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent):

[•]

(v) Additional Disruption Events:

[Change in Law, Hedging Disruption, and Increased Cost of Hedging] shall apply

(delete any which are not applicable)

(vi) Related Bond:

[specify] / [Fallback Bond] / [Fallback Bond: Not Applicable][

(vii) Index Level Adjustment
Correction:

[The first publication or announcement of the level of the Inflation Index (disregarding estimates) by the relevant Inflation Index Sponsor for any Reference Month shall be final and conclusive and, subject to this Condition 10, later revisions to the level of the Inflation Index for such Reference Month will not be used in any calculations / The first publication or announcement of a level of the Inflation Index (disregarding estimates) published by the relevant Index Sponsor or, if revised, any subsequent revision of such level for a Reference Month shall be final and conclusive for such Reference Month, provided that such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Maturity Date, Early Redemption Date or Automatic Early Redemption Date].

(delete as appropriate)

2. PERFORMANCE OF THE RELEVANT UNDERLYING

(A) **Performance Determination Terms for Notes linked to a single Share, Index,**

[Not Applicable] / [In accordance with Item 1. (D) of the Interest Provisions] [Basic Performance] /

ETF Interest or Inflation Index:**(for determining "Relevant Underlying Performance" for Interest Terms)**

[Capped Performance] / [Floored Performance] / [Capped & Floored Performance] / [Absolute Basic Performance] / [Absolute Capped Performance] / [Absolute Floored Performance] / [Absolute Capped & Floored Performance]

(If not applicable, delete the remaining sub-paragraphs of this paragraph / If in accordance with Item 2. (A) of the Interest Provisions, only maintain the following item : the references to the interest determination dates should be replaced by the Performance Observation Date (Determination Date, Date d'Observation de Barrière)

(i) Performance Observation Date: Each date on which a Performance must be calculated in the Determination of Final Redemption section

(ii) Performance Rate: [•] per cent.

[OR]

Interest Determination Date	Performance Rate
In respect of the Interest Determination Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Interest Determination Date falling on [date]	[•] per cent.

(iii) Initial Reference Value: [•] / [Determined in accordance with the Value Determination Terms specified below]

(iv) **Value Determination Terms** [Not Applicable] / [Closing Value] / [Average Value] / [Min Value] /

for Initial Reference Value: [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- Reference Month: [•]

(specify if Notes are Inflation-Linked Notes otherwise delete this provision)

- Averaging Dates in relation to the Strike Date: [date][, [date].... and [date]]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Averaging Date Disruption: [Omission] / [Postponement] / [Modified Postponement]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Value Observation Dates in relation to the Strike Date: [date][, [date].... and [date]]

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

- Floor Value: [•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

delete this provision)

- Global Floor Value: [•]

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value: [•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

- (v) **Value Determination Terms** for Final Reference Value as of each Interest Determination Date:
- (Section 2 of Part 2 of the Terms and Conditions)
- [Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]

- Reference Month:

(specify if Notes are Inflation-Linked Notes otherwise delete this provision)

Interest Determination Date	Reference Month
[•]	[•]
[...]	[...]
[•]	[•]
Interest Determination Date	Averaging Dates
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Averaging Dates in relation to each Interest Determination Date:

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Averaging Date Disruption:

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Value Observation Dates in relation to each Interest Determination Date:

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

- Floor Value:

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

- Global Floor Value:

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value:

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value:

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

	[date]]
--	---------

[Omission] / [Postponement] / [Modified Postponement]

Interest Determination Date	Value Observation Dates
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

[•]

[•]

[•]

[•]

(vi) Cap: [•] per cent.

*(specify if Capped Performance /
Capped & Floored Performance
/ Absolute Capped Performance /
Absolute Capped & Floored
Performance is selected,
otherwise delete this provision)*

(vii) Floor: [•] per cent.

*(specify if Floored Performance /
Capped & Floored Performance
/ Absolute Floored Performance
/ Absolute Capped & Floored
Performance is selected,
otherwise delete this provision)*

**(B) Selected Average Performance
Determination Terms for Notes linked
to a Basket:**

**(for determining "Relevant Underlying
Performance" for [Interest]/[Final
Redemption] Terms)**

[Not Applicable] / [In accordance
with Item 2. (B) of the Interest
Provisions] [Basic Performance]
[Selected Average Basic
Performance] / [Selected Average
Individually Capped Performance]
/ [Selected Average Individually
Floored Performance] / [Selected
Average Individually Capped &
Floored Performance] / [Selected
Average Global Capped
Performance] / [Selected Average
Global Floored Performance] /
[Selected Average Global Capped
& Floored Performance] /
[Selected Absolute Average Basic
Performance] / [Selected Absolute
Average Individually Capped
Performance] / [Selected Absolute
Average Individually Floored
Performance] / [Selected Absolute
Average Individually Capped &
Floored Performance] / [Selected
Absolute Average Global Capped
Performance] / [Selected Absolute
Average Global Floored
Performance] / [Selected Absolute
Average Global Capped & Floored
Performance] / [Best of – Non
Equally Weighted Average
Performance] / [Worst of – Non
Equally Weighted Average
Performance] / [Selection of – Non
Equally Weighted Average
Performance]

*(If not applicable, delete the
remaining sub-paragraphs of this*

paragraph / If in accordance with Item 2. (B) of the Interest Provisions, only maintain the following item : the references to the interest determination dates should be replaced by the Performance Observation Date (Determination Date, Date d'Observation de Barrière))

(i) Performance Observation Date Each date on which a Performance must be calculated in the Determination of Final Redemption section

(ii) Performance Rate: [•]

[OR]

Performance Observation Date	Performance Rate
In respect of the Performance Observation Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Performance Observation Date falling on [date]	[•] per cent.

(iii) Initial Reference Value:

Basket Component	Initial Reference Value
[•]	[•] / [Determined in accordance with the Value Determination Terms specified below]
[•]	[•] / [Determined in accordance

	with the Value Determination Terms specified below]
[•]	[•] / [Determined in accordance with the Value Determination Terms specified below]

(iv) **Value Determination Terms**
for Initial Reference Value:

(Section 2 of Part 2 of the Terms and Conditions)

[Not Applicable] / [Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- Reference Month:

[•]

(specify if Notes are Inflation-Linked Notes otherwise delete this provision)

- Averaging Dates in relation to Strike Date:

[date][, [date].... and [date]]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Averaging Date Disruption:

[Omission] / [Postponement] / [Modified Postponement]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value)

is selected, otherwise delete this provision)

- Value Observation Dates in relation to the Strike Date: [date][, [date].... and [date]]

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

- Floor Value: [•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

- Global Floor Value: [•]

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value: [•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

- (v) **Value Determination Terms** for Final Reference Value as of each Performance Observation Date:
(Section 2 of Part 2 of the Terms and Conditions)
- [Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]

- Reference Month:

(specify if Notes are Inflation-Linked Notes otherwise delete this provision)

Performance Observation Date	Reference Month
[•]	[•]
[...]	[...]

- Averaging Dates in relation to each Performance Observation Date:

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

[•]	[•]
Performance Observation Date	Averaging Dates
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Averaging Date Disruption:

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

[Omission] / [Postponement] / [Modified Postponement]

- Value Observation Dates in relation to each Interest Determination Date:

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

Performance Observation Date	Value Observation Dates
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Floor Value:

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

[•]

- Global Floor Value:

(specify if Globally Floored Average Value is selected,

[•]

otherwise delete this provision)

- Cap Value: [•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

- (vi) Cap: [Not Applicable]

[OR]

[•] per cent.

[OR]

(specify if Selected Average Individually Capped Performance / Selected Average Individually Capped & Floored Performance / Selected Average Global Capped Performance / Selected Average Global Capped & Floored Performance / Selected Absolute Average Individually Capped Performance / Selected Absolute Average Individually Capped & Floored Performance / Selected Absolute Average Global Capped Performance / Selected Absolute Average Global Capped & Floored Performance is selected, otherwise specify "Not Applicable")

Basket Component	Cap
[•]	[•]
[•]	[•]
[•]	[•]

- (vii) Floor: [Not Applicable]

[OR]

[•] per cent.

[OR]

(specify if Selected Average Individually Floored Performance / Selected Average Individually Capped & Floored Performance / Selected Average Global Floored Performance /

Basket Component	Floor
[•]	[•]

Selected Average Global Capped & Floored Performance / Selected Absolute Average Individually Floored Performance / Selected Absolute Average Individually Capped & Floored Performance / Selected Absolute Average Global Floored Performance / Selected Absolute Average Global Capped & Floored Performance is selected, otherwise specify "Not Applicable")

[•]	[•]
[•]	[•]

(vii) Selected Basket Components:

For the purposes of determining the Selected Basket Component, "J" = [number], [number]... and [number]

[insert number assigned to "J", where "J" is a number from 1 to N denoting one of the Basket Components numbered in order according to the respective values for each Basket Component determined by dividing the Closing Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the highest such value (Basket Component 1) and ending with the Basket Component with the lowest such value (Basket Component N), "N" being the total number of Basket Components]

(viii) Relevant Weighting or W_i

[Not Applicable]

[OR]

(specify if Best of – Non Equally Weighted Average Performance / Worst of – Non Equally Weighted Average Performance / Selection of - Non Equally Weighted Average Performance is selected, otherwise specify "Not Applicable")

W_i	Basket Component
[•]	[•]
[...]	[...]
[•]	[•]

3. FINAL REDEMPTION PROVISIONS

(A) Call Option

[Applicable/Not Applicable]

(Condition 11.4)

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): [date][, [date].... and [date]]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[•] per Calculation Amount] / [100 per cent. per Calculation Amount]
- (iii) Optional Redemption in part only: [Applicable. Redemption will be effected in accordance with sub-clause [(i)/(ii)] of Condition 11.5 (*Partial Redemption*)] / [Not Applicable]
- (delete as appropriate)*
- (iv) Notice period: [•]
- (B) Put Option** [Applicable/Not Applicable]
- (Condition 11.6) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [date][, [date].... and [date]]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [[•] per Calculation Amount] / [100 per cent. per Calculation Amount]
- (iii) Notice period: [•]
- (C) Final Redemption Amount of each Note** [[•] per Calculation Amount]
- (Condition 11) [Determined in accordance with the applicable Final Redemption Terms. See Item 23 of Part A below for details.]
- (D) Equity-Linked and Inflation-Linked Redemption Notes redemption provisions: Final Redemption Terms**
- (Condition 11 of Part 1 of the Terms and Conditions and Section 6 of Part 2 of the Terms and Conditions)
- I Barrier Redemption (Principal at Risk):** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i)(a) Final Redemption Amount will be 100 per cent per Calculation Amount if Relevant Underlying Performance as of the Determination Date is: [greater than] / [greater than or equal to] / [less than] / [less than or equal to] Final Redemption Barrier Value
- (delete as appropriate)*

(i)(b) In all other cases, Final Redemption Amount will be: Determined as set out in Paragraph 1(b) of Section 6 of Part 2 of the Terms and Conditions.

(ii). Determination Date: [date]

(iii). Final Redemption Barrier Value: [[•] / [•] per cent.]

II Lock in Redemption (Principal at Risk) [Applicable / Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i). Final Redemption Amount:

(e) If Relevant Underlying Performance as of any of the Barrier Observation Dates is: [greater than] / [greater than or equal to] / [less than] / [less than or equal to] the Lock in Barrier Value,
100 per cent. per Calculation Amount.

(f) In all other cases: Calculated in accordance with Paragraph 2(b) of Section 6 of Part 2 of the Terms and Conditions.

(ii). Lock in Barrier Value: [[•] / [•] per cent.]

[OR]

Barrier Observation Date	Lock in Barrier Value
In respect of the Barrier Observation Date falling on [date]	[[•] / [•] per cent. of Initial Reference Value]
[...]	[...]
In respect of the Barrier Observation Date falling on [date]	[[•] / [•] per cent.]

(iii). Barrier Observation Dates: [date][, [date].... and [date]]

(iv). Determination Date: [date]

III Barrier & Lock in Redemption (Principal at Risk)

[Applicable / Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i). Final Redemption Amount:

(a) If the Relevant Underlying Performance as of the Determination Date is: [greater than] / [greater than or equal to] / [less than] / [less than or equal to] the Final Redemption Barrier Value,

100 per cent. per Calculation Amount

OR

(b) If the Relevant Underlying Performance as of any of the Barrier Observation Dates is: [greater than] / [greater than or equal to] / [less than] / [less than or equal to] the Lock in Barrier Value,

100 per cent. per Calculation Amount

OR

(c) In all other cases: Calculated in accordance with Paragraph 3(b) of Section 6 of Part 2 of the Terms and Conditions.

(ii). Final Redemption Barrier Value: [[•] / [•] per cent.]

(iii). Lock in Barrier Value: [[•] / [•] per cent.]

[OR]

Barrier Observation Date	Lock in Barrier Value
In respect of the Barrier Observation Date falling on [date]	[[•] / [•] per cent.]
[...]	[...]
In respect of the Barrier Observation Date falling on [date]	[[•] / [•] per cent.]

- (iv). Barrier Observation Dates: [date][, [date].... and [date]]
- (v). Determination Date: [date]
- IV Airbag Barrier Redemption (Principal at Risk)** [Applicable / Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i). Final Redemption Amount:
- (a) If the Relevant Underlying Performance as of the Determination Date is: [greater than] / [greater than or equal to] / [less than] / [less than or equal to] the Final Redemption Barrier Value,
- 100 per cent. per Calculation Amount
- OR
- (b) In all other cases: Calculated in accordance with Paragraph 4(b) of Section 6 of Part 2 of the Terms and Conditions
- (ii). Determination Date: [date]
- (iii). Final Redemption Barrier Value: [[•] / [•] per cent.]
- (iv). Airbag Rate: [•] per cent.
- V Airbag Lock in Redemption (Principal at Risk)** [Applicable / Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i). Final Redemption Amount:
- (a) If Relevant Underlying Performance as of any of the Barrier Observation Dates is: [greater than] / [greater than or equal to] / [less than] / [less than or equal to] the Lock in Barrier Value,
- 100 per cent. per Calculation Amount.
- OR
- (b) In all other cases: Calculated in accordance with Paragraph 5(b) of Section 6 of Part 2 of the Terms and Conditions.
- (ii). Barrier Observation Dates: [date][, [date].... and [date]]

(iii). Lock in Barrier Value: $[[\bullet] / [\bullet] \text{ per cent.}]$

[OR]

Barrier Observation Date	Lock in Barrier Value
In respect of the Barrier Observation Date falling on [date]	$[[\bullet] / [\bullet] \text{ per cent.}]$
[...]	[...]
In respect of the Barrier Observation Date falling on [date]	$[[\bullet] / [\bullet] \text{ per cent.}]$

(iv). Airbag Rate: $[\bullet] \text{ per cent.}$

(v). Determination Date: [date]

VI Airbag Barrier & Lock in Redemption (Principal at Risk) [Applicable / Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i). Final Redemption Amount:

(a) If Relevant Underlying Performance as of the Determination Date is: $[\text{greater than}] / [\text{greater than or equal to}] / [\text{less than}] / [\text{less than or equal to}] \text{ the Final Redemption Barrier Value,}$

100 per cent. per Calculation Amount

OR

(b) If Relevant Underlying Performance as of any of the Barrier Observation Dates is: $[\text{greater than}] / [\text{greater than or equal to}] / [\text{less than}] / [\text{less than or equal to}] \text{ the Lock in Barrier Value,}$

100 per cent. per Calculation Amount

OR

(c) In all other cases: Calculated in accordance with Paragraph 6(b) of Section 6 of Part

2 of the Terms and Conditions

- (ii). Barrier Observation Dates: [date][, [date],... and [date]]
- (iii). Final Redemption Barrier Value: [[•] / [•] per cent.]
- (iv). Lock in Barrier Value: [[•] / [•] per cent.]

[OR]

Barrier Observation Date	Lock in Barrier Value
In respect of the Barrier Observation Date falling on [date]	[[•] / [•] per cent.]
[...]	[...]
In respect of the Barrier Observation Date falling on [date]	[[•] / [•] per cent.]

- (v). Airbag Rate: [•] per cent.
- (vi). Determination Date: [date]

VII Participation (Floored) Redemption (Principal at Risk)

[Applicable / Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i). Final Redemption Amount: Shall be determined in accordance with Paragraph 7 of Section 6 of Part 2 of the Terms and Conditions
- (ii). Floor: [•] per cent.
- (iii). Participation Rate: [•] per cent.
- (iv). Determination Date: [date]

VIII Participation (Conditional Floored) Redemption (Principal at Risk)

[Applicable / Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i). Final Redemption Amount:
- (a) If Relevant Underlying Performance as of any of the Barrier Observation Dates is: [greater than] / [greater than or equal to] / [less than] / [less than or equal to] the Final Redemption Barrier Value,

An amount determined in accordance with Paragraph 8(a) of Section 6 of Part 2 of the Terms and Conditions

OR

- (b) In all other cases: 100 per cent. per Calculation Amount.
- (ii). Final Redemption Barrier Value: [•]

[OR]

Barrier Observation Date	Final Redemption Barrier Value
In respect of the Barrier Observation Date falling on [date]	[[•] / [•] per cent.]
[...]	[...]
In respect of the Barrier Observation Date falling on [date]	[[•] / [•] per cent.]

- (iii). Barrier Observation Dates: [date][, [date].... and [date]]
- (iv). Participation Rate: [•] per cent
- (v). Floor: [•]
- (vi). Determination Date: [date]

IX Participation (Low Barrier) Redemption (Principal at Risk) [Applicable / Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i). Final Redemption Amount:
- (a) If Relevant Underlying Performance as of the Determination Date is: [greater than] / [greater than or equal to] the Final Redemption Barrier Value,
- 100 per cent. per Calculation Amount
- OR
- (b) In all other cases: Calculated in accordance with Paragraph 9(b) of Section 6 of Part 2 of the Terms and Conditions
- (ii). Determination Date: [date]
- (iii). Final Redemption Barrier Value: [[•] / [•] per cent.]
- (Section 2 of Part 2 of the Terms and Conditions)
- (iv). Barrier Percentage: [•] per cent.
- (If Final Redemption Barrier Value is a percentage, specify the same percentage as Barrier Percentage. Otherwise specify the percentage calculated by dividing the Final Redemption Barrier Value by the Initial Reference Value)*

16. **EARLY REDEMPTION PROVISIONS**

Early Redemption: [Applicable / Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

1. **RELEVANT UNDERLYING**

- (A) **Single Share-Linked Redemption Notes, Share Basket-Linked Redemption Notes:** [Applicable/ [In accordance with Item 1. (A) of the Interest Provisions or the Final Redemption Provisions] / Not Applicable]
- (Condition 8) *(If in accordance with Item 1. (A) of the Interest Provisions or the Final Redemption Provisions/not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Whether the Notes relate to a single share or a basket of shares (each an **Underlying Share**): [Single Share-Linked Redemption Notes] / [Share Basket-Linked Redemption Notes]

- (ii) The identity of the relevant issuer(s) (each, an **Underlying Issuer**), class of the Underlying Share and ISINs or other security identification code for the Underlying Share: *(Specify (i) names of each Underlying Issuer (ii) class of each Underlying Share and (iii) ISIN or other security identification code for each Underlying Share)*
- (iii) Exchange[s]: [•] / [All Exchanges]
- (iv) Related Exchange[s]: [•] / [None specified]
- (v) Determination Agent responsible for calculating the Automatic Early Redemption Amount: [•]
- (vi) Determination Time: [•] / As per Condition 9.7
- (vii) Weighting for each Underlying Share comprising the basket: [Not Applicable]

[OR]

Underlying Share	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

- (viii) Additional Disruption Events: [Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging] shall apply
(delete any which are not applicable)
- (ix) Correction Cut Off Time: [•] / within one Settlement Cycle after the original publication and prior to the relevant Interest Payment Date.
(Condition 9.3.2)

- (B) **Single Index-Linked Redemption Notes/ Index Basket-Linked Redemption Notes:** [Applicable/ [In accordance with Item 1. (B) of the Interest Provisions or the Final Redemption Provisions] / Not Applicable]
- (Condition 8) *(If in accordance with Item 1. (B) of the Interest Provisions or the Final Redemption Provisions/not applicable, delete the remaining*

sub-paragraphs of this paragraph)

- (i) Types of Notes: [Single Index-Linked Redemption Notes] / [Index Basket-Linked Redemption Notes]
- (ii) Index / Indices: *(Specify Index for Single Index-Linked Interest Notes, and specify each of Indices for Index Basket-Linked Interest Notes)*
- (iii) Exchange[s]: [Specify Exchange][, which is a Multi Index Exchange].

[OR]

Index	Exchange
[•]	[Specify Exchange][, which is a Multi Index Exchange]
[...]	[...]
[•]	[Specify Exchange][, which is a Multi Index Exchange]

- (iv) Related Exchange[s]: [•] / [None specified]
- (v) Determination Agent responsible for calculating the Automatic Early Redemption Amount: [•]
- (vi) Determination Time: [•] / As per Condition 9.7
- (vii) Weighting for each Index: [Not Applicable]

[OR]

Index	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

- (viii) Additional Disruption Events: [Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging]

shall apply

(delete any which are not applicable)

- (ix) Correction Cut Off Time: [•] / within one Settlement Cycle after the original publication and prior to the relevant Maturity Date
(Condition 9.2.3)

- (C) **Single ETF-Linked Redemption Notes/** [Applicable/ [In accordance with
ETF Basket-Linked Redemption Notes: Item 1. (C) of the Interest
Provisions or the Final Redemption
Provisions] / Not Applicable]

(Condition 8) *(If in accordance with Item 1. (C) of the Interest Provisions or the Final Redemption Provisions/not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Whether the Notes relate to a single [Single ETF-Linked Redemption
ETF Interest or a basket of ETF Notes]
Interests (each, an **ETF Interest**): [ETF Basket-Linked Redemption
Notes]
- (ii) Names of each ETF Interest and the *(specify ETF Interest(s) and ETF(s))*
related ETF (each, an **ETF**):
- (iii) Exchange[s]: [•] / [All Exchanges]
- (iv) Related Exchange[s]: [•] / [None specified]
- (v) Determination Agent responsible [•]
for calculating the Automatic Early
Redemption Amount:
- (vi) Determination Time: [•] / As per Condition 9.7
- (vii) Weighting for each ETF comprising [Not Applicable]
the basket:

[OR]

ETF Interest	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

- (viii) Eligible ETF Interest: *[specify or delete if not applicable or fallback provisions in Condition 9.5 apply]*

(ix) Additional Disruption Events: [Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging] shall apply

(delete any which are not applicable)

(x) Correction Cut Off Time: [•] / within one Settlement Cycle after the original publication and prior to the relevant Interest Payment Date
(Condition 9.3.2)

(D) Inflation-Linked Redemption Notes [Applicable/ [In accordance with Item 1. (D) of the Interest Provisions or the Final Redemption Provisions] / Not Applicable]

(Condition 8) *(If in accordance with Item 1. (D) of the Interest Provisions or the Final Redemption Provisions/not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Inflation Index / Inflation Indices: [•]

(ii) Inflation Index Sponsor(s): [•]

(iii) Weighting for each Inflation Index comprising the basket: [Not Applicable]

[OR]

Inflation Index	Weighting
[•]	[•]
[...]	[...]
[•]	[•]

(iv) Party responsible for calculating the Automatic Early Redemption Amount (if not the Calculation Agent): [•]

(v) Additional Disruption Events: [Change in Law, Hedging Disruption, and Increased Cost of Hedging] shall apply

(delete any which are not applicable)

(vi) Related Bond: [specify] / [Fallback Bond] /

[Fallback Bond: Not Applicable][

- | | | | |
|-------|----------------------------|------------|---|
| (vii) | Index Level
Correction: | Adjustment | [The first publication or announcement of the level of the Inflation Index (disregarding estimates) by the relevant Inflation Index Sponsor for any Reference Month shall be final and conclusive and, subject to this Condition 10, later revisions to the level of the Inflation Index for such Reference Month will not be used in any calculations / The first publication or announcement of a level of the Inflation Index (disregarding estimates) published by the relevant Index Sponsor or, if revised, any subsequent revision of such level for a Reference Month shall be final and conclusive for such Reference Month, provided that such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Maturity Date, Early Redemption Date or Automatic Early Redemption Date]. |
|-------|----------------------------|------------|---|

(delete as appropriate)

2. PERFORMANCE OF RELEVANT UNDERLYING

- | | | |
|-----|--|---|
| (A) | Performance Determination Terms for Notes linked to a single Share, Index, ETF Interest or Inflation Index:

(for determining "Relevant Underlying Performance" as of each Automatic Early Redemption Valuation Date for Early Redemption Terms) | [Not Applicable] / [In accordance with Item 2. (A) of the Interest Provisions or the Final Redemption Provisions] [Basic Performance] / [Capped Performance] / [Floored Performance] / [Capped & Floored Performance] / [Absolute Basic Performance] / [Absolute Capped Performance] / [Absolute Floored Performance] / [Absolute Capped & Floored Performance] |
|-----|--|---|

(If not applicable, delete the remaining sub-paragraphs of this paragraph / if in accordance with Item 2. (A) of the Interest Provisions, only maintain the following item : the references to the interest determination dates should be replaced by the Determination Date / if in accordance with Item 2. (A) of the Final Redemption Provisions, only maintain the following item: the

references to the Performance Observation Date(s) should be replaced by a reference to Automatic Early Redemption Valuation Date)

(i). Performance Rate: [•] per cent.

[OR]

Automatic Early Redemption Valuation Date	Performance Rate
In respect of the Automatic Early Redemption Valuation Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Automatic Early Redemption Valuation Date falling on [date]	[•] per cent.

(ii). Initial Reference Value: [•] / [Determined in accordance with the Value Determination Terms specified below]

(iii). **Value Determination Terms** for Initial Reference Value:
(Section 2 of Part 2 of the Terms and Conditions)

[Not Applicable] / [Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

• Reference Month: [•]

(specify if Notes are Inflation-Linked Notes otherwise delete this

provision)

- Averaging Dates in relation to the Strike Date: [date][, [date].... and [date]]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Averaging Date Disruption: [Omission] / [Postponement] / [Modified Postponement]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Value Observation Dates in relation to the Strike Date: [date][, [date].... and [date]]

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

- Floor Value: [•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

- Global Floor Value: [•]

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value: [•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected,

otherwise delete this provision)

- (iv). **Value Determination Terms** for Final Reference Value as of each Automatic Early Redemption Valuation Date:

(Section 2 of Part 2 of the Terms and Conditions)

[Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]

- Reference Month:

(specify if Notes are Inflation-Linked Notes otherwise delete this provision)

Automatic Early Redemption Valuation Date	Reference Month
[•]	[•]
[...]	[...]
[•]	[•]

- Averaging Dates in relation to each Automatic Early Redemption Valuation Date:

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

Automatic Early Redemption Valuation Date	Averaging Dates
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Averaging Date Disruption:

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

[Omission] / [Postponement] / [Modified Postponement]

- Value Observation Dates in relation to each Automatic Early Redemption Valuation Date:

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

Automatic Early Redemption Valuation Date	Value Observation Dates
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Floor Value:

[•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

- Global Floor Value:

[•]

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value:

[•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value:

[•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

- (v). Cap:

[•] per cent.

(specify if Capped Performance / Capped & Floored Performance / Absolute Capped Performance / Absolute Capped & Floored Performance is selected, otherwise delete this provision)

- (vi). Floor:

[•] per cent.

(specify if Floored Performance /

*Capped & Floored Performance /
Absolute Floored Performance /
Absolute Capped & Floored
Performance is selected, otherwise
delete this provision)*

**(B) Selected Average Performance
Determination Terms for Notes
linked to a Basket:**

**(for determining "Relevant
Underlying Performance" as of
each Automatic Early
Redemption Valuation Date for
Early Redemption Terms)**

[Not Applicable] / [In accordance
with Item 2.(B) of the Interest
Provisions or the Final Redemption
Provision] / [Selected Average
Basic Performance] / [Selected
Average Individually Capped
Performance] / [Selected Average
Individually Floored Performance] /
[Selected Average Individually
Capped & Floored Performance] /
[Selected Average Global Capped
Performance] / [Selected Average
Global Floored Performance] /
[Selected Average Global Capped &
Floored Performance] / [Selected
Absolute Average Basic
Performance] / [Selected Absolute
Average Individually Capped
Performance] / [Selected Absolute
Average Individually Floored
Performance] / [Selected Absolute
Average Individually Capped &
Floored Performance] / [Selected
Absolute Average Global Capped
Performance] / [Selected Absolute
Average Global Floored
Performance] / [Selected Absolute
Average Global Capped & Floored
Performance] / [Best of – Non
Equally Weighted Average
Performance] / [Worst of – Non
Equally Weighted Average
Performance] / [Selection of – Non
Equally Weighted Average
Performance]

*(If not applicable, delete the
remaining sub-paragraphs of this
paragraph / if in accordance with
Item 2. (B) of the Interest
Provisions, only maintain the
following item : the references to
the interest determination dates
should be replaced by the
Determination Date / if in
accordance with Item 2. (B) of the
Final Redemption Provisions, only
maintain the following item: the
references to the Performance*

Observation Date(s) should be replaced by a reference to Automatic Early Redemption Valuation Date)

(i). Performance Rate:

[•]

[OR]

Automatic Early Redemption Valuation Date	Performance Rate
In respect of the Automatic Early Redemption Valuation Date falling on [date]	[•] per cent.
[...]	[...]
In respect of the Automatic Early Redemption Valuation Date falling on [date]	[•] per cent.
Basket Component	Initial Reference Value
[•]	[•] / [Determined in accordance with the Value Determination Terms specified below]
[•]	[•] / [Determined in accordance with the Value Determination Terms specified below]

(ii). Initial Reference Value:

[•]	[•] / [Determined in accordance with the Value Determination Terms specified below]
-----	--

(iii). **Value Determination Terms** for
Initial Reference Value:

(Section 2 of Part 2 of the Terms
and Conditions)

[Not Applicable] / [Closing Value] /
[Average Value] / [Min Value] /
[Max Value] / [Floored Min Value]
/ [Capped Max Value] /
[Individually Floored Average
Value] / [Individually Capped
Average Value] / [Globally Floored
Average Value] / [Globally Capped
Average Value]

*(If not applicable, delete the
remaining sub-paragraphs of this
paragraph)*

- Reference Month:

[•]

*(specify if Notes are Inflation-
Linked Notes otherwise delete this
provision)*

- Averaging Dates in relation to
Strike Date:

[date][, [date].... and [date]]

*(specify if Average Value /
Individually Capped Average Value
/ Individually Floored Average
Value / Globally Floored Average
Value / Globally Capped Average
Value is selected, otherwise delete
this provision)*

- Averaging Date Disruption:

[Omission] / [Postponement] /
[Modified Postponement]

*(specify if Average Value /
Individually Capped Average Value
/ Individually Floored Average
Value / Globally Floored Average
Value / Globally Capped Average
Value is selected, otherwise delete
this provision)*

- Value Observation Dates in
relation to the Strike Date:

[date][, [date].... and [date]]

(specify if Min Value / Max Value /

Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

- Floor Value: [•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

- Global Floor Value: [•]

(specify if Globally Floored Average Value is selected, otherwise delete this provision)

- Cap Value: [•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

- (iv). **Value Determination Terms** for Final Reference Value as of each Automatic Early Redemption Valuation Date:

(Section 2 of Part 2 of the Terms and Conditions)

[Closing Value] / [Average Value] / [Min Value] / [Max Value] / [Floored Min Value] / [Capped Max Value] / [Individually Floored Average Value] / [Individually Capped Average Value] / [Globally Floored Average Value] / [Globally Capped Average Value]

- Reference Month:
(specify if Notes are Inflation-Linked Notes otherwise delete this provision)

Automatic Early Redemption Valuation Date	Reference Month
[•]	[•]
[...]	[...]
[•]	[•]

- Averaging Dates in relation to each Automatic Early Redemption Valuation Date:

Automatic Early Redemption	Averaging Dates

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

Valuation Date	
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Averaging Date Disruption:

[Omission] / [Postponement] / [Modified Postponement]

(specify if Average Value / Individually Capped Average Value / Individually Floored Average Value / Globally Floored Average Value / Globally Capped Average Value is selected, otherwise delete this provision)

- Value Observation Dates in relation to each Automatic Early Redemption Valuation Date:

(specify if Min Value / Max Value / Floored Min Value or Capped Max Value is selected, otherwise delete this provision)

Automatic Early Redemption Valuation Date	Averaging Dates
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]
[date]	[date][, [date].... and [date]]

- Floor Value:

[•]

(specify if Floored Min Value / Individually Floored Average Value is selected, otherwise delete this provision)

- Global Floor Value:

[•]

(specify if Globally Floored Average Value is selected,

otherwise delete this provision)

- Cap Value: [•]

(specify if Capped Max Value / Individually Capped Average Value is selected, otherwise delete this provision)

- Global Cap Value: [•]

(specify if Globally Capped Average Value is selected, otherwise delete this provision)

(v). Cap: [Not Applicable]

[OR]

[•] per cent.

[OR]

(specify if Selected Average Individually Capped Performance / Selected Average Individually Capped & Floored Performance / Selected Average Global Capped Performance / Selected Average Global Capped & Floored Performance / Selected Absolute Average Individually Capped Performance / Selected Absolute Average Individually Capped & Floored Performance / Selected Absolute Average Global Capped Performance / Selected Absolute Average Global Capped & Floored Performance is selected, otherwise specify "Not Applicable")

Basket Component	Cap
[•]	[•]
[•]	[•]
[•]	[•]

(vi). Floor: [Not Applicable]

[OR]

[•] per cent.

[OR]

(specify if Selected Average Individually Floored Performance / Selected Average Individually Capped & Floored Performance / Selected Average Global Floored Performance / Selected Average

Basket Component	Floor
[•]	[•]

Global Capped & Floored Performance / Selected Absolute Average Individually Floored Performance / Selected Absolute Average Individually Capped & Floored Performance / Selected Absolute Average Global Floored Performance / Selected Absolute Average Global Capped & Floored Performance is selected, otherwise specify "Not Applicable")

[•]	[•]
[•]	[•]

(vii). Selected Basket Components:

For the purposes of determining the Selected Basket Component, "J" = [number], [number]... and [number]

[insert number assigned to "J", where "J" is a number from 1 to N denoting one of the Basket Components numbered in order according to the respective values for each Basket Component determined by dividing the Closing Value for such Basket Component by its Initial Reference Value, starting with the Basket Component with the highest such value (Basket Component 1) and ending with the Basket Component with the lowest such value (Basket Component N), "N" being the total number of Basket Components]

(viii). Relevant Weighting or W_i

[Not Applicable] [OR]

(specify if Best of – Non Equally Weighted Average Performance / Worst of – Non Equally Weighted Average Performance / Selection of - Non Equally Weighted Average Performance is selected, otherwise specify "Not Applicable")

W_i	Basket Component
[•]	[•]
[...]	[...]
[•]	[•]

3. DETERMINATION OF EARLY REDEMPTION

Early Redemption Terms

(Condition 11 of Part 1 of the Terms and Conditions and Section 5 of Part 2 of the Terms and Conditions)

I	Barrier Automatic Early Redemption	[Applicable/Not Applicable]
	<i>(Section 5 of Part 2 of the Terms & Conditions)</i>	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i).	Automatic Early Redemption Event is deemed to occur if the Relevant Underlying Performance as of any Automatic Early Redemption Valuation Date is:	[greater than] / [greater than or equal to] / [less than] / [less than or equal to] the Autocall Barrier Value <i>(Delete as appropriate)</i>
(ii).	Automatic Early Redemption Valuation Date:	[date], [date], ... and [date]
(iii).	Autocall Barrier Value:	[[•] / [•] per cent. of Initial Reference Value]
(iv).	Automatic Early Redemption Amount:	Autocall Early Redemption Rate x Calculation Amount
(v).	Autocall Early Redemption Rate:	[•] per cent. in respect of <i>[insert relevant Automatic Early Redemption Valuation Date]</i>]; [•] per cent. in respect of <i>[insert relevant Automatic Early Redemption Valuation Date]</i> [•] per cent. in respect of <i>[insert relevant Automatic Early Redemption Valuation Date]</i>]
(vi).	Automatic Early Redemption Date(s):	[[] Scheduled Trading Days after [each] Automatic Early Redemption Valuation Date]
II	Automatic Early Redemption	[Applicable/Not Applicable]
	<i>(Condition 11.11)</i>	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i).	Automatic Early Redemption Event is deemed to occur if the Relevant Underlying Performance as of any Automatic Early Redemption	[greater than] / [greater than or equal to] / [less than] / [less than] / [less than or equal to] the Automatic

Valuation Date is:

Early Redemption Level

(ii). Automatic Early Redemption Level: [•]

(iii). Determination Time: [•]

OR

Automatic Early Redemption Valuation Date	Determination Time
In respect of the Automatic Early Redemption Valuation Date falling on [date]	[•]
[...]	[...]
In respect of the Automatic Early Redemption Valuation Date falling on [date]	[•]

(iv). Automatic Early Redemption Valuation Date: [date], [date], ... and [date]

(v). Automatic Early Redemption Amount: [[•] per Calculation Amount] / [According to Condition 11.11]

(vi). Automatic Early Redemption Rate: [[•] per cent.] / [100 per cent.]

(vii). Automatic Early Redemption Date(s): [[] Scheduled Trading Days after [each] Automatic Early Redemption Valuation Date]

III Early Redemption Amount upon Event of Default

(Condition 14)

(i). Early Redemption Amount for the purposes of Condition 14: [Par Redemption] / [Qualified Financial Institution Determination]

(delete as appropriate)

IV Tax Redemption

(Condition 11.2)

- (i) Amount at which the Notes will be redeemed at the option of the Issuer under Condition 11.2 [Par Redemption] / [Qualified Financial Institution Determination]

(delete as appropriate)

V Early Redemption of Zero Coupon Notes:

[Applicable] / [Not Applicable]

(Condition 11.8)

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i). Early Redemption Amount: [[•] per Calculation Amount] / [According to Condition 11.8]
- (ii). Accrual Yield: [•] per cent.
- (iii). Reference Price: [•]
- (iv). Day Count Fraction: [Actual/Actual; Actual/365 (Fixed); Actual/360; 30/360; 30E/360/Eurobond Basis; 30/360E (ISDA); Actual/Actual (ICMA)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

17. Form of Notes: Dematerialised Notes
(Condition 3) [Bearer dematerialised form (*au porteur*) / [fully/administered] Registered dematerialised form (*au nominatif [pur/administré]*)]
18. Exchange Rate Agent: [specify] / [Morgan Stanley & Co. International plc]
(Condition 12.2)
19. Registration Agent [Not Applicable/give details]
(Note that a Registration Agent can only be appointed for Notes in registered dematerialised form (*au nominatif*))
20. Additional Business Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
21. Payment Business Day or other special provisions relating to Payment Business Days:¹² [Following Business Day Convention] / [Modified Following Business Day Convention] /

¹² Amend "Payment Business Day" definition if payment is to be made on 25 December as Euroclear and Clearstream, Luxembourg do not settle payments on such day.

Modified Business Day Convention] / [Preceding Business Day Convention] / [No Adjustment / Unadjusted]

(Delete as appropriate)

22. Redenomination provisions: [Not Applicable/The provisions in Condition 23 apply]

23. Taxation: Implementation of Financial Transaction Tax Event is [Applicable] / [Not Applicable]

24. Representation of Noteholders/Masse: (Condition 18) [Applicable / Not Applicable / Condition 18 replaced by the full provisions of French *Code de commerce* relating to the Masse]

[Name and address of the Representative]

[Remuneration of the Representative]

(Note that: (i) in respect of any Tranche of Notes issued outside France within the meaning of L. 228-90 of the French Code de commerce, Condition 18 may be waived, amended or supplemented, and (ii) in respect of any Tranche of Notes issued inside France, Condition 18 must be waived in its entirety and replaced by the provisions of the French Code de commerce relating to the Masse. If Condition 18 (as it may be amended or supplemented) applies or if the full provisions of the French Code de commerce apply, insert details of Representative and alternate representative and remuneration, if any).

25. (i) If syndicated, names [and addresses]¹³ of Managers [and underwriting commitments]¹⁴; and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not [Not Applicable/give names[, addresses and underwriting commitments]] [(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis.)]

¹³ Delete for Notes with a denomination per Note of EUR 100,000 or more.

¹⁴ Delete for Notes with a denomination per Note of EUR 100,000 or more.

the same as the Managers.))]¹⁵

- (ii) [Date of [Subscription] Agreement: [•]]¹⁶
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
26. If non-syndicated, name [and address]¹⁷ of Dealer: [Not Applicable/*give name [and address]*]¹⁸
27. Non-exempt offer: [Not applicable] [An offer of the Notes may be made by the Managers [and [*specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) - which must be jurisdictions where the Base Prospectus and any supplements have been passported*] (**Public Offer Jurisdictions**) during the period from [*specify date*] until [*specify date*] (**Offer Period**). See further paragraph 10 of Part B below.
28. [Total commission and concession: [•] per cent. of the Aggregate Nominal Amount]¹⁹

¹⁵ Delete for Notes with a denomination per Note of EUR 100,000 or more.

¹⁶ Delete for Notes with a denomination per Note of EUR 100,000 or more.

¹⁷ Delete for Notes with a denomination per Note of EUR 100,000 or more.

¹⁸ Delete for Notes with a denomination per Note of EUR 100,000 or more.

¹⁹ Delete for Notes with a denomination per Note of EUR 100,000 or more.

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading in [specify relevant regulated market]] of the Notes described herein pursuant to the Programme for the Issuance of Notes of [Morgan Stanley/MSIP/MSBV]

RESPONSIBILITY

The Issuer accept[s] responsibility for the information contained in these Final Terms. [The Guarantor[s] accept[s] responsibility for the information contained in these Final Terms relating to [itself / themselves] and [its /their] guarantee of MSBV's obligations under the Notes]. [(*Relevant third party information*) has been extracted from [•] (*specify source*)]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:
Duly authorised

[Signed on behalf of the Guarantor[s]²⁰:

By:
Duly authorised]²¹

²⁰ To be included in the case of a public offer in France of Notes issued by MSBV

²¹ To be included if the Notes are issued by MSBV

PART B – OTHER INFORMATION

PART B – OTHER TERMS

1. LISTING

Listing and admission to Trading: [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Paris]/[●] with effect from [●].]

[Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading.]

[Last day of Trading: [●]]

[Estimate of total expenses related to admission to trading: [●]]²²

2. RATINGS

Ratings: The Notes to be issued [have been]/[are expected to be] rated:

[S & P: [●]]

[Moody's: [●]]

[Fitch: [●]]

[[Other]: [●]]

[Option 1

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**).

Option 2

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not registered under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**).

Option 3

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as

²² Delete for Notes with a denomination per Note of less than EUR 100,000.

amended (the **CRA Regulation**).

Option 4

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**).]²³

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]²⁴

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[The Notes will not be rated].

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in [*Subscription and Sale*], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer".]

(*When adding any other description, consideration should be given as to whether the new matters described constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES²⁵**

[(i) Reasons for the [•]
offer:

(Indicate reasons for offer if different from making profit and/or hedging.)

[(ii) Estimated net [•]
proceeds:

(If proceeds are intended for more than one use, will need to split out and present in order of priority. If

²³ Edit and delete options as appropriate for the relevant rating agency/agencies providing the rating(s).

²⁴ Delete for Notes with a denomination per Note of EUR 100,000 or more.

²⁵ Delete for Notes with a denomination per Note of EUR 100,000 or more.

proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses: [●]

[Include breakdown of expenses.]

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

5. **[Fixed Rate Notes only – YIELD]**

Indication of yield: [●]

[(Only applicable for offers to the public in France) [yield gap of [●] per cent. in relation to tax free French government bonds (*obligations assimilables au Trésor* (OAT)) of an equivalent duration.]]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Floating Rate Notes only - HISTORIC INTEREST RATES]**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]²⁶

7. **THE NOMINAL INTEREST RATE AND PROVISIONS RELATING TO INTEREST PAYMENT**

The date from which interest becomes payable and the due dates for interest: [●]/Not Applicable

The time limit on the validity of claims to interest and repayment of principal: [●]/Not Applicable

Where the rate is not fixed, a statement setting out the type of underlying and a description of the underlying on which it is based and of the method used to relate the underlying and the rate and an indication where information about the past and the further performance [●]/Not Applicable

²⁶ Delete for Notes with a denomination per Note of EUR 100,000 or more.

of the underlying and its volatility can be obtained:

A description of any market disruption or settlement disruption events that affect the underlying: [See Condition 16]

Adjustment rules with relation to events concerning the underlying: [•]/Not Applicable

Name of the calculation agent: [•]/Not Applicable

If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident: [•]/Not Applicable

8. **[Index-Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/ [EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS] ²⁷ AND OTHER INFORMATION CONCERNING THE UNDERLYING**

[Need to include details of where past and future performance and volatility of the index/equity/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.] [Where the underlying is an Index or Inflation Index need to include the name of the Index or Inflation Index.] [Where the underlying is a Share or ETF Interest include name of issuer of such Share or ETF Interest and ISIN or other relevant identification number of such underlying.] [Where the underlying is an Index or Inflation Index need to include the name of the Index or Inflation Index and an indication of where to obtain information about the Index or Inflation Index] [Where the underlying is a Share or ETF Interest include name of issuer of such Share or ETF Interest and ISIN or other relevant identification number of such underlying.]

[When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive]

²⁷ Delete for Notes with a denomination per Note of EUR 100,000 or more.

The Issuer does not intend to provide post-issuance information.

9. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

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

Delivery: Delivery [against/free of] payment

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

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

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

10. **TERMS AND CONDITIONS OF THE OFFER²⁸**

Total amount of issue/offer: [•]

If the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer. [•]

Conditions to which the offer is subject: [Not Applicable/ Offers of the Notes are conditional upon their issue]

The time period, including any possible amendments, during which the offer will be open and description of the application process: [Not Applicable/*give details*]

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/*give details*]

²⁸ Delete for Notes with a denomination per Note of EUR 100,000 or more.

Details of the minimum and/or maximum amount of application (whether in number of securities or aggregate amount to invest):	[Not Applicable/ <i>give details</i>]
Details of the method and time limited for paying up and delivering the Notes:	[Not Applicable/ <i>give details</i>]
Manner in and date on which results of the offer are to be made public:	[Not Applicable/ <i>give details</i>]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/ <i>give details</i>]
If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche:	[Not Applicable/ Offers may be made by Offerors authorised to do so by the Issuer in <i>[insert jurisdiction where the Base Prospectus has been approved and published and jurisdictions into which it has been passported]</i> to any person <i>[insert suitability criteria, if any are deemed appropriate, pursuant to any applicable conduct of business rules]</i> . In other EEA countries, offers will only be made pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus.]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/ <i>give details</i>]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/ <i>give details</i>]
Issuer's consent to use Base Prospectus during the offer period:	[•]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[Not Applicable/ <i>Name(s) and address(es) of placer(s) which satisfy the conditions included in "Conditions linked to Issuer's consent to use Base Prospectus" below</i>]
Conditions linked to Issuer's consent to use Base Prospectus	[•]

11. **PLACING AND UNDERWRITING**

Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place: [•]

Name and address of any paying agents and depository agents in each country: [•]

Entities agreeing to underwrite the issue on a firm commitment basis, and entities agreeing to place the issue without a firm commitment or under "best efforts" agreements. Where not all of the issue is underwritten, a statement of the portion not covered: [•]

12. **OTHER MARKETS**

All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of securities to be offered or admitted to trading are already admitted to trading: [[•]/None]

ISSUE – SPECIFIC SUMMARY

*This summary relates to [description of the Notes issued] described in the final terms (the **Final Terms**) to which this summary is attached. This summary includes information contained in the summary of the Base Prospectus related to the Notes together with the relevant information from the Final Terms. Words and expressions which are defined in the Base Prospectus and the Final Terms shall have the same meanings where used in the following summary.*

*This summary should be read as introduction to the Base Prospectus and the Final Terms (together the **Prospectus**) and is provided in order to aid investors when considering whether to invest in the Notes, but it does not replace the Prospectus. Any decision to invest in the Notes should be based on consideration of the Prospectus as a whole by the investor, including documents incorporated by reference.*

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

		Section A – Introduction and Warnings
A.1	Introduction:	<p>Please note that:</p> <ul style="list-style-type: none"> • this summary should be read as an introduction to the Base Prospectus; • any decision to invest in the Notes should be based on consideration of the Base Prospectus and the Final Terms as a whole by the investor; • where a claim relating to the information contained in the Base Prospectus and the Final Terms is brought before a court, the investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated; and • civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus and the Final Terms, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent:	<ul style="list-style-type: none"> • [The [Issuer/and the Guarantor[s]] consent[s] to the use of the Base Prospectus in connection with a Non-exempt Offer by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC)/any additional financial intermediaries after the date of the Final Terms and, if they do so will publish the above information in relation to them on www.morganstanleyiq.eu.] • The Offer Period during which offers can be made is [•]. The Member States in which financial intermediaries may use the Base Prospectus in connection with an offer are as follows: [•]. List and identity (name and address to be specified) of the financial intermediary or intermediaries

		<p>that is/are allowed to use the Base Prospectus.</p> <ul style="list-style-type: none"> The conditions attached to the consent which are relevant to the use of this Base Prospectus are as follows: [•]. An investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocation, settlement arrangements and any expenses or taxes to be charged to the investor (the Terms and Conditions of the Non-exempt Offer). Neither the Issuers nor the Guarantor[s] will be a party to any such arrangements with Investors (other than the Distribution Agent) in connection with the offer or sale of the Notes and, accordingly, the Base Prospectus and the Final Terms will not contain such information. The Terms and Conditions of the Non-exempt Offer shall be published by that Authorised Offeror on its website at the relevant time. None of the Issuers, the Guarantor[s], the Distribution Agent or other Authorised Offerors has any responsibility or liability for such information.
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		Section B – Issuer [and Guarantor[s]]
B.1	Legal name and commercial name of the Issuers:	<p>[Morgan Stanley (Morgan Stanley)]</p> <p>[Morgan Stanley & Co. International plc (MSIP)]</p> <p>[Morgan Stanley B.V. (MSBV)]</p> <p>Morgan Stanley [and MSIP] will be the guarantor[s] of Notes issued by MSBV (the Guarantor[s]).]</p>
B.2	Domicile and legal form of the Issuers, the legislation under which the Issuers operate and its country of incorporation:	<p>[Morgan Stanley was incorporated under the laws of the State of Delaware in 1981 and its predecessor companies date back to 1924. In September 2008, it became a bank holding company and a financial holding company under the BHC Act. 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.]</p> <p>[MSIP was incorporated in England and Wales with registered number 2068222 on 28 October 1986. MSIP was incorporated as a company limited by shares under the Companies Act 1985 and operates under the Companies Act 2006. MSIP was re-registered as a public limited company on 13 April 2007. MSIP'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.]</p> <p>[MSBV was incorporated as a private company with limited liability (<i>besloten vennootschap met beperkte aansprakelijkheid</i>) under the laws of The Netherlands on 6 September 2001 for an unlimited duration. MSBV is registered at the commercial register of the Chamber of Commerce and Industries (<i>Kamer van Koophandel</i>) for Amsterdam under number 34161590. It has its corporate seat at Amsterdam, The Netherlands and its offices are located at Luna Arena, Herikerbergweg 238, 1101 CM, Amsterdam, The Netherlands. Its telephone number is +31 20 57 55 600. MSBV is incorporated under, and subject to, the</p>

		laws of The Netherlands.										
B.4b	Trends:	[Morgan Stanley's business [, the ultimate holding company of [MSI plc] / [MSBV],] may be 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 continue to 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 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, 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; its reputation; inflation, natural disasters, and acts of war or terrorism; the actions and initiatives of current and potential competitors, as well as governments, regulators and self-regulatory organizations; the effectiveness of its risk management policies; and technological changes and risks, including cybersecurity 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.]										
B.5	The group and the Issuers' position within the group:	<p>MSIP forms part of a group of companies including MSIP and all of its subsidiary and associated undertakings (MSIP Group).</p> <p>MSIP's ultimate U.K. parent undertaking is Morgan Stanley International Limited and MSIP's ultimate parent and controlling entity is Morgan Stanley, which, together with MSIP and Morgan Stanley's other consolidated subsidiaries, form the Morgan Stanley Group.</p> <p>MSBV has no subsidiaries. It is ultimately controlled by Morgan Stanley.</p> <p>Morgan Stanley is the ultimate parent undertaking of the Morgan Stanley Group.</p>										
B.9	Profit Forecast:	<p>[Not Applicable. Morgan Stanley does not provide profit forecasts.]</p> <p>[Not Applicable. MSIP does not provide profit forecasts.]</p> <p>[Not Applicable. Morgan Stanley and MSBV do not provide profit forecasts.]</p>										
B.10	Audit Report Qualifications:	<p>[Not Applicable. There are no qualifications in MSIP's accounts for the years ended 31 December 2012 and 31 December 2013.]</p> <p>[Not Applicable. There are no qualifications in the financial statements of MSBV for the years ended 31 December 2012 and 31 December 2013.]</p> <p>[There are no qualifications in the consolidated statement of financial condition of Morgan Stanley as of 31 December 2012 or 31 December 2013.]</p>										
B.12	Selected Historical Key Financial Information:	<div><div>Selected key financial information relating to Morgan Stanley:</div><table><tr><td>Balance Sheet (\$ in millions)</td><td>31 Dec 2012</td><td>31 Dec 2013</td><td colspan="2">30 September</td></tr><tr><td></td><td></td><td></td><td>2013</td><td>2014</td></tr></table></div>	Balance Sheet (\$ in millions)	31 Dec 2012	31 Dec 2013	30 September					2013	2014
Balance Sheet (\$ in millions)	31 Dec 2012	31 Dec 2013	30 September									
			2013	2014								

		<table><tr><td>Total assets</td><td>780,960</td><td>832,702</td><td>832,223</td><td>814,511</td></tr><tr><td>Total liabilities, redeemable noncontrolling interests and equity</td><td>780,960</td><td>832,702</td><td>832,223</td><td>814,511</td></tr></table>	Total assets	780,960	832,702	832,223	814,511	Total liabilities, redeemable noncontrolling interests and equity	780,960	832,702	832,223	814,511																																																																	
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B.13	Recent Events materially relevant to evaluation of solvency:	Not Applicable. [Morgan Stanley/MSIP/MSBV and Morgan Stanley] consider[s] that no event relevant to the evaluation of [its/their] solvency has taken place since the publication of [its/their] last [interim/quarterly/annual] financial statements.																				
B.14	Dependence upon other entities within the group:	<p>[See Element B.5 for the group and the Issuers' position within the group.]</p> <p>[Morgan Stanley is a holding company and depends on payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations.]</p> <p>[MSIP's ultimate parent undertaking and controlling entity is Morgan Stanley. There are substantial inter-relationships between MSIP 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 MSIP, as well as common or shared business or operational platforms or systems, including employees.]</p> <p>[MSBV is ultimately controlled by Morgan Stanley.]</p>																				
B.15	The Issuers' [and [Guarantor's / Guarantors'] Principal Activities:	<ul style="list-style-type: none">[The principal activity of the MSIP Group is the provision of financial services to corporations, governments and financial institutions. MSIP operates globally. It operates branches in the Dubai International Financial Centre, France, Korea, the Netherlands, New Zealand, Poland, the Qatar Financial Centre and Switzerland.][MSBV's principal activity is the issuance of financial instruments and the hedging of obligations arising pursuant to such issuances.][Morgan Stanley, a financial holding company, is a global financial services firm that, 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. It maintains significant market positions in each of its business segments — Institutional Securities, Wealth Management and Investment Management.]																				
B.16	Controlling	<ul style="list-style-type: none">[MSI plc is owned directly by Morgan Stanley UK Group (70% holding), Morgan Stanley Services (UK) Limited (10% holding),																				

	Persons:	<p>Morgan Stanley Finance Limited (10% holding) and Morgan Stanley Strategic Funding Limited (10% holding) and is ultimately controlled by Morgan Stanley.]</p> <ul style="list-style-type: none"> • [MSBV is ultimately controlled by Morgan Stanley.] • [Morgan Stanley is a publicly-held company listed on the New York Stock Exchange and not directly or indirectly owned or controlled by an shareholder or any affiliated group of shareholders.]
B.17	Credit Ratings:	<p>As of the date of this Base Prospectus, Morgan Stanley's short-term and long-term debt has been respectively rated (i) R-1 (middle) and A (high), with a stable outlook, by DBRS, Inc. (DBRS), (ii) F1 and A, with a stable outlook, by Fitch Ratings, Inc. (Fitch), (iii) P-2 and Baa2, with a positive outlook, by Moody's Investors Service, Inc. (Moody's), (iv) a-1 and A, with a negative outlook, by Ratings and Investment Information Inc. (R&I) and (v) A-2 and A-, with a negative outlook, by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services (S&P).</p> <p>MSIP's short-term and long-term debt has been respectively rated (i) P-2 and A3, with a stable outlook, by Moody's and (ii) A1 and A, with a negative outlook, by S&P.</p> <p>MSBV is not rated.</p> <p>DBRS is not established in the EEA but the ratings it has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited, a rating agency 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 (the CRA Regulation) by the relevant competent authority and is included in the list of credit rating agencies published by the European Securities and Market Authority (ESMA) on its website (www.esma.europa.eu) in accordance with the CRA Regulation.</p> <p>Fitch is not established in the EEA but the ratings 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 and is included in the list of credit rating agencies published by ESMA.</p> <p>Moody's is not established in the EEA but the ratings it has assigned to Morgan Stanley and MSIP is endorsed by Moody's Investors Service Limited and Moody's Deutschland GmbH, both rating agencies established in the EEA and registered under the CRA Regulation by the relevant competent authorities and are included in the list of credit rating agencies published by ESMA.</p> <p>R&I is not incorporated in the EEA and is not registered under the CRA Regulation in the EU.</p> <p>S&P is not established in the EEA but the ratings it has assigned to Morgan Stanley and MSIP is 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 and is included in the list of credit rating agencies published by ESMA.]</p> <p>[The Notes are [not rated][rated [•] by [•]]]</p> <p>[[Insert name(s) of rating agency(ies)] [is/are] [not] established in the European Union and registered under Regulation (EU) No. 1060/2009 as amended (the CRA Regulation) and [is/are] [not] included in the list of registered credit rating agencies published on the website of the European Securities and Markets</p>

		<p>Authority (www.esma.europa.eu).</p> <p><i>[Insert name(s) of rating agency(ies)]</i> [is/are] not established in the European Union but the rating it has given to the Notes is endorsed by <i>[insert legal name of credit rating agency]</i>, which is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the CRA Regulation).</p> <p><i>[Insert name(s) of rating agency(ies)]</i> [is/are] not established in the EEA but [is/are] certified under Regulation (EU) No 1060/2009, as amended (the CRA Regulation).]</p> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.]</p>
B.18	[Nature and scope of the Guarantee[s]:	[The payment of all amounts due in respect of Notes issued by MSBV will be unconditionally and irrevocably guaranteed by Morgan Stanley [and MSIP] pursuant to a guarantee dated as of [1 December 2011 / 22 April 2014.]] [Payment of amounts due in respect of MSIP Notes is not guaranteed by Morgan Stanley.]
B.19	[Information about the Guarantor[s]:	See Elements in Section B in relation to the Guarantor[s], Morgan Stanley and MSIP.]

		Section C - The Notes
C.1	Type and class of the Notes and ISIN number:	<p>The Notes constitute obligations under French law.</p> <p><i>[The Notes are issued as Series number [●], Tranche number [●].]</i></p> <p>The Notes will be issued outside the United States in dematerialised form, [in bearer dematerialised form (<i>au porteur</i>)/registered dematerialised form (<i>au nominatif</i>)].</p> <p><i>[The Notes are [●] Notes[and [●] Notes]</i></p> <p><i>[ISIN Code: [●]</i> <i>Common Code: [●]]</i></p>
C.2	Currencies:	<i>[The Notes are denominated [and payable] in [●][and are payable in [●].]</i>
C.5	Free transferability:	<p>The Notes will only be issued in circumstances which comply with the laws, guidelines, regulations, restrictions or reporting requirements which apply to the Notes from time to time including the restrictions on the offer and sale of Notes and the distribution of offering material in various jurisdictions applicable at the date of the Final Terms.</p> <p><i>[The Issuers and the Distribution Agent have agreed certain restrictions on the offer, sale and delivery of the Notes and on the distribution of offering material] [in the United States, the EEA, the United Kingdom, The Netherlands and France.] However, the Notes may be freely transferred in the relevant clearing system(s).]</i></p> <p>The Notes cannot be offered or sold in the US or to US persons at any time.</p>
C.8	The Rights attached to the Notes, Ranking	<i>Rights attached to Notes:</i> [The Notes entitle the Noteholders to a Final Redemption Amount specified in C.18 below [and payments of interest as

	<p>and Limitations to those Rights:</p>	<p>described in C.9 below].]</p> <p><i>Status of the Notes:</i> The Notes constitute direct and general obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves.</p> <p>[<i>Status of the Guarantee:</i> The [Guarantor's /Guarantors'] obligations under the Guarantee in respect of the Notes issued by MSBV constitute direct and general obligations of the Guarantor[s] which rank <i>pari passu</i> among themselves] [(include only if Notes issued by MSBV).]</p> <p><i>Specified Denomination(s):</i> [●][,●]... [and higher integral multiples of [●] thereafter] (to be inserted)</p> <p><i>Events of Default:</i> If an Event of Default occurs the Notes may be redeemed prior to their Maturity Date at the Early Redemption Amount specified in the applicable Final Terms where the Noteholders of not less than 25 per cent. in aggregate principal amount of the Notes give written notice to the Issuer declaring the Notes to be immediately due and payable. The Events of Default applicable to the Notes are as follows:</p> <p>(1) non-payment by the Issuer [or the Guarantor[s]] of any amount of principal (within 7 days of the due date) or any amount of interest (within 30 days of the due date) in respect of the Notes;</p> <p>(2) default in the performance or observance by the Issuer [or the Guarantor[s]] in respect of any of their other (non-payment) obligations under or in respect of the Notes and such default remains unremedied for 60 days (after written notice to the Issuer from not less than 25% in aggregate principal amount of the relevant Series of Noteholders); and</p> <p>(3) the Issuer [or the Guarantor[s]] of the Notes become[s] insolvent or [is/are] unable to pay [its/their] debts as they fall due, or an administrator or liquidator is appointed in respect of the Issuer [or the Guarantor[s]] (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), or the Issuer [or the Guarantor[s]] take[s] any action for a composition with or for the benefit of its creditors generally, or an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer [or the Guarantor[s]] (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent).</p> <p><i>Taxation:</i> All payments of principal and interest by the Issuers [and the Guarantor[s]] in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied collected, withheld or assessed by any jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law or agreement with such taxing authority. [Neither][The Issuer][nor the Guarantor[s]] shall be required to make any additional payments on account of any such withholding or deduction.</p> <p>[For payments in respect of a Note issued by Morgan Stanley, in order to avoid U.S. withholding taxes, the beneficial owner of the Note (or a financial institution holding the Note on behalf of the beneficial owner) is required under current law to furnish U.S. Internal Revenue Service Form W-8BEN on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person (as defined for U.S. federal income tax purposes)]</p> <p><i>Governing Law:</i> The Notes will be governed by French law [and the 2011 Guarantee is governed by New York law / and the 2014 Guarantee is governed by English law in the case of public offers of Notes issued by MSBV in France only].</p>
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C.9	Interest, Redemption and Representation:	<p>See Element C.8 for the Rights attaching to the Notes, Ranking and Limitations to such Rights.</p> <p><u>Nominal Interest Rate</u></p> <p><i>[Interest: The Notes are Fixed Interest Notes and bear interest from [date] at a fixed rate of [●] per cent. per annum payable in arrear on [date(s)].]</i></p> <p><i>[Interest: The Notes [are Zero Coupon Notes and] do not bear interest.]</i></p> <p><i>[Interest: The Notes are Floating Rate Notes and bear interest from [date] at a rate equal to the sum of [●] per cent. per annum and [period/currency][EURIBOR/LIBOR/other] determined in respect of each Interest Period.]</i></p> <p><i>[Interest: The Notes are [Equity-Linked / [and/] Inflation-Linked] Interest Notes and interest is payable on the Notes [in amounts linked to the relevant Performance of certain [shares(s) / index(es) / exchange traded fund(s) / inflations index(es)]as summarised below.]</i></p> <p style="text-align: center;">[START OF INTEREST OPTIONS]</p> <p><i>["Fixed Coupon": The Issuer will pay a fixed amount of interest in the amount of [●] per Calculation Amount in respect of the Notes on each Interest Payment Date.</i></p> <p><i>The Interest Payment Dates are [●].]</i></p> <p style="text-align: center;">-----</p> <p><i>["Non Memory Barrier Conditional Coupon": The Issuer will pay interest in respect of the Notes on each Interest Payment Date, in each case conditional on the performance of the Relevant Underlying as of the immediately preceding Interest Determination Date being [greater than/greater than or equal to/less than/less than or equal to] the Coupon Barrier Value. If such condition is not satisfied, no such interest will be payable. Interest (if any) payable on an Interest Payment Date will be [a fixed amount of [●] per Calculation Amount]/[based on the maximum of a Minimum Rate and the rate calculated by multiplying the Participation Rate and the Relevant Underlying Performance]</i></p> <p><i>["Additional Non Memory Barrier Conditional Coupon": The Issuer will, in addition to any interest payable pursuant to the preceding paragraph, pay interest in respect of the Notes on each Interest Payment Date immediately following from an Additional Interest Determination Date, in each case conditional on the performance of the Relevant Underlying as of such immediately preceding Additional Interest Determination Date being [greater than/greater than or equal to/less than/less than or equal to] the Additional Coupon Barrier Value. If such condition is not satisfied, no such further interest will be payable. Interest (if any) payable on an Interest Payment Date will be a fixed amount of [●] per Calculation Amount.] (Delete if Additional Non Memory Barrier Conditional Coupon is not applicable).</i></p> <p><i>["Bonus Coupon" applies. In addition to any amount paid in accordance with the previous paragraph[s], the Issuer will pay interest on the Maturity Date (or any date on which the Notes are redeemed early), conditional on the performance of the Relevant Underlying as of the Bonus Coupon Interest Determination Date being [greater than/greater than or equal to/less than/less than or equal to] the Bonus Coupon Barrier Value, and calculated as an amount per Calculation Amount equal to the product of the Specified Rate and the total amount (per Calculation Amount) of interest paid in respect of the Note.] (Delete if Bonus</i></p>
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Coupon is not applicable).

Where:

Interest Payment Dates are [●]; the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; the "Interest Determination Dates" and relative "Coupon Barrier Values" are as specified in the following table:

Interest Determination Dates	Coupon Barrier Value
[date]	[specify value/[]% of the Initial Reference Value]
[date]	[specify value/[]% of the Initial Reference Value]
[date]	[specify value/[]% of the Initial Reference Value]

[[and] the "Additional Interest Determination Dates" and relative "Additional Coupon Barrier Values" are as specified in the following table:

Additional Interest Determination Dates	Additional Coupon Barrier Value
[date]	[specify value/[]% of the Initial Reference Value]
[date]	[specify value/[]% of the Initial Reference Value]
[date]	[specify value/[]% of the Initial Reference Value]

] [[and] the "Bonus Coupon Interest Determination Dates" and relative "Bonus Coupon Barrier Values" and "Specified Rates" are as specified in the following table:

Bonus Coupon Interest Determination Dates	Bonus Coupon Barrier Value	Specified Rate
[date]	[specify value/[]% of the Initial Reference Value]	[]%
[date]	[specify value/[]% of the Initial Reference Value]	[]%
[date]	[specify value/[]% of the Initial Reference Value]	[]%

[and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below].]

["Memory Barrier Conditional Coupon": The Issuer will pay interest in respect of the Notes on each Interest Payment Date, conditional on the performance of the Relevant Underlying as of the relevant Interest Determination Date being [greater than/greater than or equal to/less than/less than or equal to] the Coupon Barrier Value for such Interest Determination Date, and calculated as an amount per

	<p>Calculation Amount equal to [●] multiplied by the number of Period End Dates (including the relevant Interest Determination Date) elapsed, and then deducting all interest amounts previously determined in respect of earlier Interest Determination Dates (if any). If such condition is not satisfied in respect of any Interest Determination Date, the amount determined as of such Interest Determination Date will be zero. However, if such condition is then satisfied in respect of a later Interest Determination Date, the amount determined in respect of that later Interest Determination Date will include the amount which would have been determined in respect of the earlier Interest Determination Date had the condition then been satisfied.</p> <p>Where:</p> <p>the Interest Payment Dates are [●]; the Period End Dates are the Interest Determination Dates [and [●]]; the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; the "Interest Determination Dates" and relative "Coupon Barrier Values" are as specified in the following table:</p> <table><tr><th>Interest Determination Dates</th><th>Coupon Barrier Value</th></tr><tr><td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr><tr><td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr><tr><td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr></table> <p>[and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below].]</p> <p>-----</p> <p>["Participation & Barrier Conditional Coupon": The Issuer will pay interest in respect of the Notes on each Interest Payment Date, in each case, conditional on the performance of the Relevant Underlying as of the relevant Interest Determination Date being [greater than/greater than or equal to/less than/less than or equal to] the relevant Coupon Barrier Value, and in an amount per Calculation Amount equal to the greater of (a) [●] and (b) the product of the Calculation Amount and a rate linked to the performance of the Relevant Underlying. If such condition is not satisfied, no interest will be payable.</p> <p>Where:</p> <p>the Interest Payment Dates are [●];the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; the "Interest Determination Dates" and relative "Coupon Barrier Values" are as specified in the following table:</p> <table><tr><th>Interest Determination Dates</th><th>Coupon Barrier Value</th></tr><tr><td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr><tr><td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr></table>	Interest Determination Dates	Coupon Barrier Value	[date]	[specify value/[]% of the Initial Reference Value]	[date]	[specify value/[]% of the Initial Reference Value]	[date]	[specify value/[]% of the Initial Reference Value]	Interest Determination Dates	Coupon Barrier Value	[date]	[specify value/[]% of the Initial Reference Value]	[date]	[specify value/[]% of the Initial Reference Value]
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		<div style="display: flex; justify-content: space-between; border-bottom: 1px solid black; padding-bottom: 5px;"> [date] [specify value/[]% of the Initial Reference Value] </div> <p>[and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below].]</p> <p style="text-align: center;">-----</p> <p>["Lock in Non Memory Barrier Conditional Coupon": The Issuer will pay interest in respect of the Notes on each Interest Payment Date if either:</p> <p>(a) the performance of the Relevant Underlying as of the immediately preceding Interest Determination Date is [greater than/greater than or equal to/less than/less than or equal to] the Coupon Barrier Value for such Interest Determination Date; or</p> <p>(b) the performance of the Relevant Underlying as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) above is [greater than/greater than or equal to/less than/less than or equal to], the Lock in Barrier Value for such earlier Interest Determination Date.</p> <p>If neither such condition is satisfied, no interest will be payable on an Interest Payment Date. Interest (if any) payable on an Interest Payment Date will be a fixed amount of [●] per Calculation Amount.</p> <p>Where:</p> <p>The Interest Payment Dates are [●]; the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; the "Interest Determination Dates", relative "Coupon Barrier Values" and relative "Lock in Barrier Values" are as specified in the following table:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Interest Determination Dates</th><th style="text-align: center;">Coupon Barrier Value</th><th style="text-align: center;">Lock in Barrier Value</th></tr> </thead> <tbody> <tr> <td style="text-align: center;">[date]</td><td style="text-align: center;">[specify value/[]% of the Initial Reference Value]</td><td style="text-align: center;">[specify value/[]% of the Initial Reference Value]</td></tr> <tr> <td style="text-align: center;">[date]</td><td style="text-align: center;">[specify value/[]% of the Initial Reference Value]</td><td style="text-align: center;">[specify value/[]% of the Initial Reference Value]</td></tr> <tr> <td style="text-align: center;">[date]</td><td style="text-align: center;">[specify value/[]% of the Initial Reference Value]</td><td style="text-align: center;">[specify value/[]% of the Initial Reference Value]</td></tr> </tbody> </table> <p>[and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below].]</p> <p style="text-align: center;">-----</p> <p>["Lock in Memory Barrier Conditional Coupon": The Issuer will pay in respect of the Notes on each Interest Payment Date if either:</p> <p>(a) the performance of the Relevant Underlying as of the immediately preceding Interest Determination Date is [greater than/greater than or equal to/less than/less than or equal to] the Coupon Barrier Value for such Interest Determination Date; or</p>	Interest Determination Dates	Coupon Barrier Value	Lock in Barrier Value	[date]	[specify value/[]% of the Initial Reference Value]	[specify value/[]% of the Initial Reference Value]	[date]	[specify value/[]% of the Initial Reference Value]	[specify value/[]% of the Initial Reference Value]	[date]	[specify value/[]% of the Initial Reference Value]	[specify value/[]% of the Initial Reference Value]
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(b) the performance of the Relevant Underlying as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) above is [greater than/greater than or equal to/less than/less than or equal to], the Lock in Barrier Value for such earlier Interest Determination Date.

If neither such condition is satisfied, no interest will be payable on an Interest Payment Date. Interest (if any) payable on an Interest Payment Date will be an amount per Calculation Amount equal to [●] multiplied by the number of Period End Dates (including the Interest Determination Date referred to in (a) above) which have elapsed, less all interest amounts determined in respect of previous Interest Determination Dates. However, if such condition is then satisfied in respect of earlier Interest Determination Date, the amount determined in respect of that later Interest Determination Date will include the amount which would have been determined in respect of the earlier Interest Determination Date had the condition then been satisfied.

Where:

the Interest Payment Dates are [●]; the Period End Dates are the Interest Determination Dates [and [●]]; the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; the "Interest Determination Dates", relative "Coupon Barrier Values" and relative "Lock-in Barrier Values" are as specified in the following table:

Interest Determination Dates	Coupon Barrier Value	Lock in Barrier Value
[date]	[specify value/[]% of the Initial Reference Value]	[specify value/[]% of the Initial Reference Value]
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["Capitalised Non Memory Barrier Conditional Coupon"]: The Issuer will on the Maturity Date (or any date on which the Notes are redeemed early) pay interest on the Notes in an amount equal to the sum of amounts determined as of each Interest Determination Date, in each case conditional on the performance of the Relevant Underlying as of the relevant Interest Determination Date being [greater than/greater than or equal to/less than/less than or equal to] the Coupon Barrier Value for such Interest Determination Date. If such condition is not satisfied in respect of any Interest Determination Date, the amount determined as of such Interest Determination Date will be zero. The amount of interest (if any) determined in respect of each Interest Determination Date will be a fixed amount of [●] per Calculation Amount.

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	<p>interest on the Notes equal to the sum of amounts determined as of each Interest Determination Date, in each case conditional on the performance of the Relevant Underlying as of the relevant Interest Determination Date being [greater than/greater than or equal to/less than/less than or equal to] the relevant Coupon Barrier Value for such Interest Determination Date, and in an amount per Calculation Amount equal to the greater of (a) [●] and (b) the product of the Calculation Amount and a rate linked to the performance of the Relevant Underlying. If such condition is not satisfied in respect of any Interest Determination Date, the amount determined as of such Interest Determination Date will be zero.</p> <p>Where:</p> <p>the Interest Payment Dates are [●]; the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; the "Interest Determination Dates" and relative "Coupon Barrier Values" are as specified in the following table:</p> <table><tr><th>Interest Determination Dates</th><th>Coupon Barrier Value</th></tr><tr><td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr><tr><td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr><tr><td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr></table> <p>[and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below].]</p> <p>-----</p> <p>["Capitalised Lock in Non Memory Barrier Conditional Coupon"]: The Issuer will on the Maturity Date (or any date on which the Notes are redeemed early) pay interest on the Notes equal to the sum of amounts determined as of each Interest Determination Date, in each case conditional on either (a) the performance of the Relevant Underlying as of the relevant Interest Determination Date being [greater than/greater than or equal to/less than/less than or equal to] the Coupon Barrier Value for such Interest Determination Date, or (b) the performance of the Relevant Underlying as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) is [greater than/greater than or equal to/less than/less than or equal to] the Lock in Barrier Value for such earlier Interest Determination Date. If neither such condition is satisfied, the amount determined as of the relevant Interest Determination Date will be zero. Otherwise, the amount to be determined in respect of each Interest Determination Date will be [●] per Calculation Amount.</p> <p>Where:</p> <p>the Interest Payment Dates are [●]; the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; the "Interest Determination Dates", relative "Coupon Barrier Values" and "Lock in Barrier Values" are as specified in the following table:</p> <table><tr><th>Interest Determination Dates</th><th>Coupon Barrier Value</th><th>Lock in Barrier Value</th></tr><tr><td></td><td></td><td></td></tr></table>	Interest Determination Dates	Coupon Barrier Value	[date]	[specify value/[]% of the Initial Reference Value]	[date]	[specify value/[]% of the Initial Reference Value]	[date]	[specify value/[]% of the Initial Reference Value]	Interest Determination Dates	Coupon Barrier Value	Lock in Barrier Value			
Interest Determination Dates	Coupon Barrier Value														
[date]	[specify value/[]% of the Initial Reference Value]														
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Interest Determination Dates	Coupon Barrier Value	Lock in Barrier Value													

		<table> <tr> <td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr> <tr> <td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr> <tr> <td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr> </table> <p>[and the "Initial Reference Value" means [[●] / [the value determined by the Determination Agent in accordance with the Value Determination Terms specified below].]</p> <p>-----</p> <p>["Capitalised Lock in Memory Barrier Conditional Coupon": The Issuer will on the Maturity Date (or any date on which the Notes are redeemed early) pay interest on the Notes equal to the sum of amounts determined as of each Interest Determination Date, in each case conditional on either:</p> <p>(a) the performance of the Relevant Underlying as of the relevant Interest Determination Date being [greater than/greater than or equal to/less than/less than or equal to] the Coupon Barrier Value for such Interest Determination Date, or</p> <p>(b) the performance of the Relevant Underlying as of any Interest Determination Date preceding the Interest Determination Date referred to in (a) above is [greater than/greater than or equal to/less than/less than or equal to] the Lock in Barrier Value for such earlier Interest Determination Date.</p> <p>If neither such condition is satisfied, the amount determined as of the relevant Interest Determination Date will be zero. Otherwise, the amount to be determined will be an amount per Calculation Amount equal to [●] multiplied by the number of Period End Dates (including the relevant Interest Determination Date) which have elapsed, less all amounts determined in respect of earlier Interest Determination Dates. However, if such condition is then satisfied in respect of a later Interest Determination Date, the amount determined in respect of that later Interest Determination Date will include the amount which would have been determined in respect of the earlier Interest Determination Date had the condition then been satisfied.</p> <p>Where:</p> <p>the Interest Payment Dates are [●]; the Period End Dates are the Interest Determination Dates [and [●]]; the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; the "Interest Determination Dates", relative "Coupon Barrier Values" and "Lock in Barrier Values" are as specified in the following table:</p> <table> <tr> <th>Interest Determination Dates</th><th>Coupon Barrier Value</th><th>Lock in Barrier Value</th></tr> <tr> <td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr> <tr> <td>[date]</td><td>[specify value/[]% of the</td><td>[specify value/[]% of the</td></tr> </table>	[date]	[specify value/[]% of the Initial Reference Value]	[specify value/[]% of the Initial Reference Value]	[date]	[specify value/[]% of the Initial Reference Value]	[specify value/[]% of the Initial Reference Value]	[date]	[specify value/[]% of the Initial Reference Value]	[specify value/[]% of the Initial Reference Value]	Interest Determination Dates	Coupon Barrier Value	Lock in Barrier Value	[date]	[specify value/[]% of the Initial Reference Value]	[specify value/[]% of the Initial Reference Value]	[date]	[specify value/[]% of the	[specify value/[]% of the
[date]	[specify value/[]% of the Initial Reference Value]	[specify value/[]% of the Initial Reference Value]																		
[date]	[specify value/[]% of the Initial Reference Value]	[specify value/[]% of the Initial Reference Value]																		
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	<i>Initial Reference Value]</i>	<i>Initial Reference Value]</i>
<i>[date]</i>	<i>[specify value/[]% of the Initial Reference Value]</i>	<i>[specify value/[]% of the Initial Reference Value]</i>

[and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below].]

["Basic Participation Coupon": *The Issuer will pay interest on the Notes on each Interest Payment Date in an amount per Calculation Amount equal to the product of the Calculation Amount, the Participation Rate and the performance of the immediately preceding Interest Determination Date.*

Where:

the Participation Rate is [●] per cent.; the Interest Payment Dates are [●]; Interest Determination Dates are [●]; and the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below.

["Locked Participation Coupon": *The Issuer will pay interest on the Notes on each Interest Payment Date in an amount per Calculation Amount equal to the product of the Calculation Amount, the Participation Rate and the performance of the Relevant Underlying determined as of the relevant Interest Determination Date less all interest amounts determined in respect of earlier Interest Determination Dates. The applicable Participation Rate will increase on each successive Interest Determination Date.*

Where:

the Interest Payment Dates are [●]; the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; and the "Interest Determination Dates" and relative "Participation Rates" are as specified in the following table:

<i>Interest Determination Dates</i>	<i>Participation Rates</i>
<i>[date]</i>	<i>[●]%</i>
<i>[date]</i>	<i>[●]%</i>
<i>[date]</i>	<i>[●]%</i>

]

["Capitalised Basic Participation Coupon": *The Issuer will on the Maturity Date pay interests on the Notes in an amount per Calculation Amount equal to the sum of amounts determined in respect of each Interest Determination Date equal to the product of the Calculation Amount, the Participation Rate and the performance of the relevant Interest Determination Date*

Where:

	<p>the Participation Rate is [●] per cent.; the Interest Payment Dates are [●]; Interest Determination Dates are [●]; and the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below.]</p> <p style="text-align: center;">-----</p> <p>["Capitalised Locked Participation Coupon"]: The Issuer will on the Maturity Date pay interest on the Notes in an amount equal to the sum of amounts determined as of each Interest Determination Date equal to the product of the Calculation Amount, the Participation Rate and the performance of the Relevant Underlying determined as of the relevant Interest Determination Date less all interest amounts determined in respect of previous Interest Determination Dates. The applicable Participation Rate will increase on each successive Interest Determination Date.</p> <p>Where:</p> <p>the Interest Payment Dates are [●]; the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; and the "Interest Determination Dates" and relative "Participation Rates" are as specified in the following table:</p> <table border="1"> <thead> <tr> <th>Interest Determination Dates</th><th>Participation Rates</th></tr> </thead> <tbody> <tr> <td>[date]</td><td>[●]%</td></tr> <tr> <td>[date]</td><td>[●]%</td></tr> <tr> <td>[date]</td><td>[●]%</td></tr> </tbody> </table> <p>]</p> <p>["Cumulative Participation Inflation Coupon"]: The Issuer will pay interest on the Notes on each Interest Payment Date in an amount per Calculation Amount equal to the product of the Calculation Amount, the Participation Rate and the greater of (a) zero; and (b) a value calculated by multiplying a number (the Multiplier) and the performance of the Relevant Underlying determined as of the immediately preceding Interest Determination Date and then deducting a specified value (the Adjustment).</p> <p>Where:</p> <p>The Participation Rate is [●] per cent.; the Multiplier is [●]; the Adjustment is [●]; the Interest Payment Dates are [●]; Interest Determination Date are [●]; and the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below.]</p> <p>["Range Accrual Coupon"]: The Issuer will pay interest on the Notes on each Interest Payment Date in an amount per Calculation Amount equal to the product of (A) the Coupon Rate, (B) the Calculation Amount and (C) the value which is, as determined by the Determination Agent as of the immediately preceding Interest Determination Date, (i) the number of days in a specified Barrier Observation Period where the performance of the Relevant Underlying is [greater than] / [greater than or equal to] / [less than] / [less than or equal to] the Coupon Barrier Value <u>divided by</u> (ii) the total number of days in that Barrier Observation Period.</p> <p>Where:</p>	Interest Determination Dates	Participation Rates	[date]	[●]%	[date]	[●]%	[date]	[●]%
Interest Determination Dates	Participation Rates								
[date]	[●]%								
[date]	[●]%								
[date]	[●]%								

	<p>the Interest Payment Dates are [●]; the performance of the Relevant Underlying will be determined in accordance with the Performance Determination Terms specified below; the "Interest Determination Dates" are [●]; the "Barrier Observation Periods" and relative "Coupon Barrier Values" and "Coupon Rates" are as specified in the following table:</p> <table><tr><th>Barrier Observation Period</th><th>Coupon Barrier Value</th><th>Coupon Rate</th></tr><tr><td>From [and including] / [but excluding] [●] to [and including] / [but excluding] [●]</td><td>[[●] / [●]% of Initial Reference Value]</td><td>[●] %</td></tr><tr><td>From [and including] / [but excluding] [●] to [and including] / [but excluding] [●]</td><td>[[●] / [●]% of Initial Reference Value]</td><td>[●] %</td></tr><tr><td>From [and including] / [but excluding] [●] to [and including] / [but excluding] [●]</td><td>[[●] / [●]% of Initial Reference Value]</td><td>[●] %</td></tr></table> <p>[and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below].]</p> <p style="text-align: center;">[END OF INTEREST OPTIONS]</p> <p>[Performance Determination Terms (for Relevant Underlying): [Basic Performance/Capped Performance/ Floored Performance/ Capped & Floored Performance/ Absolute Basic Performance/ Absolute Capped Performance/ Absolute Floored Performance / Absolute Capped & Floored Performance/ Selected Average Basic Performance/ Selected Average Individually Capped Performance/ Selected Average Individually Floored Performance/ Selected Average Individually Capped & Floored Performance/ Selected Average Global Capped Performance/ Selected Average Global Floored Performance/ Selected Average Global Capped & Floored Performance/ Selected Absolute Average Basic Performance/ Selected Absolute Average Individually Capped Performance/ Selected Absolute Average Individually Floored Performance/ Selected Absolute Average Individually Capped & Floored Performance/ Selected Absolute Average Global Capped Performance/ Selected Absolute Average Global Floored Performance/ Selected Absolute Average Global Capped & Floored Performance / Best of – Non Equally Weighted Average Performance / Worst of – Non Equally Weighted Average Performance / Selection of – Non Equally Weighted Average Performance.]</p> <p>[Value Determination Terms [(for Initial Reference Value in respect of Coupon Barrier Value)]/[(for Initial Reference Value in respect of Lock in Barrier Value)]²⁹: [Closing Value/ Average Value/ Min Value/Max Value / Floored Min Value/ Capped Max Value/ Individually Floored Average Value/ Individually Capped Average Value / Global Floored Average Value/ Globally Capped Average Value.]</p> <p>Date from which interest becomes payable and the due dates for interest: [●]</p> <p>[Maturity Date: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on [●].]</p>	Barrier Observation Period	Coupon Barrier Value	Coupon Rate	From [and including] / [but excluding] [●] to [and including] / [but excluding] [●]	[[●] / [●]% of Initial Reference Value]	[●] %	From [and including] / [but excluding] [●] to [and including] / [but excluding] [●]	[[●] / [●]% of Initial Reference Value]	[●] %	From [and including] / [but excluding] [●] to [and including] / [but excluding] [●]	[[●] / [●]% of Initial Reference Value]	[●] %
Barrier Observation Period	Coupon Barrier Value	Coupon Rate											
From [and including] / [but excluding] [●] to [and including] / [but excluding] [●]	[[●] / [●]% of Initial Reference Value]	[●] %											
From [and including] / [but excluding] [●] to [and including] / [but excluding] [●]	[[●] / [●]% of Initial Reference Value]	[●] %											
From [and including] / [but excluding] [●] to [and including] / [but excluding] [●]	[[●] / [●]% of Initial Reference Value]	[●] %											

²⁹ If more than one set of Value Determination Terms is required for interest, specify which each relates to.

	<p><i>[Description of the Relevant Underlying to which interest payments are linked:</i> Notes issued under the Programme are linked to [•] (specify the Relevant Underlying) (this underlying/basket of underlyings being a "Relevant Underlying")]</p> <p>For a description of the Relevant Underlying see Element C.20.</p> <p><i>Arrangements for the amortisation of the loan including the repayment procedures:</i></p> <p><i>[Final Redemption Amount:</i> Unless previously redeemed or purchased and cancelled, each Note will be redeemed [at par/at a Final Redemption Amount of [•]].]</p> <p><i>[Final Redemption Amount:</i> [The Notes are [Equity-Linked Notes/Inflation-Linked Notes] and, unless previously redeemed or purchased and cancelled, the Notes will be redeemed at the Early Redemption Amount linked to the [performance or value] of the Relevant Underlying as described in Element C.18.</p> <p><i>[Early Redemption:</i> [The Notes can be redeemed before their Maturity Date / Not Applicable.]The provisions applicable to Derivative Notes require automatic early redemption based on the performance of the relevant underlying at a [fixed amount or an amount linked to the performance of the Relevant Underlying] of [•].]</p> <p><i>[Early Redemption for tax reasons:</i> [The Notes may also be redeemed early for tax reasons at the option of the Issuer at the Early Redemption Amount of [•]/Not Applicable.]</p> <p><i>[Call Options:</i> The Notes contain a Call Option feature meaning that the Notes may be redeemed early, in whole or in part, at the option of the Issuer at the Optional Redemption Amount (Call) of [•].] (<i>Delete if not applicable</i>)</p> <p><i>[Put Option:</i> The Notes contain a Put Option feature meaning that the Notes may be redeemed early at the option of the Noteholders at the Optional Redemption Amount (Put) of [•].] (<i>Delete if not applicable</i>)</p> <p><i>[START OF REDEMPTION OPTIONS]</i></p> <p><i>["Barrier Redemption (Principal at Risk)":</i> <i>The Issuer will redeem the Notes on the Maturity Date at an amount per Calculation Amount equal to either: (a) the Calculation Amount, if the Relevant Underlying Performance determined as of the Determination Date is [greater than/greater than or equal to/less than/less than or equal to] the Final Redemption Barrier Value, OR (b) in any other case, an amount linked to the performance (being the Final Reference Value divided by the Initial Reference Value) of the Relevant Underlying which may be less than the Calculation Amount.</i></p> <p><i>Where:</i></p> <p><i>the "Relevant Underlying Value" and "Final Reference Value" will be determined in accordance with the Value Determination Terms specified below; the Relevant Underlying Performance" will be determined in accordance with the Performance Determination Terms specified below; "the "Determination Date" and relative "Final Redemption Barrier Value" are as specified in the following table:</i></p> <table><tr><td><i>Determination Date</i></td><td><i>Final Redemption Barrier Value</i></td></tr><tr><td></td><td></td></tr></table>	<i>Determination Date</i>	<i>Final Redemption Barrier Value</i>		
<i>Determination Date</i>	<i>Final Redemption Barrier Value</i>				

		<table><tr><td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr></table> <p>and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below.]]</p> <p>-----</p> <p>["Lock in Redemption (Principal at Risk)"]: The Issuer will redeem the Notes on the Maturity Date at an amount per Calculation Amount equal to either: (a) the Calculation Amount, if the Relevant Underlying Performance determined as of any Barrier Observation Date is [greater than/greater than or equal to/less than/less than or equal to] the Lock in Barrier Value, OR (b) in any other case, an amount linked to the performance (being the Final Reference Value divided by the Initial Reference Value) of the Relevant Underlying determined as of the Determination Date which may be less than the Calculation Amount.</p> <p>Where:</p> <p>the "Relevant Underlying Value" and "Final Reference Value" will be determined in accordance with the Value Determination Terms specified below; the "Relevant Underlying Performance" will be determined in accordance with the Performance Determination Terms specified below; the "Barrier Observation Dates" and relative "Lock in Barrier Value" are as specified in the following table:</p> <table><tr><th>Barrier Observation Dates</th><th>Lock in Barrier Value</th></tr><tr><td>[dates]</td><td>[specify value/[]% of the Initial Reference Value]]</td></tr></table> <p>and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below.]]</p> <p>-----</p> <p>["Barrier & Lock in Redemption (Principal at Risk)"]: The Issuer will redeem the Notes on the Maturity Date at an amount per Calculation Amount equal to] either: (a) the Calculation Amount, if either (1) the Relevant Underlying Performance determined as of the Determination Date is [greater than/greater than or equal to/less than/less than or equal to] the Final Redemption Barrier Value or (2) the Relevant Underlying Performance determined as of any Barrier Observation Date is [greater than/greater than or equal to/less than/less than or equal to] the Lock in Barrier Value, OR (b) in any other case, an amount linked to the performance (being the Final Reference Value divided by the Initial Reference Value) of the Relevant Underlying, which may be less than the Calculation Amount.</p> <p>Where:</p> <p>The "Relevant Underlying Value" and "Final Reference Value" will be determined in accordance with the Value Determination Terms specified below; the "Relevant Underlying Performance" will be determined in accordance with the Performance Determination Terms specified below; the "Determination Date" and relative "Final Redemption Barrier Value" are as specified in the following table:</p> <table><tr><th>Determination Date</th><th>Final Redemption Barrier Value</th></tr><tr><td>[date]</td><td>[specify value/[]% of the Initial</td></tr></table>	[date]	[specify value/[]% of the Initial Reference Value]	Barrier Observation Dates	Lock in Barrier Value	[dates]	[specify value/[]% of the Initial Reference Value]]	Determination Date	Final Redemption Barrier Value	[date]	[specify value/[]% of the Initial
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Determination Date	Final Redemption Barrier Value											
[date]	[specify value/[]% of the Initial											

	Reference Value]
the "Barrier Observation Dates" and relative "Lock in Barrier Values" are as specified in the following table:	
Barrier Observation Dates	Lock in Barrier Value
[dates]	[specify value/[]% of the Initial Reference Value]
and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below.]	

["Airbag Barrier Redemption (Principal at Risk)": The Issuer will redeem the Notes on the Maturity Date at an amount per Calculation Amount equal to either: (a) the Calculation Amount, if the Relevant Underlying Performance determined as of the Determination Date is [greater than/greater than or equal to/less than/less than or equal to] the Final Redemption Barrier Value, OR (b) in any other case, an amount linked to a percentage (being the Airbag Rate) of the performance (being the Final Reference Value divided by the Initial Reference Value) of the Relevant Underlying, which may be less than the Calculation Amount.	
Where:	
the "Relevant Underlying Value" and "Final Reference Value" will be determined in accordance with the Value Determination Terms specified below; the "Relevant Underlying Performance" will be determined in accordance with the Performance Determination Terms specified below; "Airbag Rate" means [●] per cent.; the "Determination Date" and relative "Final Redemption Barrier Value" are as specified in the following table:	
Determination Date	Final Redemption Barrier Value
[date]	[specify value/[]% of the Initial Reference Value]
and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below.]	

["Airbag Lock in Redemption (Principal at Risk)": The Issuer will redeem the Notes on the Maturity Date at an amount per Calculation Amount equal to either: (a) the Calculation Amount, if the Relevant Underlying Performance determined as of any Barrier Observation Date is [greater than/greater than or equal to/less than/less than or equal to] the Lock in Barrier Value, OR (b) in any other case, an amount calculated by reference to a percentage (being the Airbag Rate) of the performance (being the Final Reference Value divided by the Initial Reference Value) of the Relevant Underlying determined as of the Determination Date, which may be less than the Calculation Amount.	
Where:	
the "Relevant Underlying Value" and "Final Reference Value" will be determined in accordance with the Value Determination Terms specified below: the "Relevant	

Underlying Performance" will be determined in accordance with the Performance Determination Terms specified below; the "Determination Date" is [●]; "Airbag Rate" means [●] per cent.; the "Barrier Observation Dates" and relative "Lock in Barrier Value" are as specified in the following table:

Barrier Observation Dates	Lock in Barrier Value
[dates]	[specify value/[]% of the Initial Reference Value]

and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below.]

["Airbag Barrier & Lock in Redemption (Principal at Risk)"]: The Issuer will redeem the Notes on the Maturity Date at an amount per Calculation Amount equal to either: (a) the Calculation Amount, if either (1) the Relevant Underlying Performance determined as of the Determination Date is [greater than/greater than or equal to/less than/less than or equal to] the Final Redemption Barrier Value or (2) the Relevant Underlying Performance determined as of any Barrier Observation Date is [greater than/greater than or equal to/less than/less than or equal to] the Lock in Barrier Value, OR (b) in any other case, an amount calculated by reference to a percentage (being the Airbag Rate) of the performance (being the Final Reference Value divided by the Initial Reference Value) of the Relevant Underlying, which may be less than the Calculation Amount.

Where:

the "Relevant Underlying Value" and "Final Reference Value" will be determined in accordance with the Value Determination Terms specified below; the "Relevant Underlying Performance" will be determined in accordance with the Performance Determination Terms specified below; the "Airbag Rate" is [●] per cent.; the "Determination Date" and relative "Final Redemption Barrier Value" are as specified in the following table:

Determination Date	Final Redemption Barrier Value
[date]	[specify value/[]% of the Initial Reference Value]

the "Barrier Observation Dates" and relative "Lock in Barrier Value" are as specified in the following table:

Barrier Observation Dates	Lock in Barrier Value
[dates]	[specify value/[]% of the Initial Reference Value]

and the "Initial Reference Value" means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below.]

["Participation (Floored) Redemption (Principal at Risk)"]: The Issuer will redeem the Notes on the Maturity Date at an amount per Calculation Amount

	<p>calculated by reference to a percentage (being the Participation Rate) of the performance (being the Final Reference Value divided by the Initial Reference Value) of the Relevant Underlying, such percentage being subject to a specified minimum percentage (being the Floor) in either case, which may be less than the Calculation Amount.</p> <p>Where:</p> <p>the "Final Reference Value" will be determined in accordance with the Value Determination Terms specified below; "Initial Reference Value" means $[\bullet]/[\text{the value determined by the Determination Agent in accordance with the Value Determination Terms specified below}]$; "Participation Rate" means $[\bullet]$ per cent.; and "Floor" means $[\bullet]$ per cent. .]</p> <p>-----</p> <p>["Participation (Conditional Floored) Redemption (Principal at Risk)"]: The Issuer will redeem the Notes on the Maturity Date at an amount per Calculation Amount equal to either: (a) an amount calculated by reference to a percentage (the Participation Rate) of the performance (being the Final Reference Value divided by the Initial Reference Value) of the Relevant Underlying, such percentage being subject to a specified minimum percentage (the Floor) which may be less than the Calculation Amount, if the Relevant Underlying Performance determined as of any Barrier Observation Date is [greater than / greater than or equal to / less than / less than or equal to] the Final Redemption Barrier Value OR (b) in any other case, the Calculation Amount.</p> <p>Where:</p> <p>the "Participation Rate" means $[\bullet]$per cent.; the "Relevant Underlying Value" and "Final Reference Value" will be determined in accordance with the Value Determination Terms specified below; the "Relevant Underlying Performance" will be determined in accordance with the Performance Determination Terms specified below; the "Floor" means $[\bullet]$ per cent.; the "Barrier Observation Dates" and relative "Final Redemption Barrier Value" are as specified in the following table:</p> <table><tr><th>Barrier Observation Dates</th><th>Final Redemption Barrier Value</th></tr><tr><td>[dates]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr></table> <p>and the "Initial Reference Value" means $[\bullet]/[\text{the value determined by the Determination Agent in accordance with the Value Determination Terms specified below.}]$</p> <p>["Participation (Low Barrier) Downside Redemption (Principal at Risk)"]: The Issuer will redeem the Notes on the Maturity Date at an amount per Calculation Amount equal to either: (a) the Calculation Amount, if the Relevant Underlying Performance determined as of the Determination Date is [greater than/greater than or equal to/less than/less than or equal to] the Final Redemption Barrier Value OR (b) in any other case, an amount calculated by reference to the performance (being the Final Reference Value divided by the Initial Reference Value) of the Relevant Underlying plus a percentage equal to 100 per cent. minus a specified percentage (the Barrier Percentage), which may be less than the Calculation Amount.</p> <p>Where:</p> <p>the "Relevant Underlying Value" and "Final Reference Value" will be determined</p>	Barrier Observation Dates	Final Redemption Barrier Value	[dates]	[specify value/[]% of the Initial Reference Value]
Barrier Observation Dates	Final Redemption Barrier Value				
[dates]	[specify value/[]% of the Initial Reference Value]				

	<p>in accordance with the Value Determination Terms specified below; the "Relevant Underlying Performance" will be determined in accordance with the Performance Determination Terms specified below; the "Barrier Percentage" is [●] per cent.; the "Determination Date" and relative "Final Redemption Barrier Value" are as specified in the following table:</p> <table border="1"> <tr> <th>Determination Date</th><th>Final Redemption Barrier Value</th></tr> <tr> <td>[date]</td><td>[specify value/[]% of the Initial Reference Value]</td></tr> </table> <p>and the "Initial Reference Value", means [[●]/[the value determined by the Determination Agent in accordance with the Value Determination Terms specified below.]</p> <p style="text-align: center;">[END OF REDEMPTION OPTIONS]</p> <p>[Performance Determination Terms (for Relevant Underlying Performance): [Basic Performance/Capped Performance/ Floored Performance/ Capped & Floored Performance/ Absolute Basic Performance/ Absolute Capped Performance/ Absolute Floored Performance / Absolute Capped & Floored Performance/ Selected Average Basic Performance/ Selected Average Individually Capped Performance/ Selected Average Individually Floored Performance/ Selected Average Individually Capped & Floored Performance/ Selected Average Global Capped Performance/ Selected Average Global Floored Performance/ Selected Average Global Capped & Floored Performance/ Selected Absolute Average Basic Performance/ Selected Absolute Average Individually Capped Performance/ Selected Absolute Average Individually Floored Performance/ Selected Absolute Average Individually Capped & Floored Performance/ Selected Absolute Average Global Capped Performance/ Selected Absolute Average Global Floored Performance/ Selected Absolute Average Global Capped & Floored Performance / Best of – Non Equally Weighted Average Performance / Worst of – Non Equally Weighted Average Performance / Selection of – Non Equally Weighted Average Performance.]</p> <p>[Value Determination Terms [(for Relevant Underlying Value)/ (for Final Reference Value)/ (for Initial Reference Value)/ (for Participation Barrier Value)]³⁰: [Closing Value/ Average Value/ Min Value/Max Value / Floored Min Value/ Capped Max Value/ Individually Floored Average Value/ Individually Capped Average Value / Global Floored Average Value/ Globally Capped Average Value /Best of - Equally Weighted Average Value/ Worst of - Equally Weighted Average Value/ Best of – Non Equally Weighted Average Value/ Worst of – Non Equally Weighted Average Value].]</p> <p>[Automatic Early Redemption Event: The Notes contain an Automatic Early Redemption Event feature. If an Automatic Early Redemption Event occurs, the Notes will be redeemed early, in whole, but not in part at the Automatic Early Redemption Amount of being an amount per Calculation Amount equal to [•].] (To be deleted if not applicable)</p> <p>[Barrier Automatic Early Redemption: The Derivative Notes contain a Barrier Automatic Early Redemption feature meaning that if the Relevant Underlying Performance as of any specified Automatic Early Redemption Valuation Date is [greater than/greater than or equal to/less than or /less than or equal to] the Autocall Barrier Value specified in the applicable Final Terms, the Notes will be redeemed early by the Issuer at a fixed Automatic Early Redemption Amount of [•] on the Automatic Early Redemption Date being [•]/[at the fixed Automatic</p>	Determination Date	Final Redemption Barrier Value	[date]	[specify value/[]% of the Initial Reference Value]
Determination Date	Final Redemption Barrier Value				
[date]	[specify value/[]% of the Initial Reference Value]				

³⁰ If more than one set of Value Determination Terms is required for redemption definitions, specify which each relates to.

		<p>Early Redemption Amount in respect of each Automatic Early Redemption Date specified in the following table:] (To be deleted if not applicable)</p> <table><tr><th>Automatic Early Redemption Date</th><th>Automatic Early Redemption Amount</th></tr><tr><td></td><td></td></tr><tr><td></td><td></td></tr></table> <p>For these purposes, the Relevant Underlying Performance shall be determined in accordance with one of the following Performance Determination Terms: [Basic Performance/Capped Performance/ Floored Performance/ Capped & Floored Performance/ Absolute Basic Performance/ Absolute Capped Performance/ Absolute Floored Performance / Absolute Capped & Floored Performance/ Selected Average Basic Performance/ Selected Average Individually Capped Performance/ Selected Average Individually Floored Performance/ Selected Average Individually Capped & Floored Performance/ Selected Average Global Capped Performance/ Selected Average Global Floored Performance/ Selected Average Global Capped & Floored Performance/ Selected Absolute Average Basic Performance/ Selected Absolute Average Individually Capped Performance/ Selected Absolute Average Individually Floored Performance/ Selected Absolute Average Individually Capped & Floored Performance/ Selected Absolute Average Global Capped Performance/ Selected Absolute Average Global Floored Performance / Best of – Non Equally Weighted Average Performance / Worst of – Non Equally Weighted Average Performance / Selection of – Non Equally Weighted Average Performance.]]</p> <p>Yield: [•] [Not Applicable] (To be inserted for Fixed Rate Notes and Zero Coupon Notes only).</p> <p>Representative of the Noteholders: The Representative of the Noteholders is [•]. The additional representative of the Noteholders is [•].</p>	Automatic Early Redemption Date	Automatic Early Redemption Amount				
Automatic Early Redemption Date	Automatic Early Redemption Amount							
C.10	<p>Derivative component in interest payment (explanation as to how the value of the investment is affected by the value of the Relevant Underlying, especially under circumstances where the risks are most evident):</p>	<p>Interest payments in relation to [Equity-Linked Notes / Inflation-Linked Notes] may contain a derivative component. See Element C.9 for the payments of interest on the Derivative Notes.</p> <p>[Where the rate is not fixed, a statement setting out the type of underlying and a description of the underlying on which it is based and of the method used to relate the underlying and the rate.] (To be inserted)</p> <p>[A description of any market disruption or settlement disruption that affect the underlying] (To be inserted)</p> <p>[A description of any adjustment rules with relation to events concerning the underlying] (To be inserted)</p> <p>[If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risk are most evident.] (To be inserted)</p> <p>See Element C.15 for a description of how the value of the investment is affected by the Relevant Underlying.</p>						

C.11	Listing and Admission to Trading:	<p>[Application has been made by the Issuer (or on its behalf) to the Luxembourg Stock Exchange for the Notes to be admitted to the official list and to trading on the [Euronext Paris]/[the regulated market/EuroMTF Market] of the Luxembourg Stock Exchange.]</p> <p>[The Notes are not listed]</p>
C.15	How the value of the investment is affected by the Relevant Underlying (unless the securities have a denomination of at least EUR100,000):	<p><i>(Include all of the below which are relevant to the Notes)</i></p> <p>[The Performance Determination Terms applicable to the Notes are those set out in Element C.9.]</p> <p>[The [interest] [and] [redemption] amount[s] payable on the Notes [is/are] dependent on the value or performance of the Relevant Underlying [reaching] / [not reaching] the threshold or barrier described in [Element] C.9] [and] [Element C.18] [respectively] and a small increase or decrease in the value or performance of the Relevant Underlying near to the threshold or barrier may lead to a significant increase or decrease in the return of the Notes[and Noteholders] may receive no interest at all].</p> <p>[The [interest] [and] [redemption] amount[s] payable on the Notes [is/are] linked to the value or performance of the Relevant Underlying as of one or more predefined dates as described in [Element C.9] [and] [Element C.18] [respectively] and, irrespective of the level of the Relevant Underlying between these dates, the values or performance of the Relevant Underlying on these dates will affect the value of the Notes more than any other factor.]</p> <p>[The Final Redemption Amount payable on the Notes is linked to [a specified percentage of] the performance of the Relevant Underlying and Noteholders may not receive the amount initially invested, and may receive a significantly lesser amount [/ subject to the minimum amount specified in Element C.18].</p> <p>The market price or value of the Notes at any time is expected to be affected by changes in the value of the Relevant Underlying to which the Notes are linked.</p> <p>[The market price or value of the Notes could, in certain circumstances, be affected by fluctuations in the actual or anticipated rates of dividend (if any) or any other distributions on the Relevant Underlying.]</p> <p>[Determinations of amounts payable under the Notes are made by reference to the arithmetic mean of the values or performances of [all] / [the selected] Basket Components. The Basket Components are given different weightings as specified in [Element C.9] and [Element C.18]. The higher the weighting applicable to a particular Basket Component, the more Noteholders will be exposed to the value or performance of that Basket Component in comparison with the remaining Basket Components.]</p> <p>See further [Element C.9] [and] [Element C.18].</p>
C.16	Expiration/ maturity date of the derivative securities – the exercise date/final reference date:	<p>Unless previously redeemed, the Notes will be redeemed on the Maturity Date specified in Element C.9 at their Final Redemption Amount.</p> <p><i>[The Determination Date(s) for the Notes are [date(s)]/[specified in Element C.18].]</i></p>
C.17	Settlement procedure of the	Notes issued will be cash-settled.

	derivative securities:	On the relevant date for redemption of the Notes, the Issuer shall pay the relevant redemption amount per Calculation Amount to the Noteholders through the relevant clearing systems, and such amounts shall be credited to the relevant Noteholders' respective accounts held either with such clearing systems or with a financial intermediary that is a member of such clearing systems.
C.18	How the return on the derivative securities takes place:	<p>[Notes are not ordinary debt securities and [the interest and/or redemption amount] [is/are] linked to the performance of the share(s), index(es), exchange traded fund(s) and/or inflation index(es) identified as the Relevant Underlying.</p> <p>Relevant Underlying: [●] (specify the names of each reference asset) [in connection with determining the interest amount payable in respect of the Notes][, [[●] (specify the names of each reference asset)] in connection with determining the redemption amounts payable on Maturity Date in respect of the Notes][and] [[●] (specify the names of each reference asset) in connection with determining the amounts payable upon automatic early redemption of the Notes.]</p> <p>See also Elements C.9 and C.15.</p>
C.19	Exercise price/final reference price of the underlying:	<p>[Exercise Price of [●]]</p> <p>The Final Reference Value for the purpose of determining the performance of a Relevant Underlying [determined by the Determination Agent by reference to [the price for a share/exchange-traded fund on a relevant exchange/level of an Index/level of an Inflation Index] on [●] (specify exchange) is [●] / derived from the published value of [●] / from the price source of [●].]</p>
C.20	Type of underlying and where information on the underlying can be found:	<p>[Not applicable: The Notes are [Fixed Rate Notes/Floating Rate Notes/Zero Coupon Notes/Derivative Notes].</p> <p>[[Type of Relevant Underlying: [[Share][Basket of Shares][Index][Basket of Indices][ETF][Basket of ETFs] [Inflation Index(es)].]</p> <p>Name of Relevant Underlying:[●]</p> <p>Information about the past and the further performance of the Relevant Underlying and its volatility can be obtained from:[●]</p> <p>[Basket components:]</p> <p>Where the Relevant Underlying is a Share provide:</p> <p>[Name of issuer:[●]]</p> <p>ISIN or other securities identification number:[●]</p> <p>Where the Relevant Underlying is a Index provide:</p> <p>[Name of Index:[●]]</p> <p>Name of Sponsor: [●]</p> <p>Information about the Index can be obtained from:[●]</p> <p>[Basket weightings:[●]]</p>
C.21	Indication of market where securities will be	See Element C.11 for an indication of market where securities will be traded and for which a prospectus in respect of the Notes has been published.

	traded and for which prospectus has been published:	
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		Section D – Risks
D.2	Key Risks Specific to the Issuers and the Guarantor[s]:	<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>Liquidity and funding risk: Liquidity is essential to Morgan Stanley's businesses and Morgan Stanley relies on external sources to finance a significant portion of its operations. Morgan Stanley's borrowing costs and access to the debt capital markets depend significantly on its credit ratings, which may change. Further, Morgan Stanley is a holding company and depends on payments from its subsidiaries. As a result, 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. 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.</p> <p>Market risk: Morgan Stanley's results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors. Morgan Stanley may experience declines in value of its financial instruments and other losses related to volatile and illiquid market conditions. Holding large and concentrated positions may expose Morgan Stanley to losses. In particular, Morgan Stanley has incurred, and may continue to incur, significant losses in the real estate. These factors may result in losses for a position or portfolio held by Morgan Stanley or its consolidated subsidiaries.</p> <p>Credit Risk: Morgan Stanley is exposed to the risk that third parties that are indebted to it will not perform their obligations, as well as that a default by a large financial institution could adversely affect financial markets generally. Such factors give rise to a risk that risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligation.</p> <p>Operational Risk: Morgan Stanley is subject to the risk of loss or of potential damage to its reputation, resulting from inadequate or failed processes, people and systems or from external events (e.g. fraud, 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).</p> <p>Legal, Regulatory and Compliance Risk: Morgan Stanley is subject to the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements or loss to reputation. Morgan Stanley 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. In addition, Morgan Stanley is subject to the risk that a counterparty's performance obligations will be unenforceable. Further, in today's environment of rapid and possibly transformational regulatory change, Morgan Stanley also views regulatory change as a risk to which it is subject.</p> <p>Risk Management: Morgan Stanley's risk management strategies may not be fully effective in mitigating its risk exposure in all market environments or</p>

		<p>against all types of risk.</p> <p>Competitive Environment Risk: 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 (for example by putting downward pressure on trading commissions 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>International Risk: Morgan Stanley is subject to numerous political, economic, legal, operational, franchise and other risks as a result of its international operations (including risks of possible nationalization, expropriation, price, capital or 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>Acquisition and Joint Venture Risk: in relation to past and future acquisitions, Morgan Stanley may be unable to fully capture the expected value from acquisitions, divestitures, joint ventures, minority stakes and strategic alliances.</p> <p>[insert for MSBV:</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>[insert for MSI plc: 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.]</p>
D.3	Key Risks Specific to the Notes:	<p>The securities are subject to the following risks:</p> <p>[include all that apply]</p> <ul style="list-style-type: none"> • THE NOTES ARE NOT BANK DEPOSITS AND ARE NOT INSURED BY THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY, NOR ARE THEY OBLIGATIONS OF, OR GUARANTEED BY, A BANK. • [Investors may receive no or a limited amount of interest] • [Payments may occur at a different time than expected] • [Investors may lose all or a substantial portion of their investment if the value / performance of the Relevant Underlying does not move in the anticipated direction]

- [The terms of certain Notes differ from those of ordinary debt securities because the Notes may not pay interest and, on maturity, depending on the performance of the Relevant Underlying, may return less than the amount invested or nothing, or may return assets or securities of an issuer that is not affiliated with the Issuer, the value of which is less than the amount invested.]
- [Any person intending to use the Notes as a hedge instrument should recognise that the Notes may not hedge exactly a Relevant Underlying or portfolio of which a Relevant Underlying forms a part.]
- [Secondary trading of the Notes may be limited. Further, if the Notes are traded via one or more electronic trading systems and these systems become partially or completely unavailable, this would affect the investor's ability to trade the Notes.]
- [Potential conflicts of interest may exist between the investor and the Determination Agent, who, under the terms of the Notes, may make such adjustments as it considers appropriate as a consequence of certain events affecting the Relevant Underlying, and in doing so, is entitled to exercise substantial discretion.]
- [Because the Notes may be held by or on behalf of a clearing system investors will have to rely on such clearing system's procedures for transfer, payment and communication with the relevant Issuer.]
- [The Issuer may enter into distribution agreements with various financial institutions and other intermediaries as determined by the Issuer, (i) to whom a periodic fee may be payable and (ii) who may sell the Notes to investors at a price different from the price at which they purchase the Notes.]
- [The occurrence of a settlement disruption event may delay the delivery of specified assets required to be delivered as the Physical Delivery Amount, and may affect the value of the Notes.]
- [Payments on a Note issued by Morgan Stanley may be subject to U.S. withholding tax of 30% if the beneficial owner of the Note does not meet the criteria for being exempt from this withholding tax including the requirement that the beneficial owner (or a financial institution holding the Note on behalf of the beneficial owner) furnish a U.S. Internal Revenue Service Form W-8BEN on which the beneficial owner certifies under penalties of perjury that it is not a United States person.]
- [U.S. federal tax rules commonly referred to as "FATCA" generally impose a withholding tax of 30% on certain payments made in the case of payments that are classified as U.S. source income after 30 June 2014, and in the case of other payments, no earlier than 1 January 2017, to certain foreign entities (including financial intermediaries), unless various U.S. information reporting and due diligence requirements have been satisfied.]
- [U.S. federal tax law may impose a withholding tax of up to 30% on payments or deemed payments made to non-U.S. persons that are contingent upon or determined by reference to U.S. source dividends.]
- [Notes may be redeemed early if the Issuer [or Guarantor[s]] [is/are] obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future

taxes or such levies.]

- [Notes may be redeemed early at the option of the Issuer.]
- [If an event of default occurs in respect of the Issuer [or the Guarantor[s]], investor would have an unsecured claim against the Issuer [or the Guarantor[s]] for the amount due on the early redemption of the Notes.]
- [An Issuer may amend the terms and condition of the Notes [, the Guarantee] and the Agency Agreement dated 1 December 2011 [and the Guarantee dated 22 April 2014] (as amended or supplemented from time to time) in relation to, amongst others, the Notes, without Noteholder consent if, in its opinion, such amendments are not materially prejudicial to Noteholders]
- [*insert for all Linked Notes:* The market price of Notes may be very volatile. Further, investors in Notes may receive no interest and payment or payment of principal or interest, if applicable, may occur at a different time or in a different currency than expected. The Relevant Underlying may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices. The timing of changes in a Relevant Underlying may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Underlying the greater the effect on yield.]
- [*insert for all Linked Notes:* It is impossible to predict how the level of the Relevant Underlying will vary over time. The historical performance value (if any) of the Relevant Underlying does not indicate the future performance of the Relevant Underlying. Factors such as volatility, [distributions on the Relevant Underlying,] interest rates, remaining term of the Notes or exchange rates will influence the price investors will receive if an investor sells its Notes prior to maturity.]
- [Notes linked to [an emerging market [security] / [ETF] / [a basket of [emerging market securities] / [indices composed, in part or in whole, of emerging market securities] / [[ETFs] composed, in part or in whole, of emerging market [ETFs] are subject to a higher risk of fluctuations in trading prices.]
- [The Issuer's and/or its affiliates' hedging costs tend to be higher the less liquidity the Relevant Underlying has or the greater the difference between the "buy" and "sell" prices for the Relevant Underlying or derivatives contracts referenced to the Relevant Underlying, and this may impact payments on the Notes.]
- [The issuer of the Relevant Underlying will not be an affiliate of the Issuer, but the Issuer its affiliates may presently or from time to time engage in business with such issuer of the Relevant Underlying.]
- General exchange rate and exchange control risks, including the risk that exchange rates will affect an investment in the Notes, the risk of the Issuer's lack of any control over exchange rates and the risk that some currencies may become unavailable and of an alternative payment method used if the payment currency becomes unavailable.
- [The Determination Agent may determine that a Disruption Event has occurred and such events can affect the Relevant Underlying and lead to

adjustments and/or early redemption of the Notes.]

- *[insert for Index-Linked Notes:* Indices are comprised of a synthetic portfolio of other assets, and its performance may be dependent on the performance of such assets. Returns on the Notes do not reflect a direct investment in underlying shares or other assets comprising the Index. A change in the composition or discontinuance of an Index could adversely affect the market value of the Notes. Notes are not sold or promoted by an Index or the sponsor of such Index. The Issuer or its affiliates are not liable for the actions or omissions of the sponsor of an Index, any information concerning an Index, the performance of such Index or use thereof in connection with the Notes.]
- *[Insert for Share-Linked Notes:* No issuer of the Share(s) has participated in the preparation of the Final Terms or in establishing the terms of the Share-Linked Notes. Macroeconomic factors affecting the performance of Shares may adversely affect the value of the Share-Linked Notes. Holders have no claim against the Share Issuer(s) or recourse to the Shares.]
- *[Insert for Notes linked to a Basket:* The investors will bear the risk of the performance of each of the Basket Components. A high correlation of Basket Components may have a significant effect on amounts payable. The negative performance of a single Basket Component may outweigh a positive performance of one or more other Basket Components.]
- *[Insert for caps.* Amounts payable on the Notes are limited by the caps on value / performance of the Relevant Underlying applicable to the Notes.]
- *[Insert for baskets with unequal weighting, small baskets and for Best of/Worst of/ Selection of Average features:* The Notes are linked to a [small] [and] [unequally weighted Basket] [and determinations of amounts payable take into account the average value and/or performance of only a limited number of the components] and this will generally leave the Basket more vulnerable to changes in the value of any particular Relevant Underlying.]
- *[Insert for "capitalised" notes:* The investor will not receive any periodic or other payment of interest on the Notes prior to the Maturity Date.]
- *[Insert if Participation Rate is less than 100%:* The formula for calculation of [interest] [and] [redemption] amounts payable on the notes applies a Participation Rate, which is less than 100%, and accordingly, payments on the Notes will be less than if linked to the full value of the performance of the Relevant Underlying.]
- *[Insert for Barrier feature:* Payment of [interest] [and] [redemption] and [early redemption] amounts on the Notes is conditional on the value or performance of the Relevant Underlying being [greater than [or equal to]] / [less than [or equal to]] a specified barrier value, and if such condition (a "barrier condition") is not satisfied, then [the amount of interest payable will be zero]/[a lower amount is payable than would otherwise have been payable on the notes. [Further, the barrier condition needs to be satisfied by the value / performance of the worst performing Basket Component, irrespective of the performance of the other Basket Components.]]
- *[Insert for Autocall:* The Notes will be redeemed early if the Relevant Underlying Value [of the worst performing Basket Component] on any Automatic Early Redemption Valuation Date is [greater than [or equal

		to]] / [less than [or equal to]] a specified barrier value.]
		An investment in the Notes bears the risk that the Issuer [or the Guarantor[s]] [is/are] not able to fulfil [its/their] obligations in respect of such Notes at maturity or before maturity of the Notes. In certain circumstances holders may lose all or a substantial portion of their principal or investment.
D.6	Risk Warning³¹:	See Element D.3 for the key risks that are specific to the Notes. <i>WARNING: INVESTORS IN NOTES CONSTITUTING DERIVATIVE SECURITIES UNDER REGULATION EC/809/2004, AS AMENDED, MAY LOSE THE VALUE OF THEIR ENTIRE INVESTMENT, OR PART OF IT.</i>

		Section E – Offer
E.2b	Reasons for the Offer and Use of Proceeds:	The net proceeds of each issue of Notes will be used by the relevant Issuer for [general corporate purposes and/or in connection with hedging its obligations under the Notes / <i>specify other.</i>]
E.3	Terms and Conditions of the Offer:	<p><i>Conditions, offer statistics, expected timetable and action required to apply for the offer</i></p> <p><i>[The conditions to which the offer is subject are [•].]</i></p> <p><i>[The total amount of the offer is [•]. [If the offer is not fixed, describe the arrangements and time for announcing to the public the definitive amount of the offer.]</i></p> <p><i>[The Offer Period is [•].]</i></p> <p><i>[Describe the application process.</i></p> <p><i>Describe the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.</i></p> <p><i>Detail the minimum and/or maximum amount of application, (whether the number of securities or the aggregate amount to be invested).</i></p> <p><i>Describe the method and time limits for paying up the securities and for delivery of the securities.</i></p> <p><i>Describe fully the manner and date on which results of the offer are to be made public.</i></p> <p><i>Describe the procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.]</i></p> <p><i>Plan of distribution and allotment</i></p> <p><i>[Describe the various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two or more</i></p>

³¹ D.3 plus: — “This must include a risk warning to the effect that investors may lose the value of their entire investment or part of it, as the case may be, and/or, if the investor’s liability is not limited to the value of his investment, a statement of that fact, together with a description of the circumstances in which such additional liability arises and the likely financial effect.” Annex XII

		<p><i>countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.</i></p> <p><i>Describe the process for notification to applicants of the amount allotted and indicate whether dealing may begin before notification is made.]</i></p> <p>Pricing</p> <p><i>[Give an indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate an amount of any expenses and taxes specifically charged to the subscriber or purchaser.]</i></p> <p>Placing and Underwriting</p> <p><i>[Provide the name and address of the co-ordinator of the global offer and of single parts of the offer and, to the extent known to the Issuer, of the placers in the various countries where the offer takes place.</i></p> <p><i>Provide the name and address of any paying agents and depository agents in each country.</i></p> <p><i>Provide the name and address of the entities agreeing to underwrite the issue on a firm commitment basis and the address of the entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements.</i></p> <p><i>Indicate the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered.</i></p> <p><i>Indicate the overall amount of the underwriting commission and of the placing commissions.</i></p> <p><i>Indicate when the underwriting agreement has been or will be reached.</i></p> <p><i>Indicate the name of the calculation agent.]</i></p>
E.4	Interests Material to the Issue:	<p>[Subject to potential conflicts between the investor and the Determination Agent, notably when MSIP acts both as Issuer and Determination Agent, or when MSIP and other affiliates or subsidiaries of Morgan Stanley carry out hedging activities or trades, [Morgan Stanley / MSIP / each of Morgan Stanley and MSBV] [does/do] not have interests material to the issue.] <i>(To specify)</i></p>
E.7	Estimated Expenses:	<p>Estimated expenses charged to the investor by the relevant Issuer or the offeror are [•].</p>

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.

Morgan Stanley operates under the General Corporation Law of the State of Delaware. As a financial holding company, it is regulated by the Fed under the BHC Act. As a major financial services firm that operates through its subsidiaries and affiliates, Morgan Stanley is subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by regulators and exchanges in each of the major markets where it conducts its business.

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 Base Prospectus, 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 on Form 10-K for the year ended 31 December 2013 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, are in the process of adopting, finalizing and implementing a wide range of reforms that will result in major changes to the way Morgan Stanley is regulated and conducts its business. It will take time for the comprehensive effects of these reforms to emerge and be understood.

Regulatory Outlook

The Dodd-Frank Act was enacted on 21 July 2010. While certain portions of the Dodd-Frank Act became effective immediately, most other portions are effective following transition periods or through numerous rulemakings by multiple governmental agencies, and although a large number of rules have been proposed, many are still subject to final rulemaking or transition periods. U.S. regulators also plan to propose additional regulations to implement the Dodd-Frank Act. Accordingly, it remains difficult to assess fully the impact that the Dodd-Frank Act will have on Morgan Stanley and on the financial services industry generally. In addition, various international developments, such as the adoption of or further revisions to risk-based capital, leverage and liquidity standards by the Basel Committee on Banking Supervision (the **Basel Committee**), including "Basel

III", and the implementation of those standards in jurisdictions in which Morgan Stanley operates will continue to impact Morgan Stanley in the coming years.

It is likely that 2014 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's 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 which will impose 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 the 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 in September 2008, 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 grandfather's "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 September 30, 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. In January 2014, the Fed issued an advance notice of proposed rulemaking, which seeks public comment on certain matters related to financial holding companies' physical commodity activities and merchant banking investments in nonfinancial companies.

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. Banking entities have until July 21, 2015 to bring all of their activities and investments into conformance with the Volcker Rule, subject to possible extensions. The Volcker Rule requires banking entities to establish comprehensive compliance programs designed to help ensure and monitor compliance with restrictions under the Volcker Rule.

Morgan Stanley is continuing its review of activities that may be affected by the Volcker Rule, including its trading operations and asset management activities, and is taking steps to establish the necessary compliance programs to comply with the Volcker Rule. Morgan Stanley had already taken certain steps to comply with the Volcker Rule prior to the issuance of final regulations, including, for example, the divestiture of its in-house proprietary quantitative trading unit in January 2013. 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 Office of the Comptroller of the Currency (the OCC) establishes similar capital requirements and standards for Morgan Stanley's Subsidiary Banks. Under existing capital regulations, for Morgan Stanley to remain a financial holding company, its Subsidiary Banks must qualify as “well capitalized” by maintaining a total risk-based capital ratio (total capital to risk-weighted assets) of at least 10% and a Tier 1 risk-based capital ratio of at least 6%. To maintain its status as a financial holding company, Morgan Stanley is also required to be “well capitalized” by maintaining these capital ratios. Effective January 1, 2015, the “well-capitalized” standard for the Morgan Stanley's Subsidiary Banks will be revised to reflect the higher capital requirements in the U.S. Basel III final rule, as defined below. 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. In addition, under the Federal Reserve's and OCC's leverage rules, Morgan Stanley and the Subsidiary Banks are subject to a minimum Tier 1 leverage ratio (Tier 1 capital to average total consolidated assets) of 4 per cent.

As of December 31, 2013, Morgan Stanley calculated its capital ratios and risk-weighted assets in accordance with the capital adequacy standards for financial holding companies adopted by the Federal Reserve. These existing capital standards are based upon a framework described in the “*International Convergence of Capital Measurement and Capital Standards*,” July 1988, as amended, also referred to as “Basel I”. In December 2007, the U.S. banking regulators published final regulations incorporating the Basel II Accord, which requires internationally active U.S. banking organizations, as well as certain of their U.S. bank subsidiaries, to implement Basel II standards over the next several years. On 1 January 2013, the U.S. banking regulators' rules to implement the Basel Committee's market risk capital framework, referred to as “Basel 2.5,” became effective, which increased the capital requirements for securitizations and correlation trading within the Morgan Stanley's trading book, as well as incorporated add-ons for stressed Value-at-Risk and incremental risk requirements.

In December 2010, the Basel Committee reached an agreement on Basel III. In July 2013, the U.S. banking regulators promulgated final rules to implement many aspects of Basel III (the **U.S. Basel III final rule**). Morgan Stanley became subject to the U.S. Basel III final rule on January 1, 2014. Certain requirements in the U.S. Basel III final rule, including the minimum risk-based capital ratios and new capital buffers, will commence or be phased in over several years.

The U.S. Basel III final rule contains new capital standards that raise capital requirements, strengthen counterparty credit risk capital requirements, introduce a leverage ratio as a supplemental measure to the risk-based ratio and replace the use of externally developed credit ratings with alternatives such as the Organisation for Economic Co-operation and Development's country risk classifications. Under the U.S. Basel III final rule, Morgan Stanley is subject, on a fully phased-in basis, to a minimum

Common Equity Tier 1 risk-based capital ratio of 4.5 per cent., a minimum Tier 1 risk-based capital ratio of 6 per cent. and a minimum total risk-based capital ratio of 8 per cent.

Morgan Stanley is also subject to a 2.5 per cent. Common Equity Tier 1 capital conservation buffer and, if deployed, up to a 2.5 per cent. Common Equity Tier 1 countercyclical buffer, on a fully phased-in basis by 2019. 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. In addition, certain new items will be deducted from Common Equity Tier 1 capital and certain existing deductions will be modified. The majority of these capital deductions is subject to a phase-in schedule and will be fully phased in by 2018. Under the U.S. Basel III final rule, unrealized gains and losses on available-for-sale securities will be reflected in Common Equity Tier 1 capital, subject to a phase-in schedule.

U.S. banking regulators have published final regulations implementing a provision of the Dodd-Frank Act requiring that certain institutions supervised by the Federal Reserve, including Morgan Stanley, be subject to minimum capital requirements that are not less than the generally applicable risk-based capital requirements. Currently, this minimum "capital floor" is based on Basel I. Beginning on January 1, 2015, the U.S. Basel III final rule will replace the current Basel I-based "capital floor" with a standardized approach that, among other things, modifies the existing risk weights for certain types of asset classes. The "capital floor" applies to the calculation of minimum risk-based capital requirements as well as the capital conservation buffer and, if deployed, the countercyclical capital buffer.

On February 21, 2014, the Federal Reserve and the OCC approved Morgan Stanley's and the 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 (collectively, the **advanced approaches method**) to calculate and publicly disclose their risk-based capital ratios beginning with the second quarter of 2014, subject to the "capital floor" discussed above. One of the stipulations for this approval is that Morgan Stanley will be required to satisfy certain conditions, as agreed to with the regulators, regarding the modeling used to determine its estimated risk-weighted assets associated with operational risk.

In addition to the U.S. Basel III final rule, the Dodd-Frank Act requires the Federal Reserve to establish more stringent capital requirements for certain bank holding companies, including Morgan Stanley. The Federal Reserve has indicated that it intends to address this requirement by implementing the Basel Committee's capital surcharge for global systemically important banks (**G-SIBs**). The Financial Stability Board (**FSB**) has provisionally identified the G-SIBs and assigned each G-SIB a Common Equity Tier 1 capital surcharge ranging from 1.0 per cent. to 2.5 per cent. of risk-weighted assets. Morgan Stanley is provisionally assigned a G-SIB capital surcharge of 1.5 per cent. The FSB has stated that it intends to update the list of G-SIBs annually.

The U.S. Basel III final rule also subjects certain banking organizations, including Morgan Stanley, to a minimum supplementary leverage ratio of 3% beginning on January 1, 2018. In January 2014, the Basel Committee finalized revisions to the denominator of the Basel III leverage ratio. The revised denominator differs from the supplementary leverage ratio in the treatment of, among other things, derivatives, securities financing transactions and other off-balance sheet items. U.S. banking regulators may issue regulations to implement the revised Basel III leverage ratio.

The U.S. banking regulators have also proposed a rule to implement enhanced supplementary leverage standards for certain large bank holding companies and their subsidiary insured depository institutions, including Morgan Stanley and the Subsidiary Banks. Under this proposal, a covered bank holding company would need to maintain a leverage buffer of Tier 1 capital of greater than 2 per cent. in addition to the 3 per cent. minimum (for a total of greater than 5 per cent.), in order to avoid limitations on capital distributions, including dividends and stock repurchases, and discretionary bonus payments to executive officers. This proposal would further establish a "wellcapitalized" threshold based on a supplementary leverage ratio of 6 per cent. for insured depository institution

subsidiaries, including the Subsidiary Banks. If this proposal is adopted, its requirements would become effective on January 1, 2018 with public disclosure of the ratio required beginning in 2015.

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 was developed to ensure banks have sufficient high-quality liquid assets to cover net cash outflows arising from significant stress over 30 calendar days. This standard's objective is to promote the short-term resilience of the liquidity risk profile of banks and bank holding companies. The NSFR has a time horizon of one year and is defined as the ratio of the amount of available stable funding to the amount of required stable funding. This standard's objective is to promote resilience over a longer time horizon. In January 2014, the Basel Committee proposed revisions to the original December 2010 version of the NSFR and continues to contemplate the introduction of the NSFR, including any final revisions, as a minimum standard by January 1, 2018.

In October 2013, the U.S. banking regulators proposed a rule to implement the LCR in the U.S. (**U.S. LCR proposal**). The U.S. LCR proposal would apply to Morgan Stanley and the Subsidiary Banks. The U.S. LCR proposal is more stringent in certain respects compared to the Basel Committee's version of the LCR, and includes a generally narrower definition of high-quality liquid assets, a different methodology for calculating net cash outflows during the 30-day stress period as well as a shorter, two-year phase-in period that ends on December 31, 2016. The Federal Reserve has also indicated that it may implement regulatory measures related to short-term wholesale funding.

Capital Planning, Stress Tests and Dividends. 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 final 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 the U.S. Basel III final rule 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 final 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 authority to prohibit or to limit the payment of dividends by the banking organizations they supervise, including Morgan Stanley and the 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 organization. All of these policies and other requirements could influence Morgan Stanley's ability to pay dividends and repurchase stock, or require it to provide capital assistance to the Subsidiary Banks under circumstances which Morgan Stanley would not otherwise decide to do so.

Morgan Stanley submitted its 2014 annual capital plan to the Federal Reserve in January 2014. In March 2014 the Federal Reserve published summary results of the Dodd-Frank Act and CCAR supervisory stress tests of each large bank holding company including the Company. The Company received no objection to its 2014 capital plan.

In October 2012, the Federal Reserve issued its stress test final rule as required by the Dodd-Frank Act that requires Morgan Stanley to conduct semi-annual company-run stress tests. Under this rule, Morgan Stanley is required to publicly disclose the summary results of its company-run stress tests under the severely adverse economic scenario. The rule also subjects Morgan Stanley to an annual supervisory stress test conducted by the Federal Reserve. The capital planning and stress testing requirements for large bank holding companies form part of the Federal Reserve's annual CCAR process.

The Dodd-Frank Act also requires each of the Subsidiary Banks to conduct an annual stress test, although MSPNA was given an exemption by the OCC for the 2014 stress test. MSBNA submitted its 2014 annual company-run stress tests to the OCC and the Federal Reserve on January 6, 2014.

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 **Council**), can recommend prudential standards, reporting and disclosure requirements to the Federal Reserve for systemically important financial institutions, must approve any finding by the Federal Reserve that a financial institution poses a grave threat to financial stability and must undertake mitigating actions. The Council 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.

Pursuant to the Dodd-Frank Act, Morgan Stanley must also provide to the Federal Reserve and FDIC, and MSBNA must provide to the FDIC, an annual plan for rapid and orderly resolution in the event of material financial distress. Morgan Stanley and MSBNA submitted their most recent annual resolution plans to the Federal Reserve and the FDIC, as required, on October 1, 2013.

In February 2014, the Federal Reserve issued final rules to implement certain requirements of the Dodd-Frank Act's systemic risk regime. Effective on January 1, 2015, the final rules will 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 will 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 Council, the Federal Reserve must require financial institutions subject to the systemic risk regime to maintain a debt-to-equity ratio of no more than 15-to-1 if the Council considers it necessary to mitigate the risk.

The systemic risk regime provides that, for institutions posing a grave threat to U.S. financial stability, the Federal Reserve, upon Council vote, 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 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 Council, to each other such institution to 10 per cent. of the aggregate capital and surplus of each institution, and limit the aggregate exposure of such institutions to any other unaffiliated counterparty to 25 per cent. 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.

Orderly Liquidation Authority. 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 a new orderly liquidation authority. The U.S. Treasury Secretary, in consultation with the President of the U.S., must first make certain extraordinary financial distress and systemic risk determinations, and action must be recommended by two-thirds of the FDIC Board and two-thirds of the Federal Reserve Board. Absent such actions, Morgan Stanley as a bank holding company would remain subject to resolution under the U.S. Bankruptcy Code.

The orderly liquidation authority went into effect in July 2010, and 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 be appointed receiver, which would give the FDIC considerable powers to resolve Morgan Stanley, 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 to creditors not transferred to a third party or bridge financial institution. 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 FDIC's release outlines how it would use its powers under the orderly liquidation authority to resolve a systemically important financial institution by placing its 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, recapitalizing 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.

U.S. Bank Subsidiaries.

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

MSPNA offers certain mortgage and other secured lending products primarily for customers of its affiliate retail broker-dealer, Morgan Stanley Smith Barney LLC (**MSSB LLC**). MSPNA also offers certain deposit products, as well as prime brokerage custody services. MSPNA is an FDIC-insured national bank whose activities are 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 January 2014, the OCC proposed a set of specific risk governance guidelines to formalize its heightened expectations for large national banks, including MSBNA. The proposed 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 MSPNA 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 formalized 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. bank subsidiaries are subject to Sections 23A and 23B of the Federal Reserve Act, which impose restrictions on any extensions of credit to, purchase of assets from, and certain other transactions with, any affiliates. These restrictions limit the total amount of credit exposure that they 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. bank subsidiaries and their affiliates became subject to these restrictions. The Federal Reserve has indicated that it will propose rulemaking to implement these restrictions. These reforms will place limits on Morgan Stanley's U.S. bank subsidiaries' ability to engage in derivatives, repurchase agreements and securities lending transactions with other affiliates of Morgan Stanley.

In addition, the Volcker Rule generally prohibits “covered transactions,” such as extensions of credit, 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 and other “covered funds” organized and offered 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 FDIC-insured depository institutions, MSBNA and MSPNA are exposed to each others' losses. 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 Regulation. Morgan Stanley's primary U.S. broker-dealer subsidiaries, Morgan Stanley & 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 organizations, including the Financial Industry Regulatory Authority, Inc. (**FINRA**), and various securities exchanges and clearing organizations. 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 brokerdealer'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 authorized to adopt a fiduciary duty applicable to broker-dealers when providing personalized 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 organization 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 organizations. 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. Rules of FINRA and other self-regulatory organizations also impose limitations and requirements on the transfer of member organizations' 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.

Morgan Stanley & 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 Morgan Stanley & 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 Morgan Stanley & 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 consolidated audit trail rule, which, when fully 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. It is possible that the SEC or self-regulatory organizations could propose or adopt additional market structure 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 we operate.

Regulation of Futures Activities and Certain Commodities Activities. As futures commission merchants, MS & Co. and MSSB LLC 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 apart of a secured amount, the use by futures commission merchants of customer funds, recordkeeping and reporting obligations, risk disclosure, risk management and discretionary trading. 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 Morgan Stanley had sent wastes for disposal.

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 and other agencies charged with regulating Swaps have not yet adopted the majority of their Swap 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 will be required to be traded on an exchange or execution facility starting in February 2014.

The Dodd-Frank Act also requires the registration of “swap dealers” and “major swap participants” with the CFTC and “security-based swap dealers” and “major security-based swap participants” 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 as swap dealers. 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, recordkeeping and reporting. Morgan Stanley’s swap dealers are also subject to new rules under the Dodd-Frank Act regarding segregation of customer collateral for cleared transactions, large trader reporting, and anti-fraud and anti-manipulation requirements related to activities in Swaps.

The specific parameters of these requirements for Swaps have been and continue to be developed through CFTC, SEC and bank regulator rulemakings. While many of the CFTC’s requirements are already final and effective, others are subject to further rulemaking or deferred compliance dates. In particular, the CFTC, SEC and the banking regulators have proposed, but not yet adopted, rules regarding margin and capital requirements for Swaps Entities. In September 2013, the Basel Committee and the International Organization of Securities Commissions released their final policy framework on margin requirements for non-centrally-cleared derivatives. 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 finalized. In November 2013, the CFTC re-proposed rules that, if finalized 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 reproposal, the CFTC is taking steps to institute position limits that were previously finalized 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 partially finalized regulatory capital requirements may require Morgan Stanley to devote more capital to its Swaps business.

In July 2013, the CFTC issued final guidance on the cross-border application of its Swaps regulations and an exemptive order providing a delay in compliance timing of certain of those regulations as applied to certain non-U.S. entities engaging in Swaps activities. Even with the issuance of the guidance, the full scope of the extraterritorial impact of U.S. Swaps regulation remains unclear.

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 in the future. In addition, other non-U.S. jurisdictions are in the process of adopting and implementing legislation emanating from the G20 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.

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 organizations, 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 Euronext.liffe, 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 finalized or are in the process of proposing or finalizing 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., Morgan Stanley & Co. International plc (**MSIP**), 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 minimize 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 formal and informal supervisory and 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 (collectively, **CRD IV**), which implements the Basel III and other regulatory requirements for E.U. investment firms, such as MSIP. European Market Infrastructure Regulation introduces new requirements regarding the central clearing, reporting and conduct of business with respect to derivatives. In addition, proposals to revise the Markets in Financial Instruments Directive would introduce various trading and market infrastructure reforms in the E.U. Lawmakers in the E.U. are also in the process of finalizing a proposed directive that would establish a framework for the recovery and resolution of E.U. credit institutions and investment firms, including MSIP.

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.

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 recordkeeping 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. Several important elements of the Dodd-Frank Act will not be known until rulemaking is finalized and certain final regulations are adopted.

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.

Morgan Stanley's Investment Management business is also regulated outside the U.S. For example, the PRA and FCA regulate 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, 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 enforces economic and trade sanctions against targeted foreign countries, entities and individuals based on external threats to the U.S. foreign policy, national security, or economy; by other governments; or by global or regional multilateral organizations, such as the United Nations Security Council and the E.U. as applicable.

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. 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 organizations does not encourage imprudent risk-taking that threatens the organizations' 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 risks 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 promulgated in accordance with the FSB compensation principles and standards, CRD IV, Alternative Investment Fund Managers Directive regulations, the fifth Undertakings for Collective Investment in Transferable Securities Directive and proposed second Markets in Financial Instruments Directive. The FSB standards are to be implemented by local regulators, including in the U.K., where the

remuneration of employees of certain banks is governed by the Remuneration Code. In the E.U., beginning on 1 January 2014, 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 will be subject to CRD IV, which includes a fixed cap on bonuses and other variable remuneration restrictions.

The following is an extract from the section entitled "Regulatory Outlook" from Part I, Item 2 ("Other Matters") in Morgan Stanley's quarterly report on Form 10Q for the quarter ended March 31, 2014.

The Dodd-Frank Act was enacted on July 21, 2010. While certain portions of the Dodd-Frank Act became effective immediately, most other portions are effective following transition periods or through numerous rulemakings by multiple governmental agencies, and although a large number of rules have been proposed, many are still subject to final rulemaking or transition periods. U.S. regulators also plan to propose additional regulations to implement the Dodd-Frank Act. Accordingly, it remains difficult to assess fully the impact that the Dodd-Frank Act will have on the Company and on the financial services industry generally. In addition, various international developments, such as the adoption of or further revisions to risk-based capital, leverage and liquidity standards by the Basel Committee, including Basel III, and the implementation of those standards in jurisdictions in which the Company operates, will continue to impact the Company in the coming years.

At the end of 2013, the U.S. regulators adopted the final Volcker Rule regulations. Banking entities, including the Company, generally have until July 21, 2015 to bring all of their activities and investments into conformance with the Volcker Rule, subject to possible extensions. The Company is continuing its review of activities that may be affected by the Volcker Rule, including its trading operations and asset management activities, 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.

It is likely that 2014 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 the Company operates, although it remains difficult to predict the exact impact these changes will have on the Company's business, financial condition, results of operations and cash flows for a particular future period. See also "Business—Supervision and Regulation" in Part I, Item 1 included in the Annual Report on Form 10-K for the year ended December 31, 2013.

The following is an extract from the section entitled "Regulatory Outlook" in Part I Item 2 ("Other Matters") of Morgan Stanley's quarterly report on Form 10Q for the quarter ended June 30, 2014.

The Dodd-Frank Act was enacted on July 21, 2010. While certain portions of the Dodd-Frank Act became effective immediately, most other portions are effective following transition periods or through numerous rulemakings by multiple governmental agencies, and although a large number of rules have been proposed, many are still subject to final rulemaking or transition periods. U.S. regulators also plan to propose additional regulations to implement the Dodd-Frank Act. Accordingly, it remains difficult to assess fully the impact that the Dodd-Frank Act will have on the Company and on the financial services industry generally. In addition, various international developments, such as the adoption of or further revisions to risk-based capital, leverage and liquidity standards by the Basel Committee, including Basel III, and the implementation of those standards in jurisdictions in which the Company operates, will continue to impact the Company in the coming years.

At the end of 2013, the U.S. regulators adopted the final Volcker Rule regulations. Banking entities, including the Company, generally have until July 21, 2015 to bring all of their activities and investments into conformance with the Volcker Rule, subject to possible extensions. The Company is continuing its review of activities that may be affected by the Volcker Rule, including its trading operations and asset management activities, 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.

It is likely that 2014 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 the Company operates, although it remains difficult to predict the exact impact these changes will have on the Company's business, financial condition, results of operations and cash flows for a particular future period. See also "Business—Supervision and Regulation" in Part I, Item 1 of the Form 10-K.

The following is an extract from the section entitled "Regulatory Outlook" in Part 1 Item 2 ("Other Matters") of Morgan Stanley's quarterly report on Form 10Q for the quarter ended September 30, 2014.

The Dodd-Frank Act was enacted on July 21, 2010. While certain portions of the Dodd-Frank Act became effective immediately, most other portions are effective following transition periods or through numerous rulemakings by multiple governmental agencies, and although a large number of rules have been proposed, many are still subject to final rulemaking or transition periods. U.S. regulators also plan to propose additional regulations to implement the Dodd-Frank Act. Accordingly, it remains difficult to assess fully the impact that the Dodd-Frank Act will have on the Company and on the financial services industry generally. In addition, various international developments, such as the adoption of or further revisions to risk-based capital, leverage and liquidity standards by the Basel Committee, including Basel III, and the implementation of those standards in jurisdictions in which the Company operates, will continue to impact the Company in the coming years.

At the end of 2013, the U.S. regulators adopted the final Volcker Rule regulations. Banking entities, including the Company, generally have until July 21, 2015 to bring all of their activities and investments into conformance with the Volcker Rule, subject to possible extensions. The Company is continuing its review of activities that may be affected by the Volcker Rule, including its trading operations and asset management activities, 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.

It is likely that in the remainder of 2014 and in subsequent years, there will continue to be further material changes in the way major financial institutions are regulated in both the U.S. and other markets in which the Company operates, although it remains difficult to predict the exact impact these changes will have on the Company's business, financial condition, results of operations and cash flows for a particular future period. See also "Business—Supervision and Regulation" in Part I, Item 1 of the 2013 Form 10-K and "Liquidity and Capital Resources—Regulatory Requirements" in the Form 10-Q quarterly period ended 30 September 2014.

Recent Events.

Save as disclosed in the documents incorporated by reference in this Base Prospectus, there has been no significant recent events in relation to Morgan Stanley or the Morgan Stanley Group since the date of the Morgan Stanley Quarterly Report on Form 10-Q for the quarterly period ended 30 September 2014.

2. OVERVIEW OF THE 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; retirement services; and trust and fiduciary services and engages in fixed income 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.

Global Oil Merchanting Business, CanTerm and TransMontaigne.

On 20 December 2013, Morgan Stanley and a subsidiary of Rosneft Oil Company (**Rosneft**) entered into a Purchase Agreement pursuant to which Morgan Stanley would sell the global oil merchanting unit of its commodities division (the **global oil merchanting business**) to Rosneft. In the current environment there can be no assurance that the transaction will close, particularly in light of the existing contractual requirement that all necessary approvals be received by 20 December 2014, when the Purchase Agreement will expire. Morgan Stanley continues to operate the global oil merchanting business in the ordinary course, and should the transaction not close, Morgan Stanley would consider a variety of options that take into account the interests of Morgan Stanley's shareholders, clients and employees. For the foregoing reasons, the global oil merchanting business is no longer classified as held for sale.

CanTerm. 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. Due to a change in Morgan Stanley's expected level of continuing involvement with CanTerm, it is no longer considered to be a discontinued operation, and as such, the results of CanTerm are reported as a component of continuing operations within the Institutional Securities business segment for all periods presented. As a result of this change, previously disclosed earnings per diluted common share (**diluted EPS**) from discontinued operations of \$0.02 per share are included in diluted EPS from continuing operations for the nine months ended 30 September 2014.

TransMontaigne. 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 \$101 million for the quarter and nine months ended 30 September 2014.

Discontinued Operations

Pre-tax gain (loss) amounts for the quarter and nine months ended 30 September 2014 were not significant. Pre-tax gain (loss) amounts for the quarter and nine months ended 30 September 2013 were \$14 million and \$(58) million, respectively, included in discontinued operations, primarily related to the prior sale of Saxon and a principal investment.

Quilter. On 2 April 2012, the Company completed the sale of Quilter & Co. Ltd. (**Quilter**), its retail wealth management business in the U.K. Net revenues for Quilter were \$148 million and \$134 million

for 2012 and 2011, respectively. Net pre-tax gains (losses) were \$(1) million, \$97 million and \$21 million for 2013, 2012 and 2011, respectively, and included a gain of approximately \$108 million in 2012 in connection with the sale of Quilter. The results of Quilter are reported as discontinued operations within the 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 during the first quarter of 2012, was substantially completed in the second quarter of 2012. Net revenues for Saxon were \$79 million and \$28 million for 2012 and 2011, respectively, and pre-tax losses were \$64 million, \$187 million and \$194 million for 2013, 2012 and 2011, respectively. Revenues included a pre-tax gain of approximately \$51 million in 2012, primarily resulting from the subsequent increase in fair value of Saxon, which had incurred impairment losses of \$98 million in the quarter ended 31 December 2011. Pre-tax loss in 2012 included a provision of approximately \$115 million related to a settlement with the Board of Governors of the Federal Reserve System concerning the independent foreclosure review related to Saxon. The results of Saxon are reported as discontinued operations within the Institutional Securities business segment for all periods presented.

Other. In the fourth quarter of 2011, Morgan Stanley classified a real estate property management company as held for sale within the Investment Management business segment. The transaction closed during the first quarter of 2012. The results of this company are reported as discontinued operations within the Investment Management business segment for all periods presented. Remaining pre-tax gain (loss) amounts of \$(7) million, \$42 million and \$3 million for 2013, 2012 and 2011, respectively, that are included in discontinued operations primarily related to the sale of the Company's retail asset management business, Revel Entertainment Group, LLC (**Revel**) and a principal investment. Prior-period amounts have been recast for discontinued operations.

3. ORGANIZATIONAL 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 2013, Morgan Stanley had 55,794 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 Exhibit 21 of the 2013 Morgan Stanley Annual Report. 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/895421/000119312513077191/d484822dex21.htm>.

4. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Board of Directors

The directors of Morgan Stanley as of the date of this Base Prospectus, 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.

Name	Function within Morgan Stanley	Principal Outside Activity
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 LLC, private investment firms, and President Emeritus of University of North Carolina.
Howard J. Davies	Director	Member of the board of directors of Prudential plc., non-executive Chairman of Phoenix Group Holdings and professor at SciencesPo, the Paris School of International Affairs, Chairman of the International Advisory Board of the China Securities Regulatory Commission and a member of the International Advisory Board of the China Banking Regulatory Commission.
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). Serves on the Accounting Standards Oversight Council of Canada and as a member of the Standing Advisory Group of the Public Company Accounting Oversight Board. Serves on the advisory boards of WebFilings LLC, AccountAbility and the Manchester Business School in England. Executive-in-residence at the Columbia

Name	Function within Morgan Stanley	Principal Outside Activity
		University Business School, and a trustee and vice chair of the Kessler Foundation.
C. Robert Kidder	Director	Member of the board of directors of Merck & Co., Inc. and Advanced Drainage Systems, Inc. Serves on the Board of Trustees of Nationwide Children's Hospital (Columbus), the Wexner Center Foundation, as well as the Governing Committee of the Columbus Foundation.
Klaus Kleinfeld	Director	Chairman and CEO of Alcoa Inc. and member of the Supervisory Board of Bayer AG. Member of the Brookings Institution Board of Trustees, Chairman of the U.S.-Russia Business Council and director of Hewlett-Packard Company.
Jami Miscik	Director	President and Vice Chairman of Kissinger Associates, Inc., Director of EMC Corporation, the Council of Foreign Relations, Inc., In Q-Tel and the American Ditchley Foundation. Member of the President's Intelligence Advisory Board.
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	Senior executive and director of The Olayan Group, a private multinational enterprise, President and Chief Executive Officer of Olayan America Corporation.
James W. Owens	Director	Member of the board of directors of Alcoa Inc. and International Business Machines Corporation. Board member of the Council on Foreign Relations and Chair of the Executive Committee of the Peterson Institute for

Name	Function within Morgan Stanley	Principal Outside Activity
		International Economics. Trustee of North Carolina State University.
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. Serves on the boards of the U.S.-Japan Council, the Asia Foundation in San Francisco and the Japanese American Foundation in Los Angeles. Director and Executive Vice President of the Japanese Chamber of Commerce and Industry of New York.
Laura D. Tyson	Director	S.K. and Angela Chan Professor of Global Management, Walter A. Haas School of Business, University of California at Berkeley. Member of the board of directors of AT&T Inc., CBRE Group, Inc. and Silver Spring Networks, Inc.
Rayford Wilkins, Jr.	Director	Director of Valero Energy Corporation, América Móvil and YP Holding LLC. Member of the Advisory Council of the McCombs School of Business at the University of Texas at Austin.

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

Morgan Stanley's subsidiaries may extend credit in the ordinary course of business to certain of their directors, officers and members of their immediate families. These extensions of credit may be in connection with margin loans, mortgage loans and other extensions of credit by Morgan Stanley's subsidiaries. The extensions of credit are made on substantially the same terms and conditions, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with other persons 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% or more of the outstanding shares of Morgan Stanley common stock as reported under the section "*Principal Shareholders*" herein.

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% economic interest in the Joint Venture and MUFG owns a 60% economic interest in the Joint Venture. Morgan Stanley holds a 40% voting interest and MUFG holds a 60% voting interest in MUMSS while Morgan Stanley holds a 51% voting interest and MUFG holds a 49% 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 United States laws relating to corporate governance that are applicable to it.

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

The Board's standing committees include the following:

Committee	Current Members	Primary Responsibilities
Audit	Robert H. Herz (Chair) Donald T. Nicolaisen Howard J. Davies	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, reputational, legal and compliance risk exposures of Morgan Stanley. Selects, determines the compensation of, evaluates and, when appropriate, replaces the independent auditor, and pre-approves audit and permitted non-audit services. Oversees the qualifications and independence of the independent auditor and performance of Morgan

Committee	Current Members	Primary Responsibilities
		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.
Compensation, Management Development and Succession (CMDS)	Donald T. Nicolaisen (Chair) Erskine B. Bowles C. Robert Kidder Hutham S. Olayan	<p>Annually reviews and approves the corporate goals and objectives relevant to the compensation of the Chief Executive Officer and evaluates his performance in light of these goals and objectives.</p> <p>Determines the compensation of Morgan Stanley's executive officers and other officers and employees as appropriate.</p> <p>Administers Morgan Stanley's equity-based compensation plans and cash-based nonqualified deferred compensation plans.</p> <p>Oversees plans for management development and succession.</p> <p>Reviews and discusses the Compensation Discussion and Analysis with management and recommends to the Board its inclusion in the proxy statement.</p> <p>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.</p>
Nominating and Governance	James W. Owens (Chair) C. Robert Kidder Klaus Kleinfeld Rayford Wilkins, Jr.	<p>Identifies and recommends candidates for election to the Board.</p> <p>Recommends committee structure and membership.</p> <p>Reviews annually Morgan Stanley's Corporate Governance Policies.</p>

Committee	Current Members	Primary Responsibilities
		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 Transaction Policy.
Operations and Technology Committee (BOTC)	Thomas H. Glocer (Chair) Donald T. Nicolaisen Howard J. Davies Ryosuke Tamakoshi	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 Committee	Howard J. Davies (Chair) James W. Owens Masaaki Tanaka Laura D. Tyson	Oversees Morgan Stanley's risk governance structure. Oversees risk management and risk assessment guidelines and policies regarding market, credit, 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% of its common stock.

<u>Name and Address</u>	Shares of Common Stock	
	Beneficially Owned	
	<u>Number</u>	<u>Percent</u> ⁽¹⁾
Mitsubishi UFJ Financial Group, Inc. ⁽²⁾ 7-1, Marunouchi 2-chome Chiyoda-ku, Tokyo 100-8330, Japan	435,269,905	22.1%
State Street Corporation (State Street) ⁽³⁾ One Lincoln Street, Boston, MA 02111	138,507,978	7.0%

- (1) Percentages based upon the number of shares of common stock outstanding as of the record date, 17 March 2014, and the beneficial ownership of the principal shareholders as reported in SEC filings in notes 2 to 3 below.
- (2) Based on the amended Schedule 13D filed on October 3, 2013 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 September 27, 2013 for which MUFG disclaims ownership.
- (3) Based on the Schedule 13G filed on February 3, 2014 (as of 31 December 2013) 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 138,507,978 shares and shared voting power as to 137,857,807 shares; that 77,618,422 shares beneficially owned by State Street Bank & Trust, a subsidiary of State Street, are held as trustee and investment manager on behalf of the Trust that holds shares of common stock underlying certain restricted stock units awarded to employees under various 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 2013 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.

Morgan Stanley incurred litigation expenses of approximately \$1,952 million in 2013, \$513 million in 2012 and \$151 million in 2011. The litigation expenses incurred in 2013 were primarily due to settlements and reserve additions related to various matters, including the Company's 7 February 2014 agreement to settle the *Federal Housing Finance Agency, as Conservator v. Morgan Stanley et al.* litigation for \$1,250 million, the Morgan Stanley's 30 January 2014 agreement in principle with the Staff of the Enforcement Division of the U.S. Securities and Exchange Commission (the SEC) to

resolve an investigation related to certain subprime RMBS transactions for \$275 million, the Morgan Stanley's 11 February 2014 agreement to settle the *Cambridge Place Investment Management Inc. v. Morgan Stanley & Co., Inc., et al.* litigation, and Morgan Stanley's 23 January 2014 agreement in principle to settle the *Metropolitan Life Insurance Company, et al. v. Morgan Stanley, et al.* litigation, which were reflected within the Institutional Securities business segment.

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 is responding to 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, concerning the origination, financing, purchase, securitization and servicing of subprime and non-subprime residential mortgages and related matters such as residential mortgage backed securities (RMBS), collateralized debt obligations (CDOs), structured investment vehicles (SIVs) and credit default swaps backed by or referencing mortgage pass-through certificates. These matters include, but are not limited to, investigations related to Morgan Stanley's due diligence on the loans that it purchased for securitization, Morgan Stanley's communications with ratings agencies, Morgan Stanley's disclosures to investors, and Morgan Stanley's handling of servicing and foreclosure related issues.

On January 30, 2014, Morgan Stanley reached an agreement in principle with the Staff of the Enforcement Division of the U.S. Securities and Exchange Commission (the SEC) to resolve an investigation related to certain subprime RMBS transactions sponsored and underwritten by the Morgan Stanley in 2007. Pursuant to the agreement in principle, Morgan Stanley would be charged with violating Sections 17(a)(2) and 17(a)(3) of the Securities Act, and Morgan Stanley would pay disgorgement and penalties in an amount of \$275 million and would neither admit nor deny the SEC's findings. The SEC has not yet presented the proposed settlement to the Commission and no assurance can be given that it will be accepted.

Class Actions. Beginning in December 2007, several purported class action complaints were filed in the United States District Court for the Southern District of New York (the **SDNY**) 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**). In February 2008, these actions were consolidated in a single proceeding, styled *In re Morgan Stanley ERISA Litigation*. The consolidated complaint relates in large part to Morgan Stanley's subprime and other mortgage related losses, but also includes allegations regarding Morgan Stanley's disclosures, internal controls, accounting and other matters. On March 16, 2011, a purported class action, styled *Coulter v. Morgan Stanley & Co. Incorporated et al.*, was filed in the SDNY asserting claims on behalf of participants in Morgan Stanley's 401(k) plan and employee stock ownership plan against Morgan Stanley and certain current and former officers and directors for breach of fiduciary duties under ERISA. The complaint alleges, among other things, that defendants knew or should have known that from January 2, 2008 to December 31, 2008, the plans' investment in Morgan Stanley stock was imprudent given the extraordinary risks faced by Morgan Stanley and its common stock during that period. On March 28, 2013, the court granted defendants' motions to dismiss both actions. Plaintiffs filed notices of appeal on June 27, 2013 in the United States Court of Appeals for the Second Circuit (the **Second Circuit**) in both matters, which have been consolidated on appeal.

On February 12, 2008, a purported class action, styled *Joel Stratte-McClure, et al. v. Morgan Stanley, et al.*, was filed in 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 June 20, 2007 to December 19, 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 August 8, 2011, defendants filed a motion to dismiss the second amended complaint, which was granted on January 18, 2013. On May 29, 2013, the plaintiffs filed an appeal in the Second Circuit, which appeal is pending.

On May 7, 2009, Morgan Stanley was named as a defendant in a purported class action lawsuit brought under Sections 11, 12 and 15 of the Securities Act of 1933, as amended (the **Securities Act**), which is now styled *In re Morgan Stanley Mortgage Pass-Through Certificates Litigation* and is pending in the SDNY. The third amended complaint, filed on September 30, 2011, alleges, among other things, that the registration statements and offering documents related to the offerings of certain mortgage pass-through certificates in 2006 contained false and misleading information concerning the pools of residential loans that backed these securitizations. The plaintiffs seek, among other relief, class certification, unspecified compensatory and rescissory damages, costs, interest and fees. On January 31, 2013, plaintiffs filed a fourth amended complaint, in which they purport to represent investors who purchased approximately \$7.82 billion in mortgage pass-through certificates issued in 2006 by 13 trusts. On August 30, 2013, plaintiffs filed a motion for class certification.

On May 14, 2009, Morgan Stanley was named as one of several underwriter defendants in a purported class action lawsuit brought under Sections 11, 12 and 15 of the Securities Act which is now styled *In re IndyMac Mortgage- Backed Securities Litigation* and is pending in the SDNY. The claims against Morgan Stanley relate to offerings of mortgage pass-through certificates issued by several trusts sponsored by affiliates of IndyMac Bancorp during 2006 and 2007. Plaintiff alleges, among other things, that 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 securitizations. The plaintiffs seek, among other relief, class certification, unspecified compensatory and rescissory damages, costs, interest and fees. The amount of the certificates underwritten by Morgan Stanley at issue in the litigation was approximately \$1.68 billion. On August 17, 2012, the court granted class certification with respect to one offering underwritten by Morgan Stanley. On August 30, 2013, plaintiffs filed a motion to expand the certified class to include additional offerings. IndyMac Bank, which was the sponsor of these securitizations,

filed for bankruptcy on July 31, 2008, and Morgan Stanley's ability to be indemnified by IndyMac Bank is limited.

On October 25, 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. An amended complaint was filed on October 22, 2012. The court denied defendants' motion to dismiss the amended complaint on August 22, 2013 and granted class certification on October 17, 2013. On October 30, 2013, defendants filed a petition for permission to appeal the court's decision granting class certification. On January 31, 2014, plaintiffs filed a second amended complaint. The second amended complaint 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. In addition, the second amended complaint alleges 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. The second amended complaint 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.

Other Litigation. On December 23, 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 September 28, 2010, alleges that defendants made untrue statements and material 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 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 October 18, 2010, defendants filed a motion to dismiss the action. By orders dated June 23, 2011 and July 18, 2011, the court denied defendants' omnibus motion to dismiss plaintiff's amended complaint and on August 15, 2011, the court denied the Company's individual motion to dismiss the amended complaint.

On March 15, 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 were filed on June 10, 2010. The amended complaints 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 the Company 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 August 11, 2011, plaintiff's Securities Act claims were dismissed with prejudice. The defendants filed answers to the amended complaints on October 7, 2011. On February 9, 2012, defendants' demurrers with respect to all other claims were overruled. On December 20, 2013, plaintiff's negligent misrepresentation claims were dismissed with prejudice. A bellwether trial is currently scheduled to begin in September 2014. Morgan Stanley is not a defendant in connection with the securitizations at issue in that trial.

On July 15, 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 securitization 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 August 2, 2010. On September 22, 2011, defendants filed demurrers to the amended complaint. On October 13, 2011, plaintiff voluntarily dismissed its claims brought under the Securities Act. On January 27, 2012, the court, in a ruling from the bench, substantially overruled defendants' demurrers. On March 5, 2012, the plaintiff filed a second amended complaint. On April 10, 2012, Morgan Stanley filed a demurrer to certain causes of action in the second amended complaint, which the court overruled on July 24, 2012. Morgan Stanley filed its answer to the second amended complaint on August 3, 2012. An initial trial of certain of plaintiff's claims is scheduled to begin in July 2015.

On July 15, 2010, China Development Industrial Bank (**CDIB**) filed a complaint against Morgan Stanley, which is styled *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated* and 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 the Company 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 March 10, 2011, Morgan Stanley filed its answer to the complaint.

On October 15, 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.* The 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 securitization 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. On March 24, 2011, the court presiding over *Federal Home Loan Bank of Chicago v. Bank of America Funding Corporation et al.* granted plaintiff leave to file an amended complaint. Morgan Stanley filed its answer on December 21, 2012. On December 13, 2013, the court entered an order dismissing all claims related to one of the securitizations at issue.

On April 20, 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 June 19, 2012 and alleges that defendants made untrue statements and material 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 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 May 26, 2011, defendants removed the case to the United States District Court for the District of Massachusetts. On October 11, 2012, defendants filed motions to dismiss the amended complaint, which was granted in part and denied in part on September 30, 2013. The defendants filed an answer to the amended complaint on December 16, 2013.

On July 5, 2011, Allstate Insurance Company and certain of its affiliated entities filed a complaint against Morgan Stanley in the Supreme Court of NY, styled *Allstate Insurance Company, et al. v. Morgan Stanley, et al.* An amended complaint was filed on September 9, 2011 and alleges that defendants made untrue statements and material 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 issued and/or sold to plaintiffs by Morgan Stanley was

approximately \$104 million. The complaint raises common law claims of fraud, fraudulent inducement, aiding and abetting fraud and negligent misrepresentation and seeks, among other things, compensatory and/or rescissory damages associated with plaintiffs' purchases of such certificates. On March 15, 2013, the court denied in substantial part the defendants' motion to dismiss the amended complaint, which order Morgan Stanley appealed on April 11, 2013. On May 3, 2013, the Company filed its answer to the amended complaint.

On July 18, 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 April 2, 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 August 17, 2012. Trial is currently scheduled to begin in May 2015.

On November 4, 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 securitization 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 March 20, 2012, Morgan Stanley filed answers to the complaints in both cases. On June 7, 2012, the two cases were consolidated. On January 10, 2013, Morgan Stanley filed a motion for summary judgment and special exceptions with respect to plaintiff's claims. On February 6, 2013, the FDIC filed an amended consolidated complaint. On February 25, 2013, Morgan Stanley filed a motion for summary judgment and special exceptions, which motion was denied in substantial part on April 26, 2013. On May 3, 2013, the FDIC filed a second amended consolidated complaint. Trial is currently scheduled to begin in November 2014.

On January 20, 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. An amended complaint was filed on May 21, 2012 and alleges that defendants made untrue statements and material omissions in the sale to the SPVs 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 by Morgan Stanley was approximately \$507 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 March 20, 2013, plaintiff filed a second amended complaint. On May 3, 2013, Morgan Stanley filed a motion to dismiss the second amended complaint.

On January 25, 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 May 24, 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 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 October 16, 2013, the court granted the defendants' motion to dismiss the amended complaint. On November 18, 2013, plaintiffs filed a notice of appeal of the dismissal and a motion to renew their opposition to defendants' motion to dismiss.

On April 25, 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.* The complaint alleges that defendants made untrue statements and material omissions in connection with the sale to plaintiffs of certain mortgage passthrough 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 billion. The complaint raises claims under the New Jersey Uniform Securities Law, as well as common law claims of negligent misrepresentation, fraud and tortious interference with contract and seeks, among other things, compensatory damages, punitive damages, rescission and rescissory damages associated with plaintiffs' purchases of such certificates. On October 16, 2012, plaintiffs filed an amended complaint which, among other things, increases the total amount of the certificates at issue by approximately \$80 million, adds causes of action for fraudulent inducement, equitable fraud, aiding and abetting fraud, and violations of the New Jersey RICO statute, and includes a claim for treble damages. On March 15, 2013, the court denied the defendants' motion to dismiss the amended complaint. On April 26, 2013, the defendants filed an answer to the amended complaint.

On August 7, 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 October 8, 2012, Morgan Stanley filed a motion to dismiss the complaint.

On August 8, 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 October 9, 2012, Morgan Stanley filed a motion to dismiss the complaint. On August 16, 2013, the court granted in part and denied in part Morgan Stanley's motion to dismiss the complaint. On September 17, 2013, Morgan Stanley filed its answer to the complaint. On September 26, 2013, and October 7, 2013, Morgan Stanley and the plaintiffs, respectively, filed notices of appeal with respect to the court's August 16, 2013 decision.

On August 10, 2012, the FDIC, as receiver for Colonial Bank, filed a complaint against Morgan Stanley 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 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 raises 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 September 13, 2013, the plaintiff filed an amended complaint. Defendants filed a motion to dismiss the amended complaint on November 12, 2013.

On September 28, 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 January 17, 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 March 18, 2013, Morgan Stanley filed a motion to dismiss the complaint.

On October 22, 2012, Asset Management Fund d/b/a AMF Funds and certain of its affiliated funds filed a complaint against Morgan Stanley in the Supreme Court of NY, styled *Asset Management Fund d/b/a AMF Funds 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 \$122 million. The complaint asserts causes of action against Morgan Stanley for, among other things, common law fraud, fraudulent concealment, aiding and abetting fraud, and negligent misrepresentation, and seeks, among other things, monetary and punitive damages. On December 3, 2012, Morgan Stanley filed a motion to dismiss the complaint. On July 18, 2013, the court dismissed claims with respect to seven certificates purchased by the plaintiff. The remaining claims relate to certificates with an original balance of \$10.6 million. On September 12, 2013, plaintiffs filed a notice of appeal concerning the court's decision granting in part and denying in part the defendants' motion to dismiss. Defendants filed a notice of cross-appeal on September 26, 2013.

On December 14, 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 March 15, 2013, defendants filed a motion to dismiss the complaint. On June 17, 2013, the court signed a joint proposed order and stipulation allowing plaintiffs to replead their complaint and defendants to withdraw their motion to dismiss without prejudice. On October 24, 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 February 3, 2014, the Company filed a motion to dismiss the complaint.

On January 10, 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 March 11, 2013, Morgan Stanley filed a motion to dismiss the complaint.

On January 31, 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 April 12, 2013, defendants filed a motion to dismiss the complaint.

On February 14, 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 passthrough 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 April 26, 2013, defendants filed a motion to dismiss the complaint.

On March 7, 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 May 3, 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 July 12, 2013, defendants filed a motion to dismiss the complaint.

On May 17, 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 passthrough 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 July 26, 2013, defendants filed a motion to dismiss the complaint.

On July 2, 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 February 3, 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 July 8, 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 August 22, 2013, the Company a filed a motion to dismiss the complaint.

On August 5, 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 October 4, 2013, defendants filed a motion to dismiss the complaint.

On August 16, 2013, plaintiffs 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 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 \$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, rescissory and compensatory damages. The defendants filed a motion to dismiss the complaint on November 4, 2013. On December 27, 2013, the court granted the motion to dismiss in substantial part. The surviving claims relate to one certificate purchased by the plaintiff for approximately \$17 million.

On August 26, 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 passthrough 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 rescissory damages associated with the purchase of such certificates. The defendants filed a motion to dismiss on December 13, 2013.

On September 23, 2013, plaintiffs 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, rescissory and compensatory damages. The defendants filed a motion to dismiss the complaint on November 13, 2013. On January 22, 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 November 6, 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 December 16, 2013, Morgan Stanley filed a motion to dismiss the complaint.

On December 24, 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 notice alleges that 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 plaintiffs was approximately \$207 million. The notice identifies causes of action against Morgan Stanley for, among other things, common-law fraud, fraudulent inducement, aiding and abetting fraud, civil conspiracy, tortious interference and unjust enrichment. The notice identifies the relief sought to include, among other things, monetary damages of at least approximately \$207 million and punitive damages.

On December 30, 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 January 15, 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 passthrough certificates backed by securitization trusts containing residential mortgage loans. The amount of certificates allegedly sponsored, underwritten and/or sold to United Western Bank by the Company 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.

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 the Company has concluded that it is in its interest to do so.

On October 18, 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% 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 January 31, 2012, the Law Firm announced that its clients hold over 25% 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 September 19, 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 November 2, 2012, Morgan Stanley responded to the letters, denying the allegations therein.

Commercial Mortgage Related Matter.

On January 25, 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 June 27, 2011, the court denied Morgan Stanley's motion to dismiss, but directed the filing of an amended complaint. On July 29, 2011, Morgan Stanley filed its answer to the first amended complaint. On June 20, 2013, the court granted in part and denied in part Morgan Stanley's motion for summary judgment, and denied the plaintiff's motion for summary judgment. On October 30, 2013, Morgan Stanley filed a supplemental motion for summary judgment.

Matters Related to the CDS Market.

On July 1, 2013, the European Commission (**EC**) issued a Statement of Objections (**SO**) addressed to twelve financial firms (including the Company), 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 January 21, 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.

Morgan Stanley First Quarterly Report

The following developments have occurred with respect to certain matters previously reported in the 2013 Morgan Stanley Annual Report, as reported above, or concern new actions that have been filed since the 2013 Morgan Stanley Annual Report.

Residential Mortgage and Credit Crisis Related Matters.

Class Actions.

On March 25, 2014, the court in *Ge Dandong, et al. v. Pinnacle Performance Ltd., et al.* denied the defendants' petition seeking permission to appeal the court's decision granting class certification.

Other Litigation.

On April 18, 2014, the court in *Sealink Funding Limited v. Morgan Stanley, et al.* granted the defendants' motion to dismiss the complaint.

On April 10, 2014, the court in *Federal Deposit Insurance Corporation as Receiver for Colonial Bank v. Citigroup Mortgage Loan Trust Inc. et al.* denied the defendants' motion to dismiss.

On April 22, 2014, the court in *Bank Hapoalim B.M. v. Morgan Stanley et al.* denied the defendants' motion to dismiss in substantial part.

On March 12, 2014, the defendant in *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.* filed a motion to dismiss the amended complaint.

On April 28, 2014, the court in *National Credit Union Administration Board v. Morgan Stanley & Co. Inc., et al.* in the United States District Court for the Southern District of New York ("SDNY") granted in part and denied in part the plaintiff's motion to strike certain of the defendants' affirmative defenses.

On February 28, 2014, the defendants in *Wilmington Trust Company v. Morgan Stanley Mortgage Capital Holdings LLC et al.* filed a motion to dismiss the complaint.

On February 14, 2014, the defendants in *Federal Deposit Insurance Corporation, as Receiver for United Western Bank v. Banc of America Funding Corp., et al.* filed a notice removing the litigation to the United States District Court for the District of Colorado. On March 14, 2014, the plaintiff filed a motion to remand the action.

On April 28, 2014, Deutsche Bank National Trust Company, in its capacity as trustee for Morgan Stanley Structured Trust I 2007-1, filed a complaint against the Company. 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.

Matters Related to the CDS Market.

On March 14, 2014, the defendants in *In Re: Credit Default Swaps Antitrust Litigation* filed a motion to dismiss the plaintiffs' consolidated amended complaint.

Morgan Stanley Second Quarterly Report

The following developments have occurred with respect to certain matters previously reported in the 2013 Morgan Stanley Annual Report and the Morgan Stanley First Quarterly Report for 2014, as reported above, or concern new actions that have been filed since the Morgan Stanley First Quarterly Report for 2014.

Residential Mortgage and Credit Crisis Related Matters.

Class Actions. On July 22, 2014, the parties in *In re Morgan Stanley Mortgage Pass-Through Certificates Litigation* reached an agreement in principle to settle the litigation. The settlement is subject to court approval.

On July 23, 2014, the parties in *In re IndyMac Mortgage-Backed Securities Litigation* reached an agreement in principle to settle the litigation. The settlement is subject to court approval.

On July 17, 2014, the parties in *Ge Dandong, et al. v. Pinnacle Performance Ltd.* reached an agreement in principle to settle the litigation. The settlement is subject to court approval.

Other Litigation. On May 23, 2014, plaintiff and the defendants in the upcoming bellwether trial in *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.* filed motions for summary adjudication. Morgan Stanley is a defendant in these cases, but will not be a defendant in the bellwether trial.

On July 16, 2014, the plaintiff in *Federal Home Loan Bank of Boston v. Ally Financial, Inc. F/K/A GMAC LLC et al.* voluntarily dismissed its claims against Morgan Stanley with respect to one of the securitizations at issue.

On May 15, 2014, the appellate court in *Allstate Insurance Co. v. Morgan Stanley et al.* denied defendants' appeal from the trial court's decision denying in substantial part defendants' motion to dismiss the amended complaint.

On May 1, 2014, the plaintiff in *Sealink Funding Limited v. Morgan Stanley, et al.* filed a notice of appeal of the court's decision granting the defendants' motion to dismiss the complaint.

On June 23, 2014, the court in *Dexia SA/NV, et al. v. Morgan Stanley, et al.* denied plaintiffs' motion to renew their opposition to defendants' motion to dismiss the amended complaint. On July 16, 2014, plaintiffs filed a notice of appeal of that decision.

On June 5, 2014, the defendants in *The Prudential Insurance Company of America, et al. v. Morgan Stanley, et al.* filed a renewed motion to dismiss the amended complaint.

On July 2, 2014, the parties in *Asset Management Fund d/b/a AMF Funds et al v. Morgan Stanley et al.* reached an agreement to settle the litigation. On July 18, 2014, the parties filed a stipulation of voluntary discontinuance of the action with prejudice.

On June 10, 2014, the court in *Deutsche Zentral-Genossenschaftsbank AG et al. v. Morgan Stanley et al.* denied the defendants' motion to dismiss the case. On July 10, 2014, Morgan Stanley filed a renewed motion to dismiss with respect to two certificates at issue in the case.

On July 11, 2014, the defendants in *National Credit Union Administration Board v. Morgan Stanley & Co. Inc., et al.* 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.

On June 17, 2014, the plaintiffs in *Phoenix Light SF Limited et al v. Morgan Stanley et al.* filed an amended complaint against the Company and certain affiliates. 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 the Company 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.

On July 21, 2014, Morgan Stanley filed a motion to dismiss the complaint in *Deutsche Bank National Trust Company v. Morgan Stanley Mortgage Capital Holdings LLC*.

On April 30, 2014, the defendants in *Federal Deposit Insurance Corporation, as Receiver for United Western Bank v. Banc of America Funding Corp., et al.* filed a motion to dismiss the complaint.

Commercial Mortgage Related Matter.

On June 16, 2014, the court in *The Bank of New York Mellon Trust, National Association v. Morgan Stanley Mortgage Capital, Inc.* granted the Company's supplemental motion for summary judgment. On June 17, 2014, the court entered judgment in Morgan Stanley's favor. On July 16, 2014, the plaintiff filed a notice of appeal.

Matters Related to the CDS Market.

Morgan Stanley and the other recipients of the Statement of Objections issued by the European Commission (EC) in July 2013 with respect to the development of exchange traded credit default swap products attended oral hearings before the EC during the period May 12-19, 2014. Morgan Stanley's oral hearing took place on May 15, 2014. On May 23, 2014, the defendants in *In Re: Credit Default Swaps Antitrust Litigation* filed a motion to dismiss the plaintiffs' second consolidated amended class action complaint.

Morgan Stanley Third Quarterly Report

The following developments have occurred with respect to certain matters previously reported in the 2013 Morgan Stanley Annual Report, the Morgan Stanley First Quarterly Report for 2014 and the Morgan Stanley Second Quarterly Report for 2014, as reported above, or concern new actions that have been filed since the Morgan Stanley Second Quarterly Report for 2014.

Residential Mortgage and Credit Crisis Related Matters.

Regulatory and Governmental Matters.

Morgan Stanley is continuing to respond to subpoenas, requests for information and potential legal claims 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 (RMBS Working Group), such as the United States Department of Justice, Civil Division and several state Attorney General's Offices, concerning the origination, financing, purchase,

securitization and servicing of subprime and non-subprime residential mortgages and related matters such as residential mortgages backed securities (**RMBS**), collateralized 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 loans that it purchased for securitization, the Company's communications with ratings agencies, Morgan Stanley's disclosures to investors, and Morgan Stanley's handling of servicing and foreclosure related issues.

On September 16, 2014, the Virginia Attorney General's Office filed a civil lawsuit against Morgan Stanley and several other defendants in the Circuit Court of the Commonwealth of Virginia 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 October 7, 2014, the Illinois Attorney General's Office (**IL AG**) sent a letter to Morgan Stanley alleging that Morgan Stanley knowingly made misrepresentations related to RMBS purchased by certain pension funds affiliated with the State of Illinois and demanding that Morgan Stanley pay the IL AG approximately \$88 million. Morgan Stanley does not agree with these allegations and is seeking a meeting with the IL AG to present its defenses.

Class Actions.

On September 4, 2014, the court presiding in *In re Morgan Stanley ERISA Litigation and Coulter v. Morgan Stanley & Co. Incorporated et al.* denied plaintiffs' motion to vacate the May 2014 decision by the United States Court of Appeals for the Second Circuit affirming the dismissals of the two actions.

On September 10, 2014, the court in *In re Morgan Stanley Mortgage Pass-Through Certificates Litigation* granted preliminary approval of the parties' settlement. A final approval hearing is scheduled for December 18, 2014.

On September 30, 2014, the court in *In re IndyMac Mortgage-Backed Securities Litigation* granted preliminary approval of the parties' settlement and set a final approval hearing for February 3, 2015.

Other Litigation.

On October 7, 2014, the court in *Federal Deposit Insurance Corporation, as Receiver for Franklin Bank S.S.B v. Morgan Stanley & Company LLC F/K/A Morgan Stanley & Co. Inc.* denied Morgan Stanley's motion for reconsideration of the court's order denying its motion for summary judgment and granted its motion for reconsideration of the court's order denying permission for interlocutory appeal. On October 22, 2014, Morgan Stanley filed a petition for permissive interlocutory appeal with the appellate court. Trial is currently scheduled to begin in March 2015.

On August 8, 2014, the court in *Morgan Stanley Mortgage Loan Trust 2006-4SL, et al. v. Morgan Stanley Mortgage Capital Inc.* granted in part and denied in part the defendants' motion to dismiss. On September 3, 2014, Morgan Stanley filed its answer to the complaint.

On September 25, 2014, the court in *Morgan Stanley Mortgage Loan Trust 2006-13ARX v. Morgan Stanley Mortgage Capital Holdings LLC, as successor in interest to Morgan Stanley Mortgage Capital Inc.* granted in part and denied in part the defendants' motion to dismiss.

On August 8, 2014, the court in *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.* granted in part and denied in part the defendants' motion to dismiss. On September 3, 2014, Morgan Stanley filed its answer to the complaint.

On August 29, 2014, the Company filed its answer to the complaint in *Bank Hapoalim B.M. v. Morgan Stanley et al.* On September 18, 2014, Morgan Stanley filed a notice of appeal from the ruling denying defendants' motion to dismiss.

On August 4, 2014, claims regarding two certificates in *Deutsche Zentral-Genossenschaftsbank AG et al. v. Morgan Stanley et al.* were dismissed by stipulation. On October 13, 2014, Morgan Stanley filed its answer to the complaint.

On October 30, 2014, the court in *IKB International S.A. in Liquidation, et al. v. Morgan Stanley, et al.* granted in part and denied in part the Morgan Stanley's motion to dismiss.

On September 30, 2014, the court in *National Credit Union Administration Board v. Morgan Stanley & Co. Inc., et al.* denied defendants' 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.

On September 19, 2014, Financial Guaranty Insurance Company (**FGIC**) filed a complaint against the Company 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 September 19, 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-bymerger 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 notice seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, compensatory, consequential, rescissory or equitable damages, indemnification, and interest.

On September 23, 2014, Financial Guaranty Insurance Company (**FGIC**) filed a complaint against the Company 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.

Matters Related to the CDS Market.

On September 4, 2014, the court in *In Re: Credit Default Swaps Antitrust Litigation* granted in part and denied in part the defendants' motion to dismiss the second amended complaint.

(b) Contingencies.

Legal. 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 condensed 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. 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 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 condensed consolidated financial statements as a whole, other than the matters referred to in the following paragraphs.

On March 15, 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 June 10, 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 August 11, 2011, plaintiff's Securities Act of 1933 claims were dismissed with prejudice. The defendants filed answers to the amended complaints on October 7, 2011. On February 9, 2012, defendants' demurrers with respect to all other claims were overruled. On December 20, 2013, plaintiff's negligent misrepresentation claims were dismissed with prejudice. A bellwether trial is currently scheduled to begin in January 2015. Morgan Stanley is not a defendant in connection with the securitizations at issue in that trial. On May 23, 2014, plaintiff and the defendants in the bellwether trial filed motions for summary adjudication, which were denied. At September 25, 2014, the current unpaid balance of the mortgage pass-through certificates at issue in these cases was approximately \$291 million, and the certificates had incurred actual losses of approximately \$6 million. Based on currently available information, Morgan Stanley believes it could incur a loss for this action up to the difference between the \$291 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 July 15, 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 February 28, 2011, the court denied the Company'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 October 15, 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.* The 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 securitization trusts containing residential mortgage loans. The total amount of certificates allegedly sold to plaintiff by Morgan Stanley in this action was approximately \$203 million. The complaint raises claims under Illinois law and seeks, among other things, to rescind the plaintiff's purchase of such certificates. On March 24, 2011, the court granted plaintiff leave to file an amended complaint. Morgan Stanley filed its answer on December 21, 2012. On December 13, 2013, the court entered an order dismissing all claims related to one of the securitizations at issue. At September 25, 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$55 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 \$55 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 April 20, 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 June 19, 2012 and alleges that defendants made untrue statements and material 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 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 May 26, 2011, defendants removed the case to the United States District Court for the District of Massachusetts. On October 11, 2012, defendants filed motions to dismiss the amended complaint, which was granted in part and denied in part on September 30, 2013. The defendants filed an answer to the amended complaint on December 16, 2013. Plaintiff has voluntarily dismissed its claims against Morgan Stanley with respect to two of the securitizations at issue. At September 25, 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$66 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 \$66 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 July 18, 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 April 2, 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 August 17, 2012. Trial is currently scheduled to begin in July 2015. At September 25, 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$111 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 \$111 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 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 April 25, 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.* The complaint alleges that defendants made untrue statements and material omissions in connection with the sale to plaintiffs of certain mortgage passthrough 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 billion. The complaint raises claims under the New Jersey Uniform Securities Law, as well as common law claims of negligent misrepresentation, fraud and tortious interference with contract and seeks, among other things, compensatory damages, punitive damages, rescission and rescissionary damages associated with plaintiffs' purchases of such certificates. On October 16, 2012, plaintiffs filed an amended complaint which, among other things, increases the total amount of the certificates at issue by approximately \$80 million, adds causes of action for fraudulent inducement, equitable fraud, aiding and abetting fraud, and violations of the New Jersey RICO statute, and includes a claim for treble damages. On March 15,

2013, the court denied the defendants' motion to dismiss the amended complaint. On April 26, 2013, the defendants filed an answer to the amended complaint. On June 5, 2014, the defendants filed a renewed motion to dismiss the amended complaint. At September 25, 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$613 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 \$613 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 August 7, 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 August 8, 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss. On September 3, 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 August 8, 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 October 9, 2012, Morgan Stanley filed a motion to dismiss the complaint. On August 16, 2013, the court granted in part and denied in part the Company's motion to dismiss the complaint. On September 17, 2013, Morgan Stanley filed its answer to the complaint. On September 26, 2013, and October 7, 2013, Morgan Stanley and the plaintiffs, respectively, filed notices of appeal with respect to the court's August 16, 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-judgment interest, fees and costs.

On September 28, 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 January 17, 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 September 25, 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 January 10, 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 August 8, 2014, the court granted in part and denied in part Morgan Stanley's motion to dismiss. On September 3, 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 February 14, 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 passthrough 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 April 22, 2014, the defendants' motion to dismiss was denied in substantial part. On August 29, 2014, Morgan Stanley filed its answer to the complaint, and on September 18, 2014, Morgan Stanley filed a notice of appeal from the ruling denying defendants' motion to dismiss. At September 25, 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$73 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 \$73 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.

On May 3, 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 June 10, 2014, the court denied defendants' motion to dismiss. On July 10, 2014, Morgan Stanley filed a renewed motion to dismiss with respect to two certificates at issue in the case. On October 13, 2014, Morgan Stanley filed its answer to the complaint. At September 25, 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$300 million, and the certificates had incurred actual losses of approximately \$78 million. Based on currently available information, Morgan Stanley believes it could incur a loss in this action up to the difference between the \$300 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 September 23, 2013, plaintiffs 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 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, rescissory and compensatory damages. The defendants filed a motion to dismiss the complaint on November 13, 2013. On January 22, 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 April 28, 2014, the court granted in part and denied in part plaintiff's motion to strike certain of the defendants' affirmative defenses. On July 11, 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 was denied on September 30, 2014. At September 25, 2014, the current unpaid balance of the mortgage pass-through certificates at issue in this action was approximately \$211 million, and the certificates had incurred actual losses of approximately \$27 million. Based on currently available information, Morgan Stanley believes it could incur a loss in this action up to the difference between the \$211 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.

Save as disclosed in:

- (i) the paragraphs beginning with "Residential Mortgage and Credit Crisis Related Matters" in Part I – Item 3 entitled "Legal Proceedings" and in the paragraphs beginning with "Legal" under the heading "Contingencies" in Part II – Item 13 entitled "Notes to Consolidated Financial Statements" at pages 239-243 from the 2013 Morgan Stanley Annual Report;
- (ii) the paragraphs beginning with "Residential Mortgage and Credit Crisis Related Matters" in Part II – Other Information entitled "Legal Proceedings" at pages 166-167 and in the paragraphs beginning with "Legal" under the heading "Contingencies" in Part I – Item 12 entitled "Notes to Condensed Consolidated Financial Statements" at pages 76-80 of the Morgan Stanley First Quarter Report;
- (iii) the paragraphs beginning with "Residential Mortgage and Credit Crisis Related Matters" in Part II – Other Information entitled "Legal Proceedings" at pages 175-176 and in the paragraphs beginning with "Legal" under the heading "Contingencies" in Part I – Item 11 entitled "Notes to Condensed Consolidated Financial Statements" at pages 75-80 from the Morgan Stanley Second Quarter Report;
- (iv) the paragraphs beginning with "Residential Mortgage and Credit Crisis Related Matters" in Part II – Other Information entitled "Legal Proceedings" at pages 182-185 and in the paragraphs beginning with "Legal" under the heading "Contingencies" in Part I – Item 11 entitled "Notes to Condensed Consolidated Financial Statements" at pages 76-81 from the Morgan Stanley Third Quarter Report; and
- (v) this Base Prospectus,

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 Base Prospectus 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 auditors of Morgan Stanley for the financial years 1 January 2012 to 31 December 2012 and 1 January 2013 to 31 December 2013 were Deloitte & Touche LLP, an independent registered public accounting firm registered with the Public Company Accounting Oversight Board (United States) (the **Auditors**).

The Auditors have audited the consolidated statements of financial condition of Morgan Stanley as of 31 December 2013 and 31 December 2012 and the consolidated statements of income, comprehensive income, cash flows, and changes in total equity for the calendar years ended 31 December 2013 and 31 December 2012.

The Auditors have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Morgan Stanley's internal control over financial reporting as of 31 December 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and their report dated 25 February 2014 expresses an unqualified opinion on Morgan Stanley's internal control over financial reporting.

The Auditors expressed an opinion on such consolidated financial statements, indicating that such consolidated financial statements present fairly, in all material respects, the financial position of Morgan Stanley as of 31 December 2012 and 31 December 2013, and the results of its operations and its cash flows for the years ended 31 December 2011, 2012 and 2013 in conformity with accounting principles generally accepted in the United States of America.

Based on their audits, the Auditors expressed their opinion that such financial statements, when consolidated in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Share capital

The authorised share capital of Morgan Stanley at 30 September 2014 comprised 3,500,000,000 ordinary shares of nominal value U.S. \$0.01 and 60,200,000 preferred stock of nominal value U.S. \$0.01.

The issued, non-assessable and fully paid up share capital of Morgan Stanley at 30 September 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 organized and incorporated under the General Corporation Law of the State of Delaware.

9. RELEVANT AGREEMENTS

There is no relevant agreement, entered into by Morgan Stanley outside the scope of its business, likely to determine for the members of the group obligations or rights that may have a significant impact on Morgan Stanley's ability to fulfil the obligation under the financial instruments to be issued towards the relevant holders.

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

This Base Prospectus 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 "Auditors" above.

Selected financial information of Morgan Stanley relating to the periods ending 30 September 2014 and for the year ended 31 December 2013, taken from Morgan Stanley's Third Quarterly Report for 2014 and the Morgan Stanley Annual Report 2013

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in millions, except share data)

Assets	<i>Unaudited September 30, 2014</i>	<i>Audited December 31, 2013</i>
Cash and due from banks (\$49 and \$544 at September 30, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities generally not available to the Company) .	\$ 20,24	\$ 16,60
Interest bearing deposits with banks.....	35,584	43,281
Cash deposited with clearing organizations or segregated under federal and other regulations or requirements (\$149 and \$117 at September 30, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally not available to the Company).....	45,106	39,203
Trading assets, at fair value (approximately \$126,689 and \$151,078 were pledged to various parties at September 30, 2014 and December 31, 2013, respectively (\$1,122 and \$2,825 at September 30, 2014 and December 31, 2013, respectively related to consolidated variable interest entities, generally not available to the Company).....	252,482	280,744
Available for sale securities, at fair value.....	63,547	53,430
Securities received as collateral, at fair value.....	16,694	20,508
Federal funds sold and securities purchased under agreements to resell (includes \$863 and \$866 at fair value at September 30, 2014 and December 31, 2013, respectively)	98,994	118,130
Securities borrowed.....	140,303	129,707
Customer and other receivables.....	54,839	57,104
Loans:		
Held for investment (net of allowances of \$141 and \$156 at September 30, 2014 and December 31, 2013, respectively).....	51,465	36,545
Held for sale	6,744	6,329
Other investments (\$488 and \$561 at September 30, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally not available to the Company)	4,515	5,086
Premises, equipment and software costs (net of accumulated depreciation of \$6,128 and \$6,420 at September 30, 2014 and December 31, 2013, respectively) (\$194 and \$201 at September 30, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally not available to the Company).....	5,642	6,019
Goodwill	6,589	6,595
Intangible assets (net of accumulated amortization of \$1,924 and \$1,703 at September 30, 2014 and December 31, 2013, respectively) (includes \$6 and \$8 at fair value at September 30, 2014 and December 31, 2013, respectively)	3,054	3,286
Other assets (\$15 and \$11 at September 30, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally not available to the Company)	8,711	10,133
Total assets.....	<u>\$ 814,51</u>	<u>\$ 832,70</u>

MORGAN STANLEY
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION-(Continued)
(dollars in millions, except share data)

Liabilities	<i>Unaudited September 30, 2014</i>	<i>Audited December 31, 2013</i>
Deposits (includes \$0 and \$185 at fair value at September 30, 2014 and December 31, 2013, respectively).....	\$ 124,382	\$ 112,379
Commercial paper and other short-term borrowings (includes \$1,473 and \$1,347 at fair value at September 30, 2014 and December 31, 2013, respectively).....	1,760	2,142
Trading liabilities, at fair value (\$1 and \$33 at September 30, 2014 and December 31, 2013, respectively, related to consolidated variable interest entities, generally non-recourse to the Company).....	118,896	104,521
Obligation to return securities received as collateral, at fair value.....	22,944	24,568
Securities sold under agreements to repurchase (includes \$609 and \$561 at fair value at September 30, 2014 and December 31, 2013, respectively).....	83,706	145,676
Securities loaned	27,657	32,799
Other secured financings (includes \$4,367 and \$5,206 at fair value at September 30, 2014 and December 31, 2013, respectively) (\$380 and \$543 at September 30, 2014 and December 31, 2013, respectively, related to consolidated variable entities, generally non-recourse to the Company).....	12,019	14,215
Customer and other payables.....	181,899	157,125
Other liabilities and accrued expenses (\$72 and \$76 at September 30, 2014 and December 31, 2013, related to consolidated variable interest entities, generally non-recourse to the Company).....	14,880	16,672
Long-term borrowings (includes \$33,159 and \$35,637 at fair value at September 30, 2014 and December 31, 2013, respectively)	<u>152,357</u>	<u>153,575</u>
	<u>740,500</u>	<u>763,672</u>
Commitments and contingent liabilities (see Note 11)		
Equity		
Morgan Stanley shareholders' equity:		
Preferred stock (see Note 13)	6,020	3,220
Common stock, \$0.01 par value:		
Shares authorized: 3,500,000,000 at September 30, 2014 and December 31, 2013;		
Shares issued: 2,038,893,979 at September 30, 2014 and December 31, 2013;		
Shares outstanding: 1,958,386,188 and 1,944,868,751 at September 30, 2014 and December 31, 2013 respectively	20	20
Additional paid-in capital	23,922	24,570
Retained earnings	46,573	42,172
Employee stock trusts.....	2,127	1,718
Accumulated other comprehensive loss.....	(1,115)	(1,093)
Common stock held in treasury, at cost, \$0.01 par value: Shares outstanding: 80,507,791 and 94,025,228 at September 30, 2014 and December 31, 2013, respectively	(2,502)	(2,968)
Common stock issued to employee trusts	<u>(2,127)</u>	<u>(1,718)</u>
Total Morgan Stanley shareholders' equity	72,918	65,921
Nonredeemable noncontrolling interests	<u>1,093</u>	<u>3,109</u>
Total equity	<u>74,011</u>	<u>69,030</u>
Total liabilities and equity	<u>\$ 814,511</u>	<u>\$ 832,702</u>

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(dollars in millions, except share and per share data)

	<i>Unaudited</i> Three Months Ended September 30,		<i>Unaudited</i> Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Investment banking	\$ 1,551	\$ 1,160	\$ 4,492	\$ 3,687
Trading	2,448	2,259	7,926	7,847
Investments	138	728	724	1,254
Commissions and fees	1,124	1,079	3,478	3,463
Asset management, distribution and administration fees	2,716	2,389	7,886	7,139
Other	373	231	873	762
Total non-interest revenues	8,350	7,846	25,379	24,152
Interest income	1,384	1,261	3,977	3,873
Interest expense	827	1,151	2,845	3,377
Net interest	557	110	1,132	496
Net revenues	8,907	7,956	26,511	24,648
Non-interest expenses:				
Compensation and benefits	4,214	3,966	12,720	12,284
Occupancy and equipment	350	374	1,069	1,129
Brokerage, clearing and exchange fees	437	416	1,338	1,300
Information processing and communications	396	404	1,231	1,322
Marketing and business development	160	151	472	448
Professional services	522	448	1,506	1,346
Other	608	832	1,653	2,059
Total non-interest expenses	6,687	6,591	19,989	19,898
Income from continuing operations before income taxes	2,220	1,365	6,522	4,760
Provision for income taxes	463	363	1,263	1,288
Income from continuing operations	1,757	1,002	5,259	3,472
Discontinued operations:				
Income (loss) from discontinued operations	(8)	14	(11)	(58)
Provision for (benefit from) income taxes	(3)	(2)	(5)	(26)
Income (loss) from discontinued operations	(5)	16	(6)	(32)
Net income	\$ 1,752	\$ 1,018	\$ 5,253	\$ 3,440
Net income applicable to redeemable noncontrolling interests	—	—	—	222
Net income applicable to nonredeemable noncontrolling interests	59	112	156	370
Net income applicable to Morgan Stanley	\$ 1,693	\$ 906	\$ 5,097	\$ 2,848
Preferred stock dividends and other	64	26	199	229
Earnings applicable to Morgan Stanley common shareholders	\$ 1,629	\$ 880	\$ 4,898	\$ 2,619
Amounts applicable to Morgan Stanley:				
Income from continuing operations	\$ 1,698	\$ 890	\$ 5,103	\$ 2,880
Income (loss) from discontinued operations	(5)	16	(6)	(32)
Net income (loss) applicable to Morgan Stanley	\$ 1,693	\$ 906	\$ 5,097	\$ 2,848
Earnings per basic common share:				
Income from continuing operations	\$ 0.85	\$ 0.45	\$ 2.55	\$ 1.39
Income (loss) from discontinued operations	—	0.01	(0.01)	(0.02)
Earnings per basic common share	\$ 0.85	\$ 0.46	\$ 2.54	\$ 1.37
Earnings per diluted common share:				
Income from continuing operations	\$ 0.83	\$ 0.44	\$ 2.49	\$ 1.36
Income (loss) from discontinued operations	—	0.01	—	(0.02)
Earnings per diluted common share	\$ 0.83	\$ 0.45	\$ 2.49	\$ 1.34
Dividends declared per common share:	0.10	0.05	0.25	0.15
Average common shares outstanding:				
Basic	1,922,995,835	1,909,350,788	1,925,172,108	1,906,097,564
Diluted	1,970,922,473	1,964,812,610	1,970,091,170	1,952,146,477

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in millions)

	<i>Unaudited</i> Three Months Ended September 30,		<i>Unaudited</i> Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$ 1,752	\$ 1,018	\$ 5,253	\$ 3,440
Other comprehensive income (loss), net of tax:.....				
Foreign currency translation adjustments (1).....	\$ (327)	\$ 125	\$ (175)	\$ (321)
Amortization of cash flow hedges (2).....	1	1	3	3
Changes in net unrealized gain (losses) on available for sale securities (3)	(102)	33	134	(336)
Pension, postretirement and other related adjustments (4).....	(16)	4	(10)	15
Total other comprehensive income (loss)	<u>\$ (444)</u>	<u>\$ 163</u>	<u>\$ (48)</u>	<u>\$ (639)</u>
Comprehensive income	<u>\$ 1,308</u>	<u>\$ 1,181</u>	<u>\$ 5,205</u>	<u>\$ 2,801</u>
Net income applicable to redeemable noncontrolling interests....	—	—	—	222
Net income applicable to nonredeemable noncontrolling interests	59	112	156	370
Other comprehensive income (loss) applicable to nonredeemable noncontrolling interests	(62)	8	(26)	(141)
Comprehensive income applicable to Morgan Stanley	<u>\$ 1,311</u>	<u>\$ 1,061</u>	<u>\$ 5,075</u>	<u>\$ 2,350</u>

- (1) Amounts are net of provision for (benefit from) income taxes of \$249 million and \$(124) million for the quarters ended September 30, 2014 and 2013, respectively, and \$137 million and \$176 million for the nine months ended September 30, 2014 and 2013, respectively.
- (2) Amounts are net of provision for income taxes of \$1 million and \$1 million for the quarters ended September 30, 2014 and 2013, respectively and \$2 million and \$2 million for the nine months ended September 30, 2014 and 2013, respectively.
- (3) Amounts are net of provision for (benefit from) income taxes of \$(70) million and \$23 million for the quarters ended September 30, 2014 and 2013, respectively, and \$92 million and \$(230) million for the nine months ended September 30, 2014 and 2013, respectively.
- (4) Amounts are net of provision for (benefit from) income taxes of \$(8) million and \$2 million for the quarters ended September 30, 2014 and 2013, respectively, and \$(6) million and \$13 million for the nine months ended September 30, 2014 and 2013, respectively.

Selected financial information of Morgan Stanley relating to the years ended 31 December 2013 and 31 December 2012 taken from the Annual Report on Form 10-K for the year ended 31 December 2013.

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
Assets		
Cash and due from banks (\$544 and \$526 at 31 December 2013 and 31 December 2012, respectively, related to consolidated variable interest entities generally not available to Morgan Stanley).....	\$ 16,602	\$ 20,878
Interest bearing deposits with banks	43,281	26,026
Cash deposited with clearing organizations or segregated under federal and other regulations or requirements	39,203	30,970
Trading assets, at fair value (approximately \$151,078 and \$147,348 were pledged to various parties at December 31, 2013 and December 31, 2012, respectively; \$2,825 and \$3,505 related to consolidated variable interest entities, generally not available to the Company at December 31, 2013 and December 31, 2012, respectively).....	280,744	267,603
Securities available for sale, at fair value.....	53,430	39,869
Securities received as collateral, at fair value	20,508	14,278
Federal funds sold and securities purchased under agreements to resell (includes \$866 and \$621 at fair value at 31 December 2013 and 31 December 2012, respectively)	118,130	134,412
Securities borrowed	129,707	121,701
Customer and other receivables	57,104	64,288
Loans:		
Held for investment (net of allowances of \$156 and \$106 at December 31, 2013 and December 31, 2012, respectively)	36,545	23,917
Held for sale	6,329	5,129
Other investments	5,086	4,999
Premises, equipment and software costs (net of accumulated depreciation of \$6,420 and \$5,525 at 31 December 2013 and 31 December 2012, respectively) (\$201 and \$224 at 31 December 2013 and 31 December 2012, respectively, related to consolidated variable interest entities, generally not available to Morgan Stanley)	6,019	5,946
Goodwill	6,595	6,650
Intangible assets (net of accumulated amortization of \$1,703 and \$1,250 at 31 December 2013 and 31 December 2012, respectively) (includes \$8 and \$7 at fair value at 31 December 2013 and 31 December 2012, respectively)	3,286	3,783
Other assets (\$11 and \$593 at 31 December 2013 and 31 December 2012, respectively, related to consolidated variable interest entities, generally not available to Morgan Stanley).....	10,133	10,511
Total assets	\$ <u>832,702</u>	\$ <u>780,960</u>

Morgan Stanley
Consolidated Statements of Financial Condition - (Continued)
(dollars in millions, except share data)

	31 December 2013	31 December 2012
Liabilities		
Deposits (includes \$185 and \$1,485 at fair value at 31 December 2013 and 31 December 2012, respectively)	\$ 112,379	\$ 83,266
Commercial paper and other short-term borrowings (includes \$1,347 and \$725 at fair value at 31 December 2013 and 31 December 2012, respectively).....	2,142	2,138
Trading liabilities, at fair value	104,521	120,122
Total financial instruments sold, not yet purchased, at fair value	104,521	120,122
Obligation to return securities received as collateral, at fair value.....	24,568	18,226
Securities sold under agreements to repurchase (includes \$561 and \$363 at fair value at 31 December 2013 and 31 December 2012, respectively)	145,676	122,674
Securities loaned.....	32,799	36,849
Other secured financings (includes \$5,206 and \$9,466 at fair value at 31 December 2013 and 31 December 2012, respectively) (\$543 and \$976 at 31 December 2013 and 31 December 2012, respectively, related to consolidated variable interest entities and are non-recourse to Morgan Stanley).....	14,215	15,727
Customer and other payables	157,125	127,722
Other liabilities and accrued expenses (\$76 and \$117 at 31 December 2013 and 31 December 2012 respectively related to consolidated variable interest entities and are non-recourse to the Company)	16,672	14,928
Long-term borrowings (includes \$35,637 and \$44,044 at fair value at 31 December 2013 and 31 December 2012, respectively).....	153,575	169,571
Total liabilities	<u>763,672</u>	<u>771,223</u>
Commitments and contingent liabilities (see Note 13)		
Redeemable noncontrolling interests (see Notes 3 and 15)	—	4,309
Equity		
Morgan Stanley shareholders' equity:		
Preferred stock (see Note 15)	3,220	1,508
Common stock, \$0.01 par value;		
Shares authorized: 3,500,000,000 at 31 December 2013 and 31 December 2012; Shares issued: 2,038,893,979 at 31 December 2013 and 31 December 2012; Shares outstanding: 1,944,868,751 at 31 December 2013 and 1,974,042,123 at 31 December 2012	20	20
Additional paid-in capital	24,570	23,426
Retained earnings	42,172	39,912
Employee stock trusts.....	1,718	2,932
Accumulated other comprehensive loss	(1,093)	(516)
Common stock held in treasury, at cost, \$0.01 par value; 94,025,228 shares at 31 December 2013 and 64,851,856 shares at 31 December 2012.....	(2,968)	(2,241)
Common stock issued to employee trusts.....	(1,718)	(2,932)
Total Morgan Stanley shareholders' equity	65,921	62,109
Nonredeemable noncontrolling interests	3,109	3,319
Total equity	<u>69,030</u>	<u>65,428</u>
Total liabilities, redeemable noncontrolling interests and equity	<u>\$ 832,702</u>	<u>\$ 780,960</u>

Morgan Stanley
Consolidated Statements of Income

(dollars in millions, except share and per share data)

	31 December, 2013	31 December, 2012
Revenues:		
Investment banking	\$ 5,246	\$ 4,758
Trading	9,359	6,990
Investments	1,777	742
Commissions and fees	4,629	4,253
Asset management, distribution and administration fees	9,638	9,008
Other	990	556
Total non-interest revenues	31,639	26,307
Interest income	5,209	5,692
Interest expense	4,431	5,897
Net interest	778	(205)
Net revenues	32,417	26,102
Non-interest expenses:		
Compensation and benefits	16,277	15,615
Occupancy and equipment	1,499	1,543
Brokerage, clearing and exchange fees	1,711	1,535
Information processing and communications	1,768	1,912
Marketing and business development	638	601
Professional services	1,894	1,922
Other	4,148	2,454
Total non-interest expenses	27,935	25,582
Income from continuing operations before income taxes	4,482	520
Provision for (benefit from) income taxes	826	(237)
Income from continuing operations	3,656	757
Discontinued operations:		
Gain (loss) from discontinued operations	(72)	(48)
Provision for (benefit from) income taxes	(29)	(7)
Net gain (loss) from discontinued operations	(43)	(41)
Net income	\$ 3,613	\$ 716
Net income applicable to redeemable noncontrolling interests	222	124
Net income applicable to nonredeemable noncontrolling interests	459	524
Net income applicable to Morgan Stanley	\$ 2,932	\$ 68
Preferred stock dividends	277	98
Earnings (loss) applicable to Morgan Stanley common shareholders	\$ 2,655	\$ (30)
Amounts applicable to Morgan Stanley:		
Income from continuing operations	\$ 2,975	\$ 138
Net loss from discontinued operations	(43)	(70)
Net income applicable to Morgan Stanley	\$ 2,932	\$ 68
Earnings (loss) per basic common share:		
Income from continuing operations	\$ 1.42	\$ 0.02
Net loss from discontinued operations	(0.03)	(0.04)
Earnings (loss) per basic common share	\$ 1.39	\$ (0.02)
Earnings (loss) per diluted common share:		
Income from continuing operations	\$ 1.38	\$ 0.02
Net loss from discontinued operations	(0.02)	(0.04)
Earnings (loss) per diluted common share	\$ 1.36	\$ (0.02)
Dividends declared per common share	\$ 0.20	\$ 0.20
Average common shares outstanding:		
Basic	1,905,823,882	1,885,774,276
Diluted	1,956,519,738	1,918,811,270

Morgan Stanley
Consolidated Statements of Comprehensive Income
(dollars in millions)

	31 December, 2013	31 December, 2012
Net income	\$ 3,613	\$ 716
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments (1)	(348)	(255)
Amortization of cash flow hedges (2)	4	6
Net unrealized gain on securities available for sale (3)	(433)	28
Pension, postretirement and other related adjustments (4)	(5)	(260)
Total other comprehensive income (loss)	\$ (782)	\$ (481)
Comprehensive income	\$ 2,831	\$ 235
Net income applicable to redeemable noncontrolling interests . .	222	124
Net income applicable to nonredeemable noncontrolling interests	459	524
Other comprehensive income (loss) applicable to redeemable noncontrolling interests	—	(2)
Other comprehensive income (loss) applicable to nonredeemable noncontrolling interests	(205)	(120)
Comprehensive income (loss) applicable to Morgan Stanley	\$ 2,355	\$ (291)

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

DESCRIPTION OF MORGAN STANLEY & CO. INTERNATIONAL PLC

1. INFORMATION ABOUT MORGAN STANLEY & CO. INTERNATIONAL PLC

History and Development of Morgan Stanley & Co. International plc

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 (**MSIP Group**). The principal activity of the MSIP 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, Korea, the Netherlands, New Zealand, Poland, the Qatar Financial Centre and Switzerland.

The MSIP 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. ORGANIZATIONAL 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% holding).

The consolidated accounts set out in the section entitled "Selected Financial Information of Morgan Stanley & Co. International plc" herein are the MSIP 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

<i>Name</i>	<i>Principal outside activity</i>
David Cannon	Director of Morgan Stanley International Limited, Morgan Stanley Bank International Limited and Morgan Stanley Securities Limited
Sir John Gieve	Independent Director of Morgan Stanley International Limited, Director of Morgan Stanley Bank International Limited, Morgan Stanley Securities Limited, Vocalink Holdings Limited and Nesta Operating Company
Lee Guy	Director of Morgan Stanley International Limited and Morgan Stanley Bank International Limited
Colm Kelleher	Director of Morgan Stanley International Limited, Morgan Stanley & Co, LLC, OOO Morgan Stanley Bank, Morgan Stanley Capital Securities LLC and Morgan Stanley Capital Products LLC
Mary Phibbs	Director of Morgan Stanley International Limited, Morgan Stanley Bank International Limited and Morgan Stanley Securities Limited. Non-Executive Director, Chair of Board Audit Committee and Member of Risk Committee of Nottingham Building Society. Non-Executive Director, Chair of Risk Committee and member of Audit Committee of Newday Cards Limited (previously named SAV Credit Limited). Non-Executive Director, Chair of Audit and Compliance Committee of Novae Group plc and Novae Syndicates Limited. Non-Executive Directors and member of the Audit and Compliance Committee of Stewart Title Limited.
Ian Plenderleith	Chairman of Morgan Stanley International Limited, Morgan Stanley & Co. International plc, Morgan Stanley Bank International Limited and Morgan Stanley Securities Limited. Director of Morgan Stanley Securities Limited, Sanlam Life & Pensions UK Limited, Sanlam UK Limited, BMCE Bank International Plc, BH Macro Limited and Sanlam Private Investments (UK) Holdings 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, OOO Morgan Stanley Bank, 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, Morgan Stanley Smith Barney Holdings (UK) Limited, Bank Morgan Stanley AG, OOO Morgan Stanley Bank, Euroclear SA/NV and Euroclear plc

The business address of the directors is 20 Bank Street, Canary Wharf, London E14 4AD.

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 and Morgan Stanley Investment Management Limited (**Regulated Subsidiaries**), and Morgan Stanley B.V. (together with the Regulated Subsidiaries, its **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 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, Sir John Gieve, Mary Phibbs and Ian Plenderleith. Sir John Gieve, Mary Phibbs, Ian Plenderleith, and David Cannon 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 1.00 Ordinary Shares	Morgan Stanley Investments (UK)	17,615,107 (100%)
USD 1.00 Ordinary Shares	Morgan Stanley Investments (UK)	9,934,105,148 (100%)
USD Class A Non-Voting Ordinary Shares	Morgan Stanley Investments (UK)	1,500,000,000 (100%)

7. LEGAL PROCEEDINGS

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 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, 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 any individual proceedings where the MSI plc Group 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.

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 condensed 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. 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 recognised 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, the MSI plc Group 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 additional loss can be reasonably estimated for a proceeding or investigation.

For certain other legal proceedings and investigations, the MSI plc Group 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 the MSI plc Group's condensed consolidated financial statements as a whole, other than the matters referred to in the following paragraphs.

On 15 July 2010, China Development Industrial Bank (**CDIB**) filed a complaint against the MSI plc Group and another Morgan Stanley Group undertaking, which is styled *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated et al.* and 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 misrepresented the risks of the STACK 2006-1 CDO to CDIB, and that the MSI plc Group 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 10 March 2011, the MSI plc Group filed its answer to the complaint.

On 25 October 2010, the MSI plc Group, other Morgan Stanley Group undertakings 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 Southern District of New York (**SDNY**). An amended complaint was filed on 22 October 2012. The court denied defendants' motion to dismiss the amended complaint on 22 August 2013 and granted class certification on 17 October 2013. On 30 October 2013, defendants filed a petition for permission to appeal the court's decision granting class certification. On 31 January 2014, plaintiffs filed a second amended complaint. The second amended complaint 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. In addition, the second amended complaint alleges 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. The second amended complaint 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 25 March 2014, the court denied the defendants' petition seeking permission to appeal the court's decision granting class certification. On 17 July 2014, the parties reached an agreement in principle to settle the litigation. The settlement is subject to court approval.

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. (**ISDA**) and Markit Group Limited (**Markit**) and various other Morgan Stanley Group undertakings 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 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. A Morgan Stanley Group undertaking and others have also responded to an ongoing investigation by the Antitrust Division of the United States Department of Justice related to the CDS market. The MSI plc Group, other Morgan Stanley Group undertakings and the other recipients of the SO issued by the EC attended oral hearings before the EC during the period 12 to 19 May 2014. The MSI plc Group's and other Morgan Stanley Group undertakings' oral hearing took place on 15 May 2014.

On 8 May 2014, the California Attorney General's Office (**CAAG**) indicated that it has made certain preliminary conclusions including that the Morgan Stanley Group 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 "Legal Proceedings", and in Morgan Stanley's most recently filed Form 10-Q (as incorporated by reference herein on page 53 of this Base Prospectus) there are no governmental, legal or arbitration proceedings involving the MSI plc Group

(including any such proceedings which are pending or threatened of which the MSI plc Group 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 2013 and 31 December 2012 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.

Capital Structure

MSI plc has 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.
- (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.
- (iii) U.S. \$1,500,000,000 divided into 1,500,000,000 class A non-voting 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, MSIP's objects are now unrestricted.

The articles of association were last amended on 5 December 2013 and became effective on 12 December 2013.

Selected Financial Information of Morgan Stanley & Co. International plc

The following tables set out the consolidated income statements and balance sheet information relating to MSI plc in accordance with applicable law and International Financial Reporting Standards (**IFRS**), as adopted by the European Union.

The selected financial information of MSIP for the years ended 31 December 2013 and 31 December 2012 is extracted from its annual report for the year ended 31 December 2013 and the financial information of MSIP as at 30 June 2014 is extracted from its Half Yearly Financial Report.

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

Morgan Stanley & Co. International plc
CONDENSED CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2014

	<i>Unaudited</i> Six months ended 30 June 2014 \$millions	<i>Unaudited</i> Six months ended 30 June 2013 \$millions
Net gains on financial instruments classified as held for trading	2,201	1,953
Net gains on financial instruments designated at fair value through profit or loss	147	21
Interest income	220	572
Interest expense	(355)	(745)
Other income	299	249
Other expense	(2,150)	(2,035)
Net currency translation loss on disposal of subsidiaries	-	(151)
PROFIT/(LOSS) BEFORE TAX	<hr/> 362	<hr/> (136)
Income tax expense	128	(56)
(LOSS)/PROFIT FOR THE PERIOD	<hr/> 234	<hr/> (192)
Attributable to:		
Equity holders of the company	233	(193)
Non-controlling interests	1	1
(LOSS)/PROFIT FOR THE PERIOD	<hr/> 234	<hr/> (192)

All operations were continuing in the current and prior periods.

Morgan Stanley & Co. International plc
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Six months ended 30 June 2014

	<i>Unaudited</i>	<i>Audited</i>
<i>\$millions</i>	30 June 2014	31 December 2013
ASSETS		
Loans and receivables:		
Cash and short term deposits	11,751	12,244
Cash collateral on securities borrowed	16,685	17,372
Securities purchased under agreements to resell	76,542	75,717
Trade receivables	91,840	72,220
Other receivables	2,529	2,965
	<hr/> 199,347	<hr/> 180,518
Financial assets classified as held for trading (of which approximately \$44,019 million (2013: \$45,178 million) were pledged to various parties)	265,480	330,923
Financial assets designated at fair value through profit or loss	5,985	7,673
Available-for-sale financial assets	61	60
Current tax assets	213	229
Deferred tax assets	101	115
Prepayments and accrued income	64	43
Property, plant and equipment	4	5
TOTAL ASSETS	<hr/> 471,255 <hr/>	<hr/> 519,566 <hr/>
LIABILITIES AND EQUITY		
Financial liabilities at amortised cost:		
Bank loans and overdrafts	75	16
Cash collateral on securities loaned	17,119	13,457
Securities sold under agreements to repurchase	56,729	70,016
Trade payables	118,179	97,946
Subordinated loans	7,906	7,906
Other payables	11,848	18,179
	<hr/> 211,856	<hr/> 207,520
Financial liabilities classified as held for trading	230,379	282,764
Financial liabilities designated at fair value through profit or loss	12,563	13,123
Provisions	29	30
Current tax liabilities	250	242
Deferred tax liabilities	3	3
Accruals and deferred income	262	221
Post employment benefit obligations	4	4
TOTAL LIABILITIES	<hr/> 455,346 <hr/>	<hr/> 503,907 <hr/>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Share capital	11,464	11,464
Share premium account	513	513
Currency translation reserve	93	78
Available-for-sale reserve	5	4
Capital contribution reserve	3	3
Capital redemption reserve	1,400	1,400
Retained earnings	2,351	2,118
Equity attributable to the owners of the parent	<hr/> 15,829 <hr/>	<hr/> 15,580 <hr/>
Non-controlling interest	80	79
TOTAL EQUITY	<hr/> 15,909 <hr/>	<hr/> 15,659 <hr/>
TOTAL LIABILITIES AND EQUITY	<hr/> 471,255 <hr/>	<hr/> 519,566 <hr/>

Morgan Stanley & Co. International plc
CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2013

	2013	Restated
	\$millions	2012
		\$millions
Net gains on financial instruments classified as held for trading	4,082	3,571
Net gains on financial instruments designated at fair value through profit or loss	135	96
Net gains on available-for-sale financial assets	5	50
Interest income	1,217	1,513
Interest expense	(1,610)	(1,950)
Other income	403	394
Other expense	(3,908)	(3,402)
Net currency translation loss on disposal of subsidiaries	(151)	(30)
PROFIT BEFORE TAX	<u>173</u>	<u>242</u>
Income tax expense	(136)	(233)
PROFIT FOR THE YEAR	<u><u>37</u></u>	<u><u>9</u></u>
Attributable to:		
Equity holders of the Company	35	8
Non-controlling interests	2	1
PROFIT FOR THE YEAR	<u><u>37</u></u>	<u><u>9</u></u>

Morgan Stanley & Co. International plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	2013	Restated
	\$millions	2012
		\$millions
ASSETS		
Loans and receivables:		
Cash and short term deposits	12,244	11,526
Cash collateral on securities borrowed	17,372	19,733
Securities purchased under agreements to resell	75,717	99,782
Trade receivables	72,220	66,438
Other receivables	2,965	5,676
	<u>180,518</u>	<u>203,155</u>
Financial assets classified as held for trading (of which approximately \$45,178 million (2012: \$42,457 million) were pledged to various parties)	330,923	341,694
Financial assets designated at fair value through profit or loss	7,673	7,591
Available-for-sale financial assets	60	40
Current tax	229	210
Deferred tax assets	115	91
Prepayments and accrued income	43	53
Property, plant and equipment	5	7
TOTAL ASSETS	<u><u>519,566</u></u>	<u><u>552,841</u></u>
LIABILITIES AND EQUITY		
Financial liabilities at amortised cost:		
Bank loans and overdrafts	16	23
Cash collateral on securities loaned	13,457	17,766
Securities sold under agreements to repurchase	70,016	85,694
Trade payables	97,946	83,161
Subordinated loans	7,906	7,906
Other payables	18,179	17,616
	<u>207,520</u>	<u>212,166</u>
Financial liabilities classified as held for trading	282,764	314,048
Financial liabilities designated at fair value through profit or loss	13,123	12,560
Provisions	30	82
Current tax	242	243
Deferred tax liabilities	3	4
Accruals and deferred income	221	208
Post employment benefit obligations	4	5
TOTAL LIABILITIES	<u><u>503,907</u></u>	<u><u>539,316</u></u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Share capital	11,464	9,464
Share premium account	513	513
Currency translation reserve	78	(105)
Available-for-sale reserve	4	4
Capital contribution reserve	3	3
Capital redemption reserve	1,399	1,399
Retained earnings	2,119	2,173
	<u>15,580</u>	<u>13,451</u>
Non-controlling interest	79	74
TOTAL EQUITY	<u><u>15,659</u></u>	<u><u>13,525</u></u>
TOTAL LIABILITIES AND EQUITY	<u><u>519,566</u></u>	<u><u>552,841</u></u>

DESCRIPTION OF MORGAN STANLEY B.V.

1. INFORMATION ABOUT MORGAN STANLEY B.V.

History and Development of Morgan Stanley B.V.

Place of registration, registration number and date of incorporation

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 and Industries (*Kamer van Koophandel*) for Amsterdam under number 34161590.

Registered office

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

Legal and commercial name

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

Recent Events

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

2. OVERVIEW OF THE 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, The Netherlands.

<i>Name</i>	<i>Title</i>	<i>Principal Outside Activity</i>
Z. Wu	Director	Executive Director, Morgan Stanley
H. Herrmann	Director	Executive Director, Morgan Stanley, Director, Fundlogic (Jersey) Limited, Director, Morgan Stanley Islamic Finance Limited
P.J.G de Reus	Director	Employee of TMF Netherlands B.V.
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.
F.W.J.J Welman	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 has an audit committee that complies with the applicable corporate governance rules and also functions as the audit committee of MSBV; accordingly, MSBV has therefore taken the exemption for groups and has not established an audit committee.

6. MAJOR SHAREHOLDERS

Archimedes Investments Cooperative U.A. (a group company) holds the majority of shares in MSBV. Morgan Stanley International Holdings Inc. and Morgan Stanley International Limited 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 and MSBV earns a spread on all its issues of securities.

7. LITIGATION

There are no, nor have there been, any 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 Base Prospectus, involving MSBV which may have, or have had in the recent past, a significant effect on the financial position or profitability of MSBV.

8. ADDITIONAL INFORMATION

Auditors

Deloitte Accountants B.V., independent auditors and certified public accountants of Gustav Mahlerlaan 2970, 1081 LA Amsterdam, The Netherlands, a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*) have audited the financial statements of MSBV for the year ended 31 December 2013 and the year ended 31 December 2012 and unqualified opinions have been reported thereon. Furthermore, Deloitte Accountants B.V. has reviewed the interim financial report for the six month period ending 30 June 2014 and an unqualified review report has been reported thereon

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

The financial information in respect of MSBV has been prepared in accordance with IFRS as adopted by the European Union for the year ended 31 December 2013 and the year ended 31 December 2012.

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 2013.

Share Capital

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 conducive thereto all in the widest sense of the word.

The articles of association were last amended on 9 December 2013.

Selected Financial Information

The following tables set out the condensed statement of comprehensive income and statement of comprehensive income, as well as the condensed statement of financial position and the statement of financial position, relating MSBV in accordance with applicable law and IFRS, as adopted by the European Union.

The selected financial information of MSBV to the year ended 31 December 2013 and the year ended 31 December 2012 is extracted from its report and financial statements for the year ended 31 December 2013 and the financial information of MSBV as at 30 June 2014 is extracted from its interim financial report.

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

Morgan Stanley B.V.
CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2014

	Six months ended 30 June 2014 €'000 (unaudited)	Six months ended 30 June 2013 €'000 (unaudited)
Net gains/(losses) on financial instruments classified as held for trading	428,918	17,643
Net (losses)/gains on financial instruments designated at fair value through profit or loss	(428,918)	(17,643)
Interest income	14,784	11,772
Interest expense	(14,784)	(11,772)
Other income	3,101	3,005
PROFIT BEFORE INCOME TAX	<hr/> 3,101	<hr/> 3,005
Income tax expense	(775)	(751)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<hr/> <hr/> 2,326	<hr/> <hr/> 2,254

All operations were continuing in the current and prior period.

Morgan Stanley B.V.
CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	30 June 2014 €'000 (unaudited)	31 December 2013 €'000 (audited)
ASSETS		
Loans and receivables:		
Cash and short term deposits	570	1,585
Trade receivables	4,735	2,947
Other receivables	1,807,975	1,195,027
	<u>1,813,280</u>	<u>1,168,825</u>
Financial assets classified as held for trading	864,624	979,451
Financial assets designated at fair value through profit or loss	7,687,866	5,990,950
Current tax	1,563	650
TOTAL ASSETS	<u><u>10,367,333</u></u>	<u><u>8,170,610</u></u>
LIABILITIES AND EQUITY		
Financial liabilities at amortised cost:		
Convertible preferred equity certificates	1,185,341	1,170,579
Trade payables	603,113	54,607
Other payables	22	21
Bank overdraft	25	-
	<u>1,788,501</u>	<u>1,225,207</u>
Financial liabilities classified as held for trading	590,973	283,324
Financial liabilities designated at fair value through profit or loss	7,960,456	6,637,002
TOTAL LIABILITIES	<u>10,339,930</u>	<u>8,145,533</u>
EQUITY		
Share capital	15,018	15,018
Retained earnings	12,385	10,059
Equity attributable to the owners of the Company	<u>27,403</u>	<u>25,077</u>
TOTAL EQUITY	<u>27,403</u>	<u>25,077</u>
TOTAL LIABILITIES AND EQUITY	<u><u>10,367,333</u></u>	<u><u>8,170,610</u></u>

Morgan Stanley B.V.
STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013	2012
	€'000	€'000
Net gains/(losses) on financial instruments classified as held for trading	509,271	(81,202)
Net gains/(losses) on financial instruments designated at fair value through profit or loss	(509,271)	81,202
Interest income	25,554	20,033
Interest expense	(25,459)	(19,936)
Other income	6,094	4,875
Other expense	(95)	(97)
PROFIT BEFORE INCOME TAX	<hr/> 6,094	<hr/> 4,875
Income tax expense	(1,518)	(1,196)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<hr/> <hr/> 4,576	<hr/> <hr/> 3,679

All operations were continuing in the current and prior year.

Morgan Stanley B.V.
STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	2013	2012
	€'000	€'000
ASSETS		
Loans and receivables:		
Cash and short-term deposits	1,585	1,255
Trade receivables	2,947	1,364
Other receivables	1,195,027	1,166,206
	<u>1,199,559</u>	<u>1,168,825</u>
Financial assets classified as held for trading	979,451	561,398
Financial assets designated at fair value through profit or loss	5,990,950	4,789,462
	<u>650</u>	<u></u>
TOTAL ASSETS	<u><u>8,170,610</u></u>	<u><u>6,519,685</u></u>
LIABILITIES AND EQUITY		
Financial liabilities at amortised cost:		
Convertible preferred equity certificates	1,170,579	1,145,195
Trade payables	54,607	22,537
Other payables	21	21
	<u>1,225,207</u>	<u>1,167,753</u>
Financial liabilities classified as held for trading	283,324	265,350
Financial liabilities designated at fair value through profit or loss	6,637,002	5,065,592
Current tax	<u>-</u>	<u>489</u>
TOTAL LIABILITIES	<u>8,145,533</u>	<u>6,499,184</u>
EQUITY		
Share capital	15,018	15,018
Retained earnings	10,059	5,483
Equity attributable to the owners of the Company	<u>25,077</u>	<u>20,501</u>
TOTAL EQUITY	<u>25,077</u>	<u>20,501</u>
TOTAL LIABILITIES AND EQUITY	<u><u>8,170,610</u></u>	<u><u>6,519,685</u></u>

TAXATION

The statements below regarding taxation are based on the laws of the European Union and the laws in force in the United Kingdom, The Netherlands, France and/or, as the case may be, the Grand Duchy of Luxembourg as of the date of this Programme and are subject to any changes in law. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe, purchase, own or dispose of the Notes. Each prospective holder or beneficial owner of Notes should consult its tax advisor as to the tax consequences of any investment in or ownership and disposition of the Notes.

European Taxation

On 3 June 2003, the European Council of Economic and Finance Ministers adopted the Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the **Savings Directive**). Pursuant to the Savings Directive and subject to a number of conditions being met, Member States are required, since 1 July 2005, to provide to the tax authorities of another Member State, *inter alia*, details of payments of interest and other similar income within the meaning of the Savings Directive made by a paying agent (within the meaning of the Savings Directive) located within its jurisdiction to, or for the benefit of, a beneficial owner (within the meaning of the Savings Directive) resident in that other Member State.

However, during a transitional period, certain Member States (namely the Grand Duchy of Luxembourg and Austria), will withhold an amount on interest payments at the rate of 35 per cent. unless the relevant beneficial owner of such payment elects for one of two procedures for information reporting. On 25 November 2014, Luxembourg formally adopted the law of 25 November 2014, amending the Laws, on taxation of savings income putting an end to the current withholding tax regime as from 1 January 2015 and implementing the automatic exchange of information as from that date. This law is in line with the announcement of the Luxembourg government dated 10 April 2013.

Such transitional period will end at the end of the first full fiscal year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on 18 April 2002 (the **OECD Model Agreement**) with respect to interest payments within the meaning of the Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate of 35% and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Savings Directive. A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (transitional withholding or exchange of information) with effect from 1 July 2005.

On 24 March 2014, the Council of the European Union adopted a directive amending the Savings Directive (the "**Amending Savings Directive**") strengthening European Union rules on the exchange of information on savings income in order to enable the Member States to better clamp down on tax fraud and tax evasion. The Amending Savings Directive would amend and broaden the scope of the requirements described above. It would in particular enlarge the scope of the Savings Directive to cover new types of savings income and products that generate interest or equivalent income and the scope of the tax authorities requirements to be complied with. The Member States would have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Savings Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

French Taxation

The following is a summary addressing only the French compulsory withholding tax treatment of income arising from the Notes. This summary is (i) based on the laws and regulations in full force and effect in France as at the date hereof, which may be subject to change in the future, potentially with retroactive effect, and (ii) prepared on the assumption that the Issuers and the Guarantors are not French residents for French tax purposes and are not acting from a French branch or permanent establishment in connection with the Notes and the Guarantees. Investors should be aware that the statements below are of a general nature and do not constitute legal or tax advice and should not be understood as such. Prospective investors are therefore advised to consult their own qualified advisors so as to determine, in the light of their individual situation, the tax consequences of the purchase, holding, redemption or sale of the Notes.

Payments made by the Issuers or the Guarantors under the Notes

All payments by the Issuers or the Guarantors, as the case may be, in respect of the Notes will be made free of any compulsory withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by France or any political subdivision or taxing authority thereof or therein.

Savings Directive

The Savings Directive was implemented into French law under Article 242 *ter* of the French General Tax Code (*Code général des impôts*), which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg tax laws currently in force and subject to the laws of 21 June 2005 (the **Laws**), as amended, implementing the Savings Directive (see section "**European Taxation**") and ratifying several agreements concluded with certain dependent and associated territories (the **Territories**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes, which are not profit participating.

Under the Laws, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg within the meaning of the Laws to or for the immediate benefit of an individual beneficial owner or a Residual Entity (within the meaning of Article 4 (2) of the Laws), which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax at a rate of 35 per cent. unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent.

On 25 November 2014, Luxembourg formally adopted the law of 25 November 2014, amending the Laws, on taxation of savings income putting an end to the current withholding tax regime as from 1 January 2015 and implementing the automatic exchange of information as from that date. This law is in line with the announcement of the Luxembourg government dated 10 April 2013.

Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would at present be subject to withholding tax of 35 per cent.

(ii) Resident holders of Notes

Under Luxembourg tax laws currently in force and subject to the law of 23 December 2005, as amended, which has introduced a 10 per cent. withholding tax on savings income (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes, which are not profit participating.

Under the Law, payments of interest or similar income (i.e. with certain exemptions, savings income within the meaning of the Laws) made or ascribed by a paying agent established in Luxembourg (within the meaning of the Law) to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

Pursuant to the Law, as amended, Luxembourg resident individuals, acting in the course of their private wealth, can opt to self-declare and pay a 10 per cent. tax on interest payments made or ascribed by paying agents (defined in the same way as in the Savings Directive) located in an EU Member State other than Luxembourg, a Member State of the European Economic Area other than an EU Member State or in a State or territory which has concluded an international agreement directly related to the Savings Directive. Such self-declared tax will be in full discharge of income tax.

United Kingdom Taxation

The following disclosure applies only in respect of Notes issued by Morgan Stanley, MSIP or MSBV and not in respect of Notes issued by any additional or substitute issuer.

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal, interest and certain other payments in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding, disposing of, or abandoning Notes. Transactions involving Notes, including the issue and subscription of Notes, any purchase or disposal or settlement of Notes, may have United Kingdom tax consequences for potential purchasers (including but not limited to, transfer taxes and possible withholding or deduction for or on account of United Kingdom tax from payments made in respect of the Notes). The tax consequences may depend, amongst other things, on the status of the potential investor and the terms and conditions of a particular Note as specified in the Final Terms. It is based on current law and practice of HM Revenue and Customs (HMRC), which may be subject to change, sometimes with retrospective effect. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Prospective Noteholders who are in any doubt as to their tax position should consult their professional advisors about tax implications of purchasing and holding a Note, any transaction involving a Note, and any transaction involved in the exercise and settlement of a Note. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom are particularly advised to consult their professional advisors as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom withholding taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

A. Notes – UK Withholding Tax on Interest Payments by the Issuers

1. Interest on Notes issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax.

2. Interest on Notes issued for a term of one year or more (or under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax except in circumstances where such interest has a United Kingdom source. The location of the source of a payment is a complex matter. It is necessary to have regard to case law and HMRC practice. Case law has established that in determining the source of interest all relevant factors must be taken into account. HMRC has indicated that the most important factors in determining the source of a payment are those which influence where a creditor would sue for payment and has stated that the place where the Issuer does business and the place where its assets are located are the most important factors in this regard; however, HMRC has also indicated that, depending on the circumstances, other relevant factors may include the place where the interest and principal are payable, the method of payment, the governing law of the Notes and the competent jurisdiction for any legal action, the location of any security for the Issuer's obligation under the Notes and the residence of any guarantor.

3. Interest which has a United Kingdom source (**UK interest**) may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax if the Notes in respect of which the UK interest is paid constitute "quoted Eurobonds". Notes which carry a right to

interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Notes will be regarded as "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom's official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed in the country of that stock exchange in accordance with provisions corresponding to those generally applicable in European Economic Area states in a country outside the United Kingdom in which is a recognised stock exchange.

4. Accordingly, **provided that** the Notes are and remain within the HMRC definition of "listed on a recognised stock exchange" then they will constitute quoted Eurobonds. The Luxembourg Stock Exchange is a recognised stock exchange. The Issuers' understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Main Market or Euro MTF Market of that Exchange may be regarded as "listed on a recognised stock exchange" for these purposes. The NYSE Euronext Paris is a recognised stock exchange. The Issuers' understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the NYSE Euronext France market of that Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

5. If the Notes do not constitute "quoted Eurobonds", payments of interest on the Notes may still be made without withholding or deduction for or on account of United Kingdom income tax, **provided that** the relevant Issuer is and continues to be authorised for the purposes of the Financial Services and Markets Act 2000 and its business is and continues to consist wholly or mainly of dealing in financial instruments (within the meaning of section 885 of the Income Tax Act 2007) as principal and that such payments are made in the ordinary course of that business.

6. Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax to the extent that the Notes constitute "Regulatory capital securities" for the purposes of the Taxation of Regulatory Capital Securities Regulations 2013. This exemption will not apply where there are arrangements, the main purpose, or one of the main purposes of which is, to obtain a tax advantage as a result of the application of these Regulations in respect of the Notes. The exemption described in paragraph 6 above does not apply in relation to payments of interest on regulatory capital securities.

7. In all other cases, UK interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply.

B. Payments by Guarantors

If the Guarantors make any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) and such payments have a United Kingdom source, such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Whether such payment made by the Guarantors have a United Kingdom source is a complex matter and is likely to be determined by reference to the factors set out in paragraph A2 above where such a Treaty relief is available, and the applicable conditions in the relevant Treaty are satisfied, the Noteholder should be entitled to a refund of tax withheld, provided it complies with the applicable formalities relating to such a claim within the relevant limitation period. It may, however, not be possible for the Noteholder to obtain a direction for the guarantee payments to be made free of withholding tax. Such payments by the Guarantors may not be eligible for the exemptions described in A above.

C. Other Rules Relating to United Kingdom Withholding Tax

1. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.

2. Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined below.

3. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

4. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment, rent or royalties for United Kingdom tax purposes. Where a payment is subject to United Kingdom withholding tax, depending on the nature of the payment (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note), the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available under the provisions of any applicable double tax treaty.

D. Provision of Information

HMRC have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

See also "*Taxation – European Taxation*" above.

The Netherlands Taxation

General

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Base Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of a Note, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of this summary it is assumed that no individual or non-resident entity holding a Note has or will have a substantial interest, or - in the case of a holder of a Note being an entity - a deemed substantial interest, in the Issuer and that no connected person (verbonden persoon) to the holder of a Note has or will have a substantial interest in the Issuer.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has, or is deemed to have or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such company

Generally speaking, a non-resident entity has a substantial interest in a company if such entity, directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such company. An entity holding a Note has a deemed substantial interest in a company if such entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

For the purpose of this summary, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

Where this summary refers to a holder of a Note, an individual holding a Note or an entity holding a Note, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Note or otherwise being regarded as owning a Note for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where the summary refers to "The Netherlands" or "Dutch" it refers only to the European part of the Kingdom of the Netherlands.

With respect to references in the "Taxes on Income and Capital Gains" paragraph 2 of this section to an individual who has elected to be treated as resident in the Netherlands for the relevant tax purposes, it is noted that as per 1 January 2015, the election regime will be replaced by a mandatory qualification as a 'qualifying foreign taxpayer' on the basis of certain objective criteria.

Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of a Note or Coupon.

Withholding Tax

All payments made by the Issuers (other than a Netherlands Issuer, as defined below) under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein. With respect to Notes issued by an Issuer that is considered to be a resident of the Netherlands for Netherlands tax purposes (a **Netherlands Issuer**), all payments made by such Netherlands Issuer under the Notes may also be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, provided that the Notes do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

Taxes on Income and Capital Gains

Residents

Resident entities

An entity holding a Note which is, or is deemed to be, resident in The Netherlands for corporate tax purposes and which is not tax exempt, will generally be subject to corporate tax in respect of income or a capital gain derived from a Note at the prevailing statutory rates.

Resident individuals

An individual holding a Note who is, is deemed to be, or has elected to be treated as, resident in The Netherlands for income tax purposes will be subject to income tax in respect of income or a capital gain derived from a Note at rates up to 52 per cent if:

- (vii) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or
- (viii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, an individual holding a Note will be subject to income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from a Note. The deemed return amounts 4% of the value of the individual's net assets as at the beginning of the relevant fiscal year (including the Note). Subject to application of certain allowances, the deemed return will be taxed at a rate of 30 per cent.

Non-residents

A holder of a Note which is not, is not deemed to be, and - in case the holder is an individual - has not elected to be treated as, resident in The Netherlands for the relevant tax purposes will not be subject to taxation on income or a capital gain derived from a Note unless:

- (ix) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands and the holder of a Note derives profits from such enterprise (other than by way of securities); or
- (x) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in The Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*),

including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

Gift and Inheritance Tax

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

- the holder of a Note is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

Residence

A holder of a Note will not be, or deemed to be, resident in The Netherlands for tax purposes and, subject to the exceptions set out above, will not otherwise be subject to Dutch taxation, by reason only of acquiring, holding or disposing of a Note or the execution, performance, delivery and/or enforcement of a Note.

UNITED STATES FEDERAL TAXATION

This discussion is limited to the U.S. federal tax issues addressed below. Additional issues may exist that are not addressed in this discussion and that could affect the federal tax treatment of the transaction or the holders. Holders should seek their own advice based upon their particular circumstances from an independent tax advisor.

The following are certain of the material U.S. federal tax consequences of ownership and disposition of the Notes by Non-U.S. Holders (as defined below). This summary is based on the Internal Revenue Code of 1986 (the **Code**), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described herein. This summary does not discuss all of the tax consequences that may be relevant to holders in light of their particular circumstances or to holders subject to special rules, such as:

- persons other than Non-U.S. Holders and persons that have or have had a connection to the United States other than holding their notes;
- nonresident alien individuals who have lost their United States citizenship or who have ceased to be treated as resident aliens; or
- corporations that are treated as personal holding companies, controlled foreign corporations, or passive foreign investment companies.

As used herein, the term **Non-U.S. Holder** means a beneficial owner of a Note that is not a U.S. Holder (as defined below) or a partnership. A Non-U.S. Holder does not include a holder who is an individual present in the United States for 183 days or more in the taxable year of disposition and who is not otherwise a resident of the United States for U.S. federal income tax purposes. Such a holder is urged to consult his or her own tax advisors regarding the U.S. federal income tax consequences of the sale, exchange or other disposition of a Note.

If a partnership (or other pass-through entity) holds a Note, the tax treatment of a partner (or other equity holder) generally will depend upon the status of the partner (equity holder) and the activities of the partnership (pass-through entity). Partners of partnerships (and equity holders of pass-through entities) holding Notes should consult their tax advisers regarding the U.S. federal income tax consequences of acquiring, owning, exchanging and disposing of a Note.

As used herein, the term **U.S. Holder** means a beneficial owner of a Note that is:

- a citizen or individual resident of the United States,
- a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax without regard to its source; or

a trust if (x) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (y) such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

Withholding Tax

Except as otherwise discussed below or indicated in the applicable Final Terms, a Non-U.S. Holder generally will not be subject to United States federal income tax, including withholding tax, on payments of principal, or interest (including original issue discount, if any) on a Note, or on proceeds from the sale or other disposition of a Note, **provided that** for purposes of United States federal income tax law:

- the Note is treated in its entirety as indebtedness of the relevant Issuer for U.S. federal income tax purposes;
- the payments or proceeds are not effectively connected with the conduct of a trade or business within the United States by the holder;
- the holder does not own (directly or by attribution) ten per cent. or more of the total combined voting power of all classes of stock of Morgan Stanley entitled to vote;

- the holder is not a bank holding the Note in the context of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business;
- the holder does not have a "tax home" (as defined in Section 911(d)(3) of the Code) or an office or other fixed place of business in the United States; and
- the holder (and beneficial owner) have complied with all U.S. tax identification and certification requirements.

Certification Requirement. In the case of a Note issued by Morgan Stanley, the certification requirements referred to in the preceding paragraphs will be fulfilled if the beneficial owner of the Note (or a financial institution holding a Registered Note on behalf of the beneficial owner) furnishes the U.S. Internal Revenue Service (**IRS**) Form W-8BEN or W-8BEN-E (or with respect to certain Holders and beneficial owners, other appropriate forms), on which, among other things, the beneficial owner certifies under penalties of perjury that it is not a U.S. Person.

Exchangeable Notes

Except as otherwise discussed below or indicated in the applicable Final Terms, a Non-U.S. Holder will generally not be subject to United States federal income tax, including withholding tax, with regard to an Exchangeable Note if:

- the Note is treated as indebtedness of the relevant Issuer for U.S. federal income tax purposes;
- the Note is exchangeable only into securities that are actively traded, into a basket of securities that are actively traded or an index or indices of securities that are actively traded; and
- the other requirements for exemption from tax listed above under "Notes" are met.

With regard to the above requirements, the Issuers intend to treat Exchangeable Notes for which the principal amount payable in cash equals or exceeds the issue price (i.e., the first price at which a substantial amount of the Exchangeable Notes is sold to the public) in whole as indebtedness for U.S. federal income tax purposes. There can be no assurance that the Internal Revenue Service or the courts will agree. No opinion is expressed herein as to the impact of the "United States real property holding corporation" rules, which could affect the taxation of Non-U.S. Holders of Exchangeable Notes in certain circumstances. Non-U.S. Holders intending to purchase Exchangeable Notes should refer to the discussion relating to taxation in the applicable Final Terms for disclosure, if any is deemed necessary, concerning the applicability of those rules. For information regarding the U.S. federal income tax consequences of the ownership and disposition of the property received in exchange for the Note, please refer to the documents described in the applicable Final Terms.

Notes Linked to Commodity Prices, Single Securities, Baskets of Securities, Indices, Exchange Traded Funds or other Funds, Currencies and Credit-Linked Notes

Except to the extent discussed above under "Exchangeable Notes", the United States federal income tax consequences to a Non-U.S. Holder of the ownership and disposition of Notes that have principal or interest determined by reference to commodity prices, securities of entities not affiliated with the relevant Issuer, baskets of securities or indices, exchange traded funds or other funds, currencies or the credit of entities not affiliated with the relevant Issuer may vary depending upon the exact terms of the Notes and related factors. Notes containing any of those features may be subject to rules that differ from the general rules discussed above. In these instances, the applicable Final Terms will disclose such special rules. Non-U.S. Holders intending to purchase such Notes should refer to the discussion relating to taxation in the applicable Final Terms, if deemed necessary, for disclosure concerning the applicability of the rules.

Backup Withholding and Information Reporting

In general, U.S. information reporting and backup withholding will not apply to payments on Notes held by a Non-U.S. Holder and received outside the United States through a non-U.S. bank or other non-U.S. financial institution. Proceeds on sales and payments on the Notes received within the United States or through certain U.S.-related financial institutions may be subject to information reporting and backup withholding unless the Non-U.S. Holder complies with applicable certification procedures to establish that it is not a U.S. Person for U.S. federal income tax purposes or otherwise establishes an exemption. Compliance with the certification procedures described above will satisfy the certification requirements necessary to avoid backup withholding. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Estate Tax

Subject to benefits provided by an applicable estate tax treaty, a Note that is treated as indebtedness for U.S. federal income tax purposes will generally be excluded from the gross estate of a Non-U.S. Holder for U.S. federal estate tax purposes upon the individual's death unless, at such time, interest payments on the Note would have been:

- subject to U.S. federal withholding tax without regard to any certification that such holder is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, not taking into account an elimination of such U.S. federal withholding tax due to the application of an income tax treaty; or
- effectively connected to the conduct by the holder of a trade or business in the United States.

Non-U.S. Holders who are individuals, and holders that are entities the property of which is potentially includible in such an individual's gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty benefit, a Note that is not treated as indebtedness for U.S. federal income tax purposes may be treated as U.S. situs property subject to U.S. federal estate tax. Non-U.S. Holders should consult their own tax advisors regarding the U.S. federal estate tax consequences of an investment in the Notes and the availability of benefits provided by an applicable estate tax treaty, if any.

FATCA

Sections 1471 through 1474 of the US Internal Revenue Code (the **Code**), an agreement entered into with the US Internal Revenue Service pursuant to such sections of the Code, or an intergovernmental agreement (an **IGA**) between the United States and another jurisdiction in furtherance of such sections of the Code (including any non-US laws and regulations implementing such an IGA) and any analogous provisions of non-U.S. law (collectively referred to as **FATCA**) impose an information reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-US financial institution (a "foreign financial institution" or **FFI** (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors, unless otherwise exempt from or deemed to be in compliance with FATCA or, where applicable, the FFI complies with any local laws enacted in respect of an IGA and (ii) any investor that (unless otherwise exempted) does not provide certain tax certifications or ownership information (or, if applicable, a waiver of any laws prohibiting disclosure of such information to a taxing authority). The Issuers and most financial intermediaries will be subject to the requirements imposed under FATCA.

Withholding under FATCA currently applies to payments of interest from sources within the United States and will apply to payments that are from sources outside the United States to the extent they are "foreign passthru payments" (a term not yet defined) and payments of gross proceeds and redemption proceeds beginning no earlier than 1 January 2017.

The United States and a number of jurisdictions, including the Netherlands and the United Kingdom, have entered into IGAs to facilitate the implementation of FATCA. Payee financial institutions that are resident in a country that has entered into an IGA generally are required to comply with such country's FATCA implementing laws, which may not require that the financial institution enter into an agreement with the U.S. Internal Revenue Service. In such case, such country's FATCA implementing laws generally require the financial institution to collect and report certain information on its account holders to the relevant taxing authority of such country which will send such information to the IRS. The requirements under an IGA may differ modestly from, but are substantially similar to, the requirements that would apply in the absence of an IGA.

In general, obligations the income on which is not considered for tax purposes to arise from U.S. sources that are outstanding as of the date that is six months after the date on which final Treasury regulations on "foreign passthru payments" are adopted and, in each case, that are not modified and treated as reissued for U.S. federal income tax purposes after the applicable date will be "grandfathered" and will neither be treated as U.S. assets nor be subject to withholding. However, obligations that are treated as equities for U.S. federal income tax purposes and certain debt obligations lacking a definitive term are not eligible for grandfathering. Further, even if the Notes are grandfathered for purposes of imposing withholding on such Notes, information reporting requirements may apply and the Holders or beneficial owners will be required to comply with the relevant Issuer's or intermediary's requests for identifying information.

In the event that an Issuer or an Intermediary is required to deduct a withholding tax under FATCA, none of Morgan Stanley, the Issuers, or any intermediary will be required to pay any additional amounts with respect to the amounts so withheld.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and IGAs, all of which are subject to change or may be implemented in a materially different form. Each potential purchaser of Notes should consult its own tax advisor to determine how FATCA may affect such investor in its particular circumstance.

Dividend Equivalent Amounts

Any payment on a Note that is characterized, for U.S. federal income tax purposes as a "Dividend Equivalent Payment" may become subject to a 30 per cent. U.S. withholding tax.

A Dividend Equivalent Payment is any payment that is directly or indirectly contingent upon, or determined by reference to, the payment of a U.S. source dividend (very generally, a dividend with respect to a U.S. corporation). Prior to 1 January 2016, payments with respect to the Notes will be Dividend Equivalent Payments and subject to withholding if the Notes are characterised, for U.S. federal income tax purposes, as (i) a securities lending transaction, (ii) a sale-repurchase transaction or (iii) a "specified notional principal contract" (an "SNPC"). An SNPC is any notional principal contract (i) in connection with the execution of which, any long party transfers or is deemed to transfer the underlying security to any short party, (ii) in connection with the termination of which, any short party transfers or is deemed to transfer the underlying security to any long party, (iii) with respect to which, the underlying security is not readily tradable on an established securities market, or (iv) in connection with the execution of which, the underlying security is posted as collateral by any short party with any long party. While none of the Notes are in the form of SNPCs, some, depending on their particular terms, may be so treated for US tax purposes.

Under proposed regulations, for payments made on or after 1 January 2016, any amounts due on financial instruments such as the Notes that are treated as attributable, directly or indirectly, to dividends on U.S. equities or an index that includes U.S. equities may be treated as Dividend Equivalent Payments. In addition to SNPCs, the proposed regulations would treat a broad class of specified "equity linked instruments" ("ELIs") as generating Dividend Equivalent Payments. The proposed rules could apply even if payments on the Securities are determined without referencing dividends paid on the underlying equities or indices. However the Internal Revenue Service has stated that it intends to limit specified ELIs to ELIs issued on or after 90 days after the date of publication of the final regulations. It is uncertain whether the proposed regulations will be finalised, or if finalised, will be adopted in their current form. Accordingly, it is possible that payments on the Notes may be treated as Dividend Equivalent Payments. In addition, it is possible that a withholding agent will assume that any payment on the Notes referencing a U.S. equity or index of U.S. equities is subject to withholding as a Dividend Equivalent Payment even in cases where the Issuer has not.

The imposition of this U.S. withholding tax will reduce the amounts received by beneficial owners that are Non-U.S. Persons. If a Non-U.S. Person becomes subject to this withholding tax, the Non-U.S. Person may be able to claim any exemptions under its applicable double tax treaty. Finally, if any payment on a Security is treated as a Dividend Equivalent Payment, payments, including principal or gross proceeds, on such a Security may be subject to withholding tax under FATCA as discussed above. The application and interpretation of the rules governing U.S. withholding tax on Dividend Equivalent Payments are subject to change.

In the event that an Issuer or an intermediary is required to deduct a withholding tax in respect of a Dividend Equivalent Payment, none of Morgan Stanley, the Issuers, or any intermediary will be required to pay any additional amounts with respect to the amounts so withheld.

PROPOSED FINANCIAL TRANSACTIONS TAX

On 14 February 2013, the European Commission produced a proposal (the **Commission's proposal**) for a council directive on a common system of financial transactions tax (**FTT**) to be implemented under enhanced co-operation by 11 Member States, namely Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the **FTT Member States**).

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary' market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

A joint statement issued in May 2014 by ten of the eleven FTT Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT proposal remains subject to negotiation between the FTT Member States and since the original proposal, a number of counter-proposals have been made, many of which would reduce the scope of the FTT. The proposal may therefore be altered prior to any implementation and the ultimate timing and implementation of the FTT remain unclear. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Morgan Stanley and MSBV are offering the Notes on a continuing basis through Morgan Stanley & Co. International plc of 25 Cabot Square, Canary Wharf, London E14 4QA (the **Distribution Agent**), who has agreed to use reasonable efforts to solicit offers to subscribe or purchase the Notes. Morgan Stanley and MSBV will each, respectively, have the sole right to accept offers to subscribe or purchase its Notes and may reject any offer in whole or in part. The Distribution Agent will have the right to reject any offer to subscribe or purchase Notes solicited by it in whole or in part. Morgan Stanley and MSBV may pay the Distribution Agent, in connection with sales of Notes resulting from a solicitation by the Distribution Agent made or an offer to subscribe or purchase received by the Distribution Agent, a commission, which may be in the form of a discount from the purchase price if the Distribution Agent is purchasing the Notes for their own account. MSIP will act as distributor and offeror of the Notes issued by MSIP.

Morgan Stanley and MSBV may each also offer or sell Notes to the Distribution Agent as principal for its own account at a price to be agreed upon at the time of such offer or sale. The Distribution Agent may resell any Notes they purchase as principal at prevailing market prices, or at other prices, as the Distribution Agent determines.

The arrangements for the offer and sale of the Notes from time to time are set out in the Distribution Agreement dated on or about 19 December 2013 (as modified and restated from time to time, the **Distribution Agreement**) among Morgan Stanley, MSIP, MSBV and the Distribution Agent. Pursuant to the Distribution Agreement, Morgan Stanley, MSBV and the Distribution Agent have agreed to indemnify each other against certain liabilities, or to contribute payments made in respect thereof. Morgan Stanley and MSBV have also agreed to reimburse the Distribution Agent for certain expenses. The Distribution Agreement makes provision for the appointment of additional Distribution Agents who may agree to become bound by its terms (either in relation to the Programme generally or in relation to a particular Series of Notes) in an accession letter provided by such additional Distribution Agent to Morgan Stanley or MSBV.

In order to facilitate the offering of the Notes, the Distribution Agent may in accordance with all applicable laws and regulations engage in transactions that stabilise, maintain or otherwise affect the price of the Notes or any other securities the prices of which may be used to determine payments on those Notes. Specifically, the Distribution Agent may overallocate in connection with any offering of the Notes, creating a short position in the Notes for their own accounts. In addition, to cover overallocations or to stabilise the price of the Notes or of any other securities, the Distribution Agent may bid for, and purchase, Notes or any other securities in the open market. Any of these activities may stabilise or maintain the market price of the Notes above independent market levels. The Distribution Agent is not required to engage in these activities and may end any of these activities at any time.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered, *at any time*, within the United States or to, or for the account or benefit of, U.S. Persons. The Distribution Agent (1) has acknowledged that the Notes have not been and will not be registered under the Securities Act, or any securities laws of any state in the United States, and the Notes are not being offered or sold and may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the Securities Act); (2) has represented, as a condition to acquiring any interest in the Notes, that neither it nor any persons for whose account or benefit the Notes are being acquired is a U.S. Person, is located in the United States, or was solicited to subscribe or purchase Notes while present in the United States; (3) has agreed not to offer, sell or deliver any of the Notes, directly or indirectly, in the United States to any U.S. Person; and (4) has agreed that, at or prior to confirmation of sale of any Notes (whether upon original issuance or in any secondary transaction), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that

purchases Notes from it a written notice containing language substantially the same as the foregoing. As used herein, **United States** means the United States of America (including the states and the District of Columbia), its territories and possessions.

In addition, the Distribution Agent has represented and agreed that it has not offered or sold Notes and will not offer or sell Notes *at any time* except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, the Distribution Agent has represented and agreed that neither it, its affiliates (if any) nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), the Distribution Agent has represented and agreed, and each further Distribution Agent appointed under the Programme will be required to represent and agree, in relation to each Tranche of Notes, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Distribution Agent or Distribution Agents nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the relevant Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and included any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

In relation to each Tranche of Notes, the Distribution Agent has represented and agreed, subscribing for or purchasing such Notes, and each further Distribution Agent appointed under the Programme will be required to represent and agree, with the relevant Issuer and, if the Notes are issued by MSBV, the Guarantor, or in the case of public offers of Notes issued by MSBV in France only, the Guarantors, that:

Notes with maturities of less than one year: in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by the Issuer;

Financial promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors, if applicable; and

General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

For selling restrictions in respect of The Netherlands, see "European Economic Area" above and in addition:

(a) *Specific Dutch selling restriction for exempt offers:* The Distribution Agent has represented and agreed, and each further Distribution Agent appointed under the Programme will be required to represent and agree, that it will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:

(i) such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the **FSMA**) and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or

(ii) standard exemption logo and wording are disclosed as required by article 5:20(5) of the FSMA; or

(iii) such offer is otherwise made in circumstances in which article 5:20(5) of the FSMA is not applicable,

provided that no such offer of Notes shall require any Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expressions (i) an **offer of Notes to the public** in relation to any Notes in The Netherlands; and (ii) **Prospectus Directive**, have the meaning given to them above in the paragraph headed with "European Economic Area".

- (b) *Regulatory capacity to offer Notes in The Netherlands*: The Distribution Agent, and each further Distribution Agent appointed under the Programme, which did and does not have the requisite Dutch regulatory capacity to make offers or sales of financial instruments in The Netherlands has represented and agreed respectively will be required to represent and agree with the Issuers that it has not offered or sold and will not offer or sell any of the Notes of any Issuer in The Netherlands, other than through one or more investment firms acting as principals and having the Dutch regulatory capacity to make such offers or sales.

France

The Distribution Agent and the Issuer have represented and agreed, and each further Distribution Agent appointed under the Programme will be required to represent and agree, that:

- (i) ***Offer to the public in France*** – it has only made and will only make an offer of Notes to the public in France and it has distributed or caused to be distributed and will distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes in the period (i) beginning (A) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers (AMF)*, on or after the date of its publication or (B) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the Directive 2003/71/EC (as amended by Directive 2010/73/EU) on the prospectus to be published when securities are offered to the public or admitted to trading, on or after the date of notification of such approval to the AMF and (ii) ending at the latest on the date which is 12 months after the date of approval of such prospectus – all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or
- (ii) ***Private placement in France*** – in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Notes (in the case of Notes admitted to trading on Euronext Paris S.A., in connection with their initial distribution) to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties, (ii) qualified investors (*investisseurs qualifiés*) and/or (iii) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

FORM OF GUARANTEE

Guarantee of Morgan Stanley

Morgan Stanley (the **Guarantor**) hereby guarantees unconditionally and irrevocably the payment obligations of Morgan Stanley B.V. (the **Issuer**) in respect of the notes issued by it (the **Notes**) under the Morgan Stanley (as issuer and guarantor), Morgan Stanley B.V. (as issuer) and Morgan Stanley & Co. International plc (as issuer) €2,000,000,000 Programme, as may be increased by Morgan Stanley from time to time, for the Issue of Notes (the **Programme**).

The Guarantor covenants to each person who is for the time being shown (i) in the books of Euroclear France Account Holders, with respect to Notes in bearer dematerialised form (*au porteur*), or (ii) with respect to Notes in registered dematerialised form (*nominatif*) either (A) in the books of a Euroclear France Account Holder (with respect to Notes in administered registered form (*nominatif administré*)) or (B) in an account in the books of Euroclear France maintained by or on behalf of the Issuer (with respect to Notes in fully registered form (*nominatif pur*)), as the holder of a principal amount of the Notes (each a **Beneficiary of the Guarantee**) that it shall make such payments under this Guarantee and acknowledges that each Beneficiary of the Guarantee may take proceedings to enforce this Guarantee directly against the Guarantor.

For the purpose of this Guarantee, **Euroclear France Account Holder** means any authorised financial intermediary institution entitled to hold accounts, directly or indirectly, on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. (**Euroclear**) and the depositary bank for Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**).

The Guarantor hereby agrees that it shall not be necessary, as a condition to enforce this guarantee, that suit be first instituted against the applicable Issuer or that any rights or remedies against such Issuer be first exhausted. Rather, it is understood and agreed that the liability of the Guarantor hereunder shall be primary, direct, and in all respects, unconditional. The obligations of the Guarantor under this Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and rank without preference among themselves and, subject as aforesaid, *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights.

The Guarantor shall be fully liable as if it were the principal debtor under the Notes whether any time has been granted to the applicable Issuer, whether the obligations of the Issuer under the Notes have ceased to exist pursuant to bankruptcy, corporate reorganization or other similar event, whether the applicable Issuer has been dissolved or liquidated or consolidated or has changed or lost its corporate identity and whether or not any other circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defense to a guarantor.

If any moneys shall become payable by the Guarantor under this Guarantee, the Guarantor shall not for so long as the same remain unpaid in respect of any amount paid by it under this Guarantee exercise any right or subrogation in relation to the applicable Issuer or any other right or remedy which may accrue to it in respect of or as a result of any such payment.

All payments pursuant to this Guarantee will be made without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied collected, withheld or assessed by the United States of America, or any political subdivision or any authority thereof having power to tax unless such withholding or deduction is required by law. The Guarantor shall not be required to make any additional payments on account of such withholding or deduction. If the Guarantor becomes subject at any time to any taxing jurisdiction other than the United States of America, references in the Guarantee to the United States shall be construed as references to such other jurisdiction.

This guarantee shall be governed and construed in accordance with New York law, without regard to the conflict of laws principles.

This guarantee shall expire and is no longer effective once all amounts payable on or in respect of the Notes has been paid in full.

Dated as of 1 December 2011

MORGAN STANLEY

By:

Name: [●]

Title: [●]

FORM OF GUARANTEE

Guarantee of Morgan Stanley and Morgan Stanley & Co. International plc

Morgan Stanley & Co. International plc and Morgan Stanley (each, a **Guarantor**) jointly and severally hereby guarantee unconditionally and irrevocably the payment obligations of Morgan Stanley B.V. (the **Issuer**) in respect of notes issued by it to the public in France (the **Notes**) under the Morgan Stanley (as issuer and guarantor), Morgan Stanley B.V. (as issuer) and Morgan Stanley & Co. International plc (as issuer and guarantor) €2,000,000,000 Programme, as may be increased by Morgan Stanley from time to time, for the Issue of Notes (the **Programme**).

Each Guarantor covenants to each person who is for the time being shown (i) in the books of Euroclear France Account Holders, with respect to Notes in bearer dematerialised form (*au porteur*), or (ii) with respect to Notes in registered dematerialised form (*nominatif*) either (A) in the books of a Euroclear France Account Holder (with respect to Notes in administered registered form (*nominatif administré*)) or (B) in an account in the books of Euroclear France maintained by or on behalf of the Issuer (with respect to Notes in fully registered form (*nominatif pur*)), as the holder of a principal amount of the Notes (each a **Beneficiary of the Guarantee**) that it shall make such payments in respect of Notes under this Guarantee and acknowledges that each Beneficiary of the Guarantee may take proceedings to enforce this Guarantee directly against either Guarantor.

For the purpose of this Guarantee, **Euroclear France Account Holder** means any authorised financial intermediary institution entitled to hold accounts, directly or indirectly, on behalf of its customers with Euroclear France, and includes Euroclear Bank S.A./N.V. (**Euroclear**) and the depositary bank for Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**).

Each Guarantor hereby agrees that it shall not be necessary, as a condition to enforce this guarantee, that suit be first instituted against the applicable Issuer or against the other Guarantor or that any rights or remedies against such Issuer or against the other Guarantor be first exhausted. Rather, it is understood and agreed that the liability of each Guarantor hereunder shall be primary, direct, and in all respects, unconditional. The obligations of each Guarantor under this Guarantee constitute direct, unconditional and unsecured obligations of the respective Guarantor and rank without preference among themselves and, subject as aforesaid, *pari passu* with all other outstanding unsecured and unsubordinated obligations of the respective Guarantor, present and future, but, in the event of insolvency, bankruptcy or other similar proceeding, only to the extent permitted by laws relating to creditors' rights.

Each Guarantor shall be fully liable as if it were the principal debtor under the Notes whether any time has been granted to the applicable Issuer, whether the obligations of the Issuer under the Notes have ceased to exist pursuant to bankruptcy, corporate reorganization or other similar event, whether the applicable Issuer has been dissolved or liquidated or consolidated or has changed or lost its corporate identity and whether or not any other circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defense to a guarantor.

If any moneys shall become payable by the Guarantors under this Guarantee, the relevant Guarantor shall not for so long as the same remain unpaid in respect of any amount paid by it under this Guarantee exercise any right or subrogation to the rights of any Beneficiary of the Guarantee in relation to the applicable Issuer or the other Guarantor or any other right or remedy which may accrue to it in respect of or as a result of any such payment.

All payments pursuant to this Guarantee will be made without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied collected, withheld or assessed by the United States of America, or any political subdivision or any authority thereof having power to tax unless such withholding or deduction is required by law. The Guarantor shall not be required to make any additional payments on account of such withholding or deduction. If the Guarantor becomes subject at any time to any taxing jurisdiction other than the United States of America, references in the Guarantee to the United States shall be construed as references to such other jurisdiction.

This guarantee shall be governed and construed in accordance with English law, without regard to the conflict of laws principles.

This guarantee shall expire and is no longer effective once all amounts payable on or in respect of the Notes has been paid in full.

Dated as of 22 April 2014

MORGAN STANLEY & CO. INTERNATIONAL PLC

MORGAN STANLEY

GENERAL INFORMATION

Corporate authorisation

The role of Morgan Stanley as issuer under the Programme was authorised by resolutions of the Board of Directors of Morgan Stanley on 19 September 2006, 25 December 2009, 15 July 2010 and 19 January 2011.

The role of MSIP as issuer under the Programme was authorised by resolutions of the Board of Directors of MSIP on 24 October 2011 and reaffirmed on 12 December 2012.

The role of MSBV as issuer under the Programme was authorised by resolutions of the Board of Directors of MSBV on 24 October 2011 and reaffirmed on 28 January 2013, 18 December 2013 and 19 December 2014.

Auditors

Morgan Stanley

The auditors of Morgan Stanley are Deloitte & Touche LLP, 30 Rockefeller Plaza, New York, NY, 10112-0015, U.S.A., who have (i) audited the financial statements of Morgan Stanley for the year ended 31 December 2012 and (ii) audited the financial statements of Morgan Stanley for the year ended 31 December 2013, (iii) reviewed the condensed consolidated statements of income and comprehensive income for the three-month period ended 31 March 2014, the six-month period ended 30 June 2014 and nine-month period ended 30 September 2014 and issued a report thereon.

MSIP

The auditors of MSIP are Deloitte LLP of 2 New Street Square, London EC4A 3BZ, United Kingdom, who have audited MSIP's accounts in accordance with generally accepted auditing standards in the United Kingdom for the year ended 31 December 2012 and the year ended 31 December 2013. The auditors of MSIP have no material interest in MSIP.

MSBV

Deloitte Accountants B.V., independent auditors and certified public accountants of Gustav Mahlerlaan 2970, 1081, LA Amsterdam, The Netherlands, a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*) have audited the financial statements of MSBV for the year ended 31 December 2013 and the year ended 31 December 2012 and unqualified opinions have been reported thereon. Furthermore, Deloitte Accountants B.V. has reviewed the interim financial report for the six month period ending 30 June 2014 and an unqualified review report has been reported thereon.

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

The financial information in respect of MSBV has been prepared in accordance with IFRS as adopted by the European Union for the year ended 31 December 2013, the year ended 31 December 2012 and the period ended 30 June 2014.

Trend Information

Save as disclosed in this Base Prospectus, there has been no material adverse change in the prospects of Morgan Stanley since 31 December 2013 (being the end of the last financial period for which audited financial statements have been published) at the date of this Prospectus.

Save as disclosed in this Base Prospectus, there has been no material adverse change in the prospects of MSIP, since 31 December 2013 (being the end of the last financial period for which audited financial statements have been published) at the date of this Prospectus.

Save as disclosed in this Base Prospectus, there has been no material adverse change in the prospects of MSBV since 31 December 2013 (being the end of the last financial period for which audited financial statements have been published) at the date of this Prospectus.

Significant Change

Save as disclosed in this Base Prospectus, there has been at the date of this Prospectus no significant change in the financial or trading position of Morgan Stanley since 30 September 2014.

Save as disclosed in this Base Prospectus, there has been at the date of this Prospectus no significant change in the financial or trading position of the MSIP Group since 30 June 2014.

Save as disclosed in this Base Prospectus, there has been at the date of this Prospectus no significant change in the financial or trading position of MSBV since 30 June 2014.

Material Contracts

None of Morgan Stanley, MSIP and MSBV has entered into any material contracts in the ordinary course of their business, which could result in it being unable to meet its obligation to Noteholders in respect of the Notes to be issued under the Programme.

Conflicts of Interests

To the knowledge of each of Morgan Stanley, MSIP and MSBV, the duties owed by the members of their Board of Directors to Morgan Stanley, MSIP or, as the case may be, MSBV do not give rise to any potential conflicts of interest with such members' private interests or other duties at the date of this Prospectus.

Clearing

Notes will be inscribed in the books of Euroclear France (acting as central depository). The address of Euroclear France is 115, rue Réaumur, 75081 Paris Cedex 02, France.

The Notes will be accepted for clearance through Euroclear and Clearstream, Luxembourg. The common code and the International Securities Identification Number (**ISIN**), in relation to the Notes of each Series will be specified in the Final Terms relating thereto.

The address of Euroclear is Euroclear Bank SA/NV, 1 boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 avenue JF Kennedy, L-1855 Luxembourg.

Admission to trading

Upon the approval of this Base Prospectus, application may be made for Notes issued under the Programme during a period of twelve (12) months from the date of this Base Prospectus to be listed and/or admitted to trading on Euronext Paris or on any other regulated market in the European Union (each such regulated market, a **Regulated Market**). Euronext Paris is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC as amended. References in this Base Prospectus to securities being "listed" (and all related references) shall mean that such securities have been listed and admitted to trading on Euronext Paris, on the regulated market or on the EuroMTF Market of the Luxembourg Stock Exchange, listed on the Official List of the Luxembourg Stock Exchange or listed and admitted to trading on any other stock exchange(s) as may be specified in the applicable Final Terms. Each Issuer may also issue unlisted Notes. The relevant final terms (the **Final Terms**) (a form of which is contained herein) in respect of the issue of any

Notes will specify whether or not such Notes will be admitted to trading on Euronext Paris, on the regulated market or on the EuroMTF Market of the Luxembourg Stock Exchange, listed on the Official List of the Luxembourg Stock Exchange or listed and admitted to trading on any other stock exchange(s).

Ratings

This Base Prospectus includes details of the long-term and short-term credit ratings assigned to (i) Morgan Stanley by DBRS, Inc. (**DBRS**), Fitch Ratings, Inc. (**Fitch**), Moody's Investors Service, Inc. (**Moody's**), Ratings and Investment Information Inc. (**R&I**) and Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services (**S&P**) and (ii) MSIP by Moody's and S&P. MSBV is not rated.

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, a rating agency 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 (the **CRA Regulation**) by the relevant competent authority and is included in the list of credit rating agencies published by the European Securities and Market Authority (**ESMA**) on its website (www.esma.europa.eu) in accordance with the CRA Regulation.

Fitch is not established in the EEA but the ratings it has assigned to Morgan Stanley are endorsed by Fitch Ratings Limited, a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority and included in the list of credit rating agencies published by ESMA.

Moody's is not established in the EEA but the ratings it has assigned to Morgan Stanley and MSIP are endorsed by Moody's Investors Service Limited and Moody's Deutschland GmbH, both rating agencies established in the EEA and registered under the CRA Regulation by the relevant competent authorities and included in the list of credit rating agencies published by ESMA.

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 ratings it has assigned to Morgan Stanley and MSIP are 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 and included in the list of credit rating agencies published by ESMA.

As of the date of this Base Prospectus, Morgan Stanley's short-term and long-term debt has been respectively rated (i) R-1 (middle) and A (high), with a stable outlook, by DBRS, (ii) F1 and A, with a stable outlook, by Fitch, (iii) P-2 and Baa2, with a positive outlook, by Moody's, (iv) a-1 and A, with a negative outlook, by R&I and (v) A-2 and A-, with a negative outlook, by S&P.

As of the date of this Base Prospectus, MSIP's short-term and long-term debt has been respectively rated (i) P-2 and A3, with a stable outlook, by Moody's and (ii) A1 and A, with a negative outlook, by S&P.

Notes issued under the Programme may be rated or unrated. The rating of Notes, if any, will be disclosed in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning credit rating agency.

Documents Available

For so long as this Base Prospectus remains in effect or any Notes issued by Morgan Stanley, MSIP or MSBV remain outstanding, the following documents will be available from the date hereof in physical or electronic form, during usual business hours on any weekday, for inspection at (i) Citibank N.A. London Branch, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB,

United Kingdom (ii) at the principal executive offices of Morgan Stanley and the registered offices of MSIP and MSBV and (iii) on the website of the Issuers (www.morganstanleyiq.eu):

- (a) copies of the Distribution Agreement, the Agency Agreement, the Guarantees, all of Morgan Stanley, MSIP and MSBV's future published financial statements and all of Morgan Stanley's future Annual and Current Reports;
- (b) the Certificate of Incorporation and Amended and Restated By-laws of Morgan Stanley;
- (c) the Certificate of Incorporation and the Articles of Association of MSIP will be available at the registered office of MSIP;
- (d) the Deed of Incorporation of MSBV will be available at the registered office of MSBV;
- (e) all reports, letters and other documents, historical financial information, valuations and statements by any expert any part of which is included or referred to herein;
- (f) 2013 Morgan Stanley Annual Report including any amendments thereto, which contain the audited consolidated financial statements of Morgan Stanley for the years ended 31 December 2013 and 31 December 2012; Morgan Stanley's First Quarterly Report for 2014, Morgan Stanley's Second Quarterly Report for 2014 and Morgan Stanley's Third Quarterly Report for 2014;
- (g) the 2014 MSIP Half Yearly Financial Report, the 2013 MSIP Annual Report and 2012 MSIP Annual Report will be available at the registered office of MSIP;
- (h) the 2014 MSBV Interim Financial Report, the 2013 MSBV Report and Financial Statements and the 2012 MSBV Report and Financial Statements will be available at the registered office of MSBV;
- (i) the Morgan Stanley Current Reports on Form 8-K dated 17 January 2014, 4 February 2014, 26 March 2014, 14 April 2014, 28 April 2014, 13 May 2014, 17 July 2014, 17 September 2014, 17 October 2014, 30 October 2014 and 5 December 2014;
- (j) a copy of this Base Prospectus and any document incorporated by reference herein;
- (k) any supplement to this Base Prospectus; and
- (l) any Final Terms (save that any Final Terms relating to a Note which is not listed will only be available for inspection by a holder of such Note and such holder must provide evidence satisfactory to the Issuer as to the identity of such holder).

Any statement contained in this Base Prospectus or in a document incorporated or deemed to be incorporated by reference in this Base Prospectus will be deemed to be modified or superseded for purposes of this Base Prospectus, to the extent that a statement contained in this Base Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference in this Base Prospectus and in respect of which a supplement to this Base Prospectus has been prepared modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus.

**PERSONS RESPONSIBLE FOR THE INFORMATION GIVEN IN THE BASE
PROSPECTUS**

We hereby certify, after having taken all reasonable care to ensure that such is the case, that the information contained in this Base Prospectus (except the information relating to Morgan Stanley and MSIP) is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Morgan Stanley B.V.

Luna Arena
Herikerbergweg 238
1101 CM Amsterdam
The Netherlands

Duly represented by:
TMF Management BV
in its capacity as Managing Director

Duly represented by:
Jos van Uffelen and Saskia Engel
in their capacity of attorney in fact of TMF Management BV
on 6 January 2015

We hereby certify, after having taken all reasonable care to ensure that such is the case, that the information contained in this Base Prospectus (except the information relating to Morgan Stanley and MSBV) is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Duly represented by:
David Russell
in its capacity as Director
on 6 January 2015

We hereby certify, after having taken all reasonable care to ensure that such is the case, that the information contained in this Base Prospectus (except the information relating to MSIP and MSBV) is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Morgan Stanley
1585 Broadway
New York, New York 10036
U.S.A.

Duly represented by:
Simon Evenson
in its capacity as International Treasurer
on 6 January 2015



Autorité des marchés financiers

In accordance with Articles L. 412-1 and L. 621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers* (**AMF**), in particular Articles 212-31 to 212-33, the AMF has granted to this Base Prospectus the visa no. 15-002 on 6 January 2015. This document may only be used for the purposes of a financial transaction if completed by Final Terms. It was prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L. 621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply that the AMF has verified the accounting and financial data set out in it. This visa has been granted subject to the publication of Final Terms in accordance with Article 212-32 of the AMF's General Regulations, setting out the terms of the securities being issued.

**PRINCIPAL EXECUTIVE OFFICES OF
MORGAN STANLEY**

1585 Broadway
New York, New York 10036
U.S.A.

**REGISTERED OFFICE OF MORGAN
STANLEY IN DELAWARE**

The Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801
U.S.A.

REGISTERED OFFICE OF MORGAN STANLEY & CO. INTERNATIONAL PLC

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

REGISTERED OFFICE OF MORGAN STANLEY B.V.

Luna Arena
Herikerbergweg 238
1101 CM Amsterdam
The Netherlands

PRINCIPAL PAYING AGENT AND FISCAL AGENT

Citibank N.A. London Branch
14th Floor, Citigroupe Centre
Canada Square
Canary Wharf London E14 5LB
United Kingdom

LEGAL ADVISER TO THE PROGRAMME

As to French law:

Clifford Chance Europe LLP
9 Place Vendôme
75001 Paris
France

AUDITORS OF MORGAN STANLEY

Deloitte & Touche LLP
30 Rockefeller Plaza
New York, New York 10112-0015
U.S.A.

AUDITORS OF MORGAN STANLEY & CO. INTERNATIONAL PLC

Deloitte LLP
2 New Street Square
London EC4A 3BZ
United Kingdom

AUDITORS OF MORGAN STANLEY B.V.

Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
The Netherlands