

**BASE PROSPECTUS DATED 19 APRIL 2017**

# Morgan Stanley

*as issuer*

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

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

### ***This Base Prospectus***

This document is a base prospectus (“**Base Prospectus**”) prepared for the purposes of Article 5.4 of the Prospectus Directive for the purpose of the offering of Notes (as described below) from time to time. “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area. This Base Prospectus should be read together with (i) any supplements to it from time to time, (ii) the information incorporated by reference into it (see “*Incorporation by Reference*” below) and (iii) in relation to a Tranche of Notes, the Final Terms (described below) relating to that Tranche of Notes.

Application has been made to the Commission de Surveillance du Secteur Financier (the “**CSSF**”) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the “**Prospectus Act 2005**”) to approve this document as a base prospectus. By approving, the CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus and the quality or solvency of the Issuer (as described below) in accordance with Article 7(7) of the Prospectus Act 2005. Application has also been made to the Luxembourg Stock Exchange for Series A Notes issued under the Program to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) (a “**Regulated Market**”).

References in this Base Prospectus to Series A Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange, or, as the case may be, listed and admitted to trading on a Regulated Market or such other or further stock exchange(s) as the Issuer and any Distribution Agent may agree. The Issuer may also issue Series B Notes pursuant to this Base Prospectus which will not be listed or admitted to trading and may be offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive.

### ***The Program***

Morgan Stanley (“**Morgan Stanley**”), Morgan Stanley & Co. International plc (“**MSI plc**”) and Morgan Stanley B.V. (“**MSBV**”) established the Regulation S Program for the Issuance of Notes, Series A and B, Warrants and Certificates (the “**Program**”). Under the Program, each of Morgan Stanley, MSI plc and MSBV may offer from time to time Series A Notes and Series B Notes (together, the “**Notes issued under the Program**”), Warrants (the “**Warrants**”) and Certificates (the “**Certificates**”, and together with the Notes issued under the Program and the Warrants, the “**Program Securities**”). Only certain of the Notes issued under the Program are described in this Base Prospectus, being those issued pursuant to the Issue and Paying Agency Agreement (as defined under “*General Description of the Notes*” below) (hereafter referred to collectively as the “**Notes**”). For the avoidance of doubt, (i) this Base Prospectus does not relate to or describe any Program Securities other than Series A Notes and Series B Notes that Morgan Stanley may issue pursuant to the Issue and Paying Agency Agreement and (ii) Morgan Stanley may from time to time issue Series A Notes and Series B Notes, pursuant to the Issue and Paying Agency Agreement or otherwise (including under an indenture), through means other than this Base Prospectus.

### ***The Notes***

Under this Base Prospectus, securities in the form of Notes may be offered.

### ***Conditions of the Notes***

The terms and conditions applicable to a Tranche of Notes (the “**Conditions**”) are the Terms and Conditions (set out in the section entitled “*Terms and Conditions*” below) as completed by the applicable Final Terms (described below).

### ***Final Terms***

A “final terms” document (the “**Final Terms**”) will be prepared in respect of each Tranche of Notes. The Final Terms will complete the Terms and Conditions in relation to such Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and certain other information which is applicable to each Tranche of Notes will be set out in such Final Terms, which will be filed with the CSSF. The Final Terms therefore contains vital information in regard to the Notes. Copies of Final Terms in relation to Series A Notes to be listed on the Luxembourg Stock Exchange will also be available on the web-site of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). Copies of Final Terms which are required to be made available to the public in relation to Series B Notes will be available at [www.morganstanleyiq.eu](http://www.morganstanleyiq.eu).

### ***The Issuer***

The issuer (the “**Issuer**”) of Notes under this Base Prospectus from time to time will be Morgan Stanley. Information on the Issuer is included in this Base Prospectus, including information incorporated by reference.

### ***Status of the Notes***

The Notes are unsecured and unsubordinated obligations of the Issuer and not of any affiliate of the Issuer. The Notes are not deposits or savings accounts and are not insured by the U.S. Federal Deposit Insurance Corporation or any other governmental agency or instrumentality or deposit protection scheme anywhere, nor are they obligations of, or guaranteed by, a bank.

### ***Return on the Notes***

The interest payments on the Notes may depend on the performance of one or more of any of the following types of underlying reference assets: interest rates, swap rates, and inflation indices, as specified in the applicable Final Terms. In addition, if “Accrued Value” is specified as being applicable in respect of a Note in the applicable Final Terms, the principal amount payable upon redemption will be determined by reference to a formula as further specified in the Conditions and the applicable Final Terms. For the avoidance of doubt, the final redemption amount in respect of such Notes will not be less than 100 per cent.

### ***Risk Factors***

Payments under the Notes are subject to the credit risk of the Issuer. Investing in the Notes involves risks. Before purchasing the Notes, you should carefully consider, in particular, “*Risk Factors*” below.

## IMPORTANT NOTICES

### *Risk Warning*

#### *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 such potential investor's 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 in, 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 interest rate, swap rate or inflation index, if any, 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 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 the potential investor's investment and its ability to bear the applicable risks.

A potential investor should not invest in any 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 Issuer and Morgan Stanley & Co. International plc as Distribution Agent, each disclaim 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 on, the Notes.

**Investing in the Notes involves risks. See the section entitled “Risk Factors Relating to the Notes” below.**

#### *Important U.S. securities and tax law considerations*

**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 OR OTHER JURISDICTION OF THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES (WHICH TERM INCLUDES THE TERRITORIES, THE POSSESSIONS AND ALL OTHER AREAS SUBJECT TO THE JURISDICTION OF THE UNITED STATES) OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT).**

**In order to avoid U.S. withholding taxes, the beneficial owner of a Note (or a financial institution holding the Note on behalf of the beneficial owner that is not a United States person) is required under current law to comply with certain tax identification and certification requirements, generally by furnishing the appropriate U.S. Internal Revenue Service Form W-8 on which the beneficial owner certifies under penalty of perjury that it is not a United States person and meets the criteria for exemption from such withholding taxes. Certain tax identification and**

certification requirements apply as well to holders of Notes with respect to “FATCA” as more fully described under “United States Federal Taxation”.

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.

*No deposits and no deposit protection insurance*

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

*No or limited secondary market*

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. If Morgan Stanley & Co. International plc or other affiliate does make a market for the Notes, it may cease to do so at any time.

*Currency definitions*

All references in this Base Prospectus to “Sterling”, “GBP” and “£” are to the lawful currency of the United Kingdom, all references to “U.S. dollars”, “US\$”, “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, all references to “Renminbi” or “CNY” are to the lawful currency of the People's Republic of China (which, for the purpose of this Base Prospectus, shall exclude the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan) and all references to “euro”, “EUR” and “€” are to the lawful single currency of the member states of the European Union who have adopted and continue to retain a common single currency through monetary union in accordance with European Union treaty law (as amended from time to time).

*Language*

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

*U.S. securities disclosures*

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES 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.**

*Stabilisation legend*

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES UNDER THE PROGRAM PURSUANT TO THIS BASE PROSPECTUS, ANY DISTRIBUTION AGENT OR ANY OTHER AGENT SPECIFIED FOR THAT PURPOSE IN THE APPLICABLE FINAL TERMS AS THE STABILISATION MANAGER (OR ANY PERSON ACTING FOR THE STABILISATION MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF ANY OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION 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 CEASE 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 STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER (OR ANY PERSON ACTING FOR THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

***Defined Terms***

See the “*Index of Defined Terms*” at the end of this document for a list of defined terms and where they are defined in this Base Prospectus.

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive in respect of Series A and Series B Notes issued by Morgan Stanley pursuant to the Issue and Paying Agency Agreement and under the Program.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Program pursuant to this Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Incorporation by Reference*"). This Base Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Base Prospectus.

Morgan Stanley & Co. International plc as Distribution Agent has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Distribution Agent as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by Morgan Stanley in connection with the Program. The Distribution Agent does not accept any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Program.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Distribution Agent.

Neither this Base Prospectus nor any other information supplied in connection with the Program or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Distribution Agent that any recipient of this Base Prospectus or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or the Distribution Agent to any person to subscribe for or to purchase any Notes.

Neither the Distribution Agent nor the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Distribution Agent expressly does not undertake to review the financial condition or affairs of the Issuer during the term of the Program or to advise any investor in Notes issued under the Program pursuant to this Base Prospectus of any information coming to their attention.

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*An index of all defined terms used in this Base Prospectus.*

## Summary

### 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”.

		Section A – Introduction and warnings
A.1	<b>Introduction and warnings:</b>	<p>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 this Base Prospectus as a whole (including any documents incorporated by reference and the applicable Final Terms) by the investor. Where a claim relating to the information contained in this Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Base Prospectus and the applicable Final Terms before the legal proceedings are initiated. 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 this Base Prospectus and the applicable Final Terms or it does not provide, when read together with the other parts of this Base Prospectus and the applicable Final Terms, key information in order to aid investors when considering whether to invest in such Notes.</p>
A.2	<b>Consent:</b>	<p>[<i>Consent:</i> Subject to the conditions below, the Issuer consents to the use of the Base Prospectus in connection with an offer of Notes which is not made within an exemption to publish a prospectus under the Prospectus Directive (a “<b>Non-exempt Offer</b>”) during the offer period, being from and including [date] to but excluding [date] (the “<b>Offer Period</b>”) in [Belgium][./and] [France][./and] [Germany][./and] [Ireland][./and] [Italy][./and] [Luxembourg][./and] [Spain][./and] [The Netherlands][./and] [the United Kingdom] by [each of] [●][,][●]... and [●] [and any financial intermediary which [is]/[are each] authorised to make such offers under applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC)) (each such person, an “<b>Authorised Offeror</b>”), and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p>“We, [insert legal name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the “Notes”) described in the Final Terms dated [insert date] (the “Final Terms”) published by Morgan Stanley (the “Issuer”). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus accordingly”.]</p>

## Summary

		<p>[<i>Conditions to consent</i>: The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; and (b) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in [<i>specify each relevant Member State in which the particular Tranche of Notes can be offered.</i>]]</p> <p>An investor intending to acquire or acquiring any Notes in a Non-Exempt Offer from an Authorised Offeror will do so, and offers and sales of the Notes to an investor by such 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 “<b>Terms and Conditions of the Non-exempt Offer</b>”). The Issuer will not be a party to any such arrangements with investors (other than [●] (the “<b>Distribution Agent</b>”)) in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and the final terms of the Notes (the “<b>Final Terms</b>”) will not contain such information. <b>In the event of a Non-exempt Offer being made by an Authorised Offeror, the Terms and Conditions of the Non-exempt Offer shall be provided to Investors by that Authorised Offeror at the time the offer is made.</b> None of the Issuer, the Distribution Agent or other Authorised Offerors has any responsibility or liability for such information.</p>
		Section B – Issuer
B.1	<b>Legal name and commercial name of the Issuer:</b>	Morgan Stanley (“ <b>Morgan Stanley</b> ”)
B.2	<b>Domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation:</b>	Morgan Stanley is incorporated under the laws of the State of Delaware. As a financial holding company, it is regulated by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended. Morgan Stanley has its registered office in Delaware, U.S.A.
B.4b	<b>Trends:</b>	The business of Morgan Stanley in the past has been, and in the future may continue to be, materially affected by many factors, including: the effect of economic and political conditions and geopolitical events, including the United Kingdom’s (the “ <b>U.K.</b> ”) anticipated withdrawal from the European Union (the “ <b>E.U.</b> ”); sovereign risk; the effect of market conditions, particularly in the global equity, fixed income, currency, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate markets and energy markets; the impact of current, pending and future legislation (including with respect to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “ <b>Dodd-Frank Act</b> ”) or changes thereto, regulation (including capital, leverage, funding, liquidity and tax requirements), policies (including fiscal and monetary policies established by central banks and financial regulators, and changes to global trade policies), and other legal and regulatory actions in the United States of America (“ <b>U.S.</b> ”) and worldwide; the level and volatility of equity, fixed income and commodity prices (including oil prices), interest rates, currency values and other market indices; the availability and cost of both credit and capital as well as the credit

Summary

		<p>ratings assigned to Morgan Stanley's unsecured short-term and long-term debt; investor, consumer and business sentiment and confidence in the financial markets; the performance and results of Morgan Stanley's acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements; Morgan Stanley's reputation and the general perception of the financial services industry; inflation, natural disasters, pandemics and acts of war or terrorism; the actions and initiatives of current and potential competitors as well as governments, central banks, regulators and self-regulatory organizations; the effectiveness of Morgan Stanley's risk management policies; technological changes instituted by Morgan Stanley, its competitors or counterparties and technological risks, including cybersecurity, business continuity and related operational risks; Morgan Stanley's ability to provide innovative products and services and execute its strategic objectives; or a combination of these or other factors. In addition, legislative, legal and regulatory developments related to Morgan Stanley's businesses are likely to increase costs, thereby affecting results of operations.</p>																					
B.5	<b>The group and the Issuer's position within the group:</b>	<p>Morgan Stanley is the ultimate parent undertaking of the group comprising Morgan Stanley and its consolidated subsidiaries (the "<b>Morgan Stanley Group</b>").</p>																					
B.9	<b>Profit forecast:</b>	<p>Not Applicable. Morgan Stanley does not provide profit forecasts.</p>																					
B.10	<b>Audit report qualifications:</b>	<p>Not Applicable. There are no qualifications in the auditor's reports on the financial statements of Morgan Stanley for the years ended 31 December 2015 and 31 December 2016, as contained in Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2016.</p>																					
B.12	<b>Selected historical key financial information:</b>	<p><b>Selected key financial information relating to Morgan Stanley:</b></p> <table border="1"> <thead> <tr> <th>Balance Sheets (\$ in millions)</th> <th>At 31 December 2015</th> <th>At 31 December 2016</th> </tr> </thead> <tbody> <tr> <td><i>Total assets</i></td> <td>787,465</td> <td>814,949</td> </tr> <tr> <td><i>Total liabilities and equity</i></td> <td>787,465</td> <td>814,949</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Consolidated Income Statements (\$ in millions)</th> <th>2015</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td><i>Net revenues</i></td> <td>35,155</td> <td>34,631</td> </tr> <tr> <td><i>Income from continuing operations before income taxes</i></td> <td>8,495</td> <td>8,848</td> </tr> <tr> <td><i>Net income</i></td> <td>6,279</td> <td>6,123</td> </tr> </tbody> </table> <p>There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2016, the date of the latest published annual audited financial statements of Morgan Stanley.</p>	Balance Sheets (\$ in millions)	At 31 December 2015	At 31 December 2016	<i>Total assets</i>	787,465	814,949	<i>Total liabilities and equity</i>	787,465	814,949	Consolidated Income Statements (\$ in millions)	2015	2016	<i>Net revenues</i>	35,155	34,631	<i>Income from continuing operations before income taxes</i>	8,495	8,848	<i>Net income</i>	6,279	6,123
Balance Sheets (\$ in millions)	At 31 December 2015	At 31 December 2016																					
<i>Total assets</i>	787,465	814,949																					
<i>Total liabilities and equity</i>	787,465	814,949																					
Consolidated Income Statements (\$ in millions)	2015	2016																					
<i>Net revenues</i>	35,155	34,631																					
<i>Income from continuing operations before income taxes</i>	8,495	8,848																					
<i>Net income</i>	6,279	6,123																					

## Summary

		There has been no significant change in the financial or trading position of Morgan Stanley since 31 December 2016, the date of the latest published annual audited financial statements of Morgan Stanley.
B.13	<b>Recent events materially relevant to evaluation of solvency of the Issuer:</b>	Not Applicable. Morgan Stanley considers that no event particular to itself and which is to a material extent relevant to the evaluation of its solvency has taken place.
B.14	<b>Dependence upon other entities within the group:</b>	See Element B.5 for the group and the Issuer's position within the group. Morgan Stanley is a holding company, has no operations and depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations.
B.15	<b>The Issuer's principal activities:</b>	Morgan Stanley, a financial holding company, is a global financial services firm that, through its subsidiaries and affiliates, advises, and originates, trades, manages and distributes capital for, governments, institutions and individuals. Morgan Stanley maintains significant market positions in each of its business segments—Institutional Securities, Wealth Management and Investment Management.
B.16	<b>Controlling persons:</b>	Not applicable; Morgan Stanley is a publicly-held company listed on the New York Stock Exchange and not directly or indirectly owned or controlled by any individual shareholder or affiliated group of shareholders.
[B.17]	<b>Credit ratings:</b>	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 Dominion Bond Rating Service Limited. (“ <b>DBRS</b> ”), (ii) F1 and A, with a stable outlook, by Fitch Ratings Ltd. (“ <b>Fitch</b> ”), (iii) P-2 and A3, with a stable outlook, by Moody's Investors Service, Inc. (“ <b>Moody's</b> ”), (iv) a-1 and A-, with a stable outlook, by Rating and Investment Information, Inc. (“ <b>R&amp;I</b> ”) and (v) A-2 and BBB+ with a stable outlook, by Standard & Poor's Financial Services LLC through its business unit S&P Global Ratings (“ <b>S&amp;P</b> ”).  The Notes are [not rated] / [rated [[●] by DBRS, Inc.[, / and]] [[●] by Fitch Ratings, Inc. [, / and]] [[●] by Moody's Investors Service, Inc.[, / and]] [[●] by Ratings and Investment Information Inc. [, / and]] [[●] by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services].]
		Section C - The Notes
C.1	<b>Type and class of the Notes and ISIN number:</b>	The Notes described in this section are debt securities with a denomination of less than €100,000 (or its equivalent in any other currency).
		ISIN: [●]  [Interest is payable on the notes [at a fixed rate, as further described below (“ <b>Fixed Rate Notes</b> ”) / [calculated by reference to a floating rate, as further described below (“ <b>Floating Rate Notes</b> ”) / [calculated by reference to the performance of an inflation index (“ <b>Inflation-</b>

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		<b>Linked Notes</b> ”) / [The Notes are “ <b>Zero Coupon Notes</b> ”] [or a combination of the foregoing].]
C.2	<b>Currency of Issue:</b>	Notes are denominated in [●].
C.5	<b>Restrictions on free transferability:</b>	<p>The Notes cannot be offered or sold in the U.S. or to U.S. persons, nor held in the U.S. or by U.S. Persons at any time. The Notes may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“<b>ERISA</b>”), any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include “plan assets” within the meaning of Section 3(42) of ERISA by reason of any such employee benefit plan, account or plan's investment therein.</p> <p><b>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 OR OTHER JURISDICTION OF THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. 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 REGULATIONS UNDER THE SECURITIES ACT).</b></p>
C.8	<b>Rights attached to the Notes, Ranking and Limitations to those Rights:</b>	<p><b>Rights attached to the Notes:</b></p> <p><b>Interest:</b> [See Element [C.9]/[C.10] below for interest payable in respect of the Notes] / [Not Applicable, the Notes do not bear any interest.]</p> <p><b>Redemption:</b> See Element C.9 below for the redemption amount payable on the Maturity Date.</p> <p><b>Governing Law:</b> The Notes will be governed by the laws of the State of New York.</p> <p><b>Events of Default:</b> If an Event of Default occurs, the Notes may be redeemed prior to their Maturity Date at the Early Redemption Amount if 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.</p> <p>The Events of Default applicable to the Notes are as follows:</p> <ol style="list-style-type: none"> <li>(1) non-payment by the Issuer of any amount of principal or any amount of interest (in each case, within 30 days of the respective due date) in respect of the Notes; and</li> <li>(2) the Issuer becomes insolvent or is unable to pay its debts as they fall due, or an administrator or liquidator is appointed in respect of the Issuer or the whole or a substantial part of its undertaking, assets and revenues (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), or the Issuer takes any action for</li> </ol>

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		<p>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 (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) and 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.</p> <p><b>Early Redemption Amount:</b> The Early Redemption Amount payable in respect of any Note shall be an amount equal to <i>[Insert if “Fixed Redemption” is specified as applicable:</i> the product of the Specified Rate and the Calculation Amount of such Note, where the Specified Rate is [●], together with accrued interest (if any)] / <i>[Insert if “Accrued Value” is specified as applicable:</i> the product of (a) the Calculation Amount of such Note, and (b) the Reference Price multiplied by (1 + Accrual Yield)<sup>n</sup>, where Accrual Yield is [●], Reference Price is [●] and “n” means the number of years from (and including) the Issue Date to (but excluding) the date upon which the Note becomes due and payable, together with accrued interest (if any)].</p> <p><b>Status of the Notes:</b></p> <p>The Notes constitute part of the Issuer's senior debt and will rank <i>pari passu</i> with all of the Issuer's other unsecured and unsubordinated debt.</p> <p>Morgan Stanley intends that the Notes will, when issued, constitute “loss-absorbing capacity” within the meaning of the final rules issued by the Board of Governors of the Federal Reserve System and, accordingly, will have only those provisions described in this Base Prospectus that will permit compliance thereof at such time of issuance. In this respect, Morgan Stanley is a parent holding company and has no operations and depends on dividends, distributions and other payments from its subsidiaries to fund its debt obligations (including Notes). Under a support agreement that Morgan Stanley has entered with its material subsidiaries, upon the occurrence of a resolution scenario, including a single-point-of-entry resolution strategy as contemplated in its resolution plan, Morgan Stanley would be obligated to contribute or loan on a subordinated basis all of its material assets, other than shares in its subsidiaries and certain intercompany payables, to provide capital and liquidity, as applicable, to its material subsidiaries. That obligation will be secured, in accordance with an amended and restated secured support agreement, on a senior basis by Morgan Stanley’s assets (other than shares in its subsidiaries). As a result, claims of Morgan Stanley’s material subsidiaries against its assets (other than shares in its subsidiaries) will be effectively senior to its unsecured obligations, including Notes which would be at risk of absorbing Morgan Stanley’s and its subsidiaries’ losses.</p> <p><b>Limitations to the rights:</b></p> <p><b>Prescription.</b> Claims for principal and interest on redemption in respect of the Notes shall become void unless the relevant note certificates are surrendered for payment within ten years of the due date for payment.</p>
C.9	<b>Interest, Redemption and Representation:</b>	<p>See Element C.8 above for the rights attaching to the Notes.</p> <p><b>Maturity Date:</b> <i>[Insert Scheduled Maturity Date]</i>, subject to adjustment for non-business days.</p>

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Final Redemption Amount: *[Insert if Fixed Final Redemption Amount specified as applicable: An amount per Calculation Amount equal to [Insert Fixed Final Redemption Amount]/[Insert if Accrued Value is specified as applicable: An amount equal to the product of (a) the Calculation Amount of such Note, and (b) the Reference Price multiplied by (1 + Accrual Yield)<sup>n</sup>, where Accrual Yield is [●], Reference Price is [●] and “n” means the number of years from (and including) the Issue Date to (but excluding) the date upon which the Note becomes due and payable, together with accrued interest (if any)].*

Calculation Amount: *[Insert Calculation Amount]*

**Interest.**

Nominal Interest Rate:

**[FIXED RATE NOTES AND/OR FLOATING RATE NOTES]**

**[OPTION 1- NOTES DO NOT BEAR INTEREST]**

The Notes [are [Zero Coupon Notes] [and] do not bear interest.]

**[[OPTION 2- FIXED RATE NOTES]**

The Notes bear interest from [and including] [but excluding] the [Interest Commencement Date]/[Interest Payment Date] [falling on] / [scheduled to fall on] [●] to [and including] [but excluding] the Interest Payment Date [falling on] / [scheduled to fall on] [●] at a fixed rate of [●] per cent per annum payable in arrear on [●], [●] per cent per annum payable in arrear on [●] and [●] per cent per annum payable in arrear on [●] [(such Scheduled Interest Payment Dates not being adjusted for any business day convention)]. *(repeat as required)*

The yield of the Notes is [●] per cent.

**[OPTION 3- FLOATING RATE NOTES]**

The Notes bear interest from (and including) the [Interest Commencement Date]/[Interest Payment Date] [falling on] / [scheduled to fall on] [●] to (but excluding) the Interest Payment Date [falling on] / [scheduled to fall on] [●] [(such Scheduled Interest Payment Dates not being adjusted for any business day convention)]] at a rate equal to [the sum of [●] and]

*(insert the following if Screen Rate Determination, ISDA Determination or Single CMS Rate is applicable)*

*[Screen Rate/ISDA Rate/CMS Reference Rate][plus/minus] [[insert Margin] per cent. per annum]/[the applicable Margin set out in the Rate Table below in the column “Margin” in the same row corresponding to the relevant Interest Payment Date]][, multiplied by the [insert Interest Participation Rate] per cent. per annum]/[the applicable Interest Participation Rate set out in the Rate Table below in the column “Interest Participation Rate” in the same row corresponding to the relevant Interest Payment Date]].*

*(insert the following if Spread CMS Rate is applicable)*

[the amount equal to the difference between (A) CMS Reference Rate

Summary

1 [plus/minus] [*insert Margin 1*] per cent. per annum/[the applicable Margin 1 set out in the Rate Table below in the column “Margin 1” in the same row corresponding to the relevant Interest Payment Date]], multiplied by the [*insert Interest Participation Rate 1*] per cent. per annum/[the applicable Interest Participation Rate 1 set out in the Rate Table below in the column “Interest Participation Rate 1” in the same row corresponding to the relevant Interest Payment Date]] minus (B) CMS Reference Rate 2 [plus/minus] [*insert Margin 2*] per cent. per annum/[the applicable Margin 2 set out in the Rate Table below in the column “Margin 2” in the same row corresponding to the relevant Interest Payment Date]], multiplied by the [*insert Interest Participation Rate 2*] per cent. per annum/[the applicable Interest Participation Rate 2 set out in the Rate Table below in the column “Interest Participation Rate 2” in the same row corresponding to the relevant Interest Payment Date]], subject to linear interpolation,] [subject to [a maximum rate of interest [of [●] per cent.] / [indicatively set at [●] but will [not be less than [●] per cent.] [and] [not be greater than [●] per cent.]]] [and] [a minimum rate of interest [of [●] per cent./ [indicatively set at [●] but will [not be less than [●] per cent.] [and] [not be greater than [●] per cent.]]].

**Rate Table**

<b>Interest Payment Date</b>	<b>[Margin] [1]</b>	<b>[Margin] [2]</b>	<b>[Interest Participation Rate][1]</b>	<b>[Interest Participation Rate] [2]</b>
[●]	[●]	[●]	[●]	[●]
<i>(repeat as required)</i>	<i>(repeat as required)</i>	<i>(repeat as required)</i>	<i>(repeat as required)</i>	<i>(repeat as required)</i>

*(repeat as required)*

Where: [“CMS Reference Rate”][“CMS Reference Rate 1”][“CMS Reference Rate 2”] is the [the swap rate/annual swap rate/semi-annual swap rate/quarterly swap rate/quarterly-annual swap rate/quarterly-quarterly swap rate] for swap transactions in the [*insert Reference Currency*] with a maturity of the [*insert Designated Maturity*] which appears on the [*insert Relevant Screen Page*] as at [*insert Relevant Time*] on the [*insert Interest Determination Date*]; ] [ISDA Rate is the [*insert Floating Rate Option*] for a period of [*insert Designated Maturity*] in respect of the [*insert Reset Date*]; ] [Screen Rate is the [arithmetic mean of the] [*insert Reference Rate[s]*] which appears on the [*insert Relevant Screen Page*] as of the [*insert Relevant Time*] on the [*insert Interest Determination Date*]; ] *(repeat as required)*

**[OPTION 4 INFLATION-LINKED NOTES]**

The Notes bear interest from [and including] [but excluding] the [Interest Commencement Date]/[Interest Payment Date] [falling on] / [scheduled to fall on] [●] to [and including] [but excluding] the Interest Payment Date [falling on] / [scheduled to fall on] [●] [(such Scheduled Interest Payment Dates not being adjusted for any business day convention)] at a rate linked to the rate of inflation as set out below.

[“**[Leveraged/Real/Cumulative] Inflation-Linked Interest Notes**”] applies. The amount of interest payable on the Notes will be calculated per Calculation Amount on each Interest Determination Date equal to the product of (A) the Calculation Amount, [*insert for Leveraged Inflation Coupon*] [(B) the sum of (i) the product of (x) Leverage and

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	<p>(y) the value determined by subtracting one from the value determined by dividing the CPI(n) by the CPI(m) and (ii) Spread and,] <i>[insert for Real Inflation Coupon]</i> [(B) the product of (i) Leverage and (ii) the value determined by dividing the CPI(n) by the CPI(Initial) and,] <i>[insert for Cumulative Inflation Coupon]</i> [(B) the product of (i) Leverage and (ii) the value determined by subtracting one from the value determined by dividing the CPI(n) by the CPI(Initial) and,] (C) the relevant day count fraction [, subject to a cap of [●],] / [subject to a floor of [●],] / [subject to a cap of [●] and a floor of [●]]. Such interest (which may be zero) will be paid on the immediately following Interest Payment Date.</p> <p>Where:</p> <p>[[CPI(Initial) is [●] / the Inflation Index published for [month, year], subject to adjustment;] [CPI(m) is, in respect of each Interest Payment Date and the relevant Interest Period, the Inflation Index published for the Determination Month (m) in respect of such Interest Payment Date, subject to adjustment;] [CPI(n) is, in respect of each Interest Payment Date and the relevant Interest Period, the Inflation Index published for the Determination Month (n) in respect of such Interest Payment Date, subject to adjustment;] [Leverage means [●]] [Spread means [●]] [Inflation Index means [●]; and]</p> <p>[Determination Month (m) is, in respect of an Interest Period and the [Scheduled] Interest Payment Date on which such Interest Period ends, [[[●] calendar month[s] [before]/[after]] the month in which such [Scheduled] Interest Payment Date [falls]/[is scheduled to fall]]/[as specified in the table below;] [Determination Month (n) is, in respect of an Interest Period and the [Scheduled] Interest Payment Date on which such Interest Period ends, [[[●] calendar month[s] [before]/[after]] the month in which such [Scheduled] Interest Payment Date [falls]/[is scheduled to fall]]/[as specified in the table below;]</p> <table border="1" data-bbox="598 1256 1342 1496"> <thead> <tr> <th data-bbox="598 1256 831 1346">Interest Payment Date(s)</th> <th data-bbox="831 1256 1070 1346">Determination Month (n)</th> <th data-bbox="1070 1256 1342 1346">Determination Month (m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="598 1346 831 1496"><i>[insert date] (repeat as required)</i></td> <td data-bbox="831 1346 1070 1496"><i>[insert calendar month and year] (repeat as required)</i></td> <td data-bbox="1070 1346 1342 1496"><i>[insert calendar month and year] (repeat as required)]</i></td> </tr> </tbody> </table> <p><b>[OPTION 5: NOTES WITH “AUTOMATIC CHANGE OF INTEREST BASIS”]</b></p> <p>[The Rate of Interest in respect of an Interest Period and/or Interest Payment Date will be determined in accordance with the Interest Basis applicable to such Interest Period and/or Interest Payment Date, which will be the interest basis set forth in the Interest Basis Table in the column headed “Interest Basis”.</p>	Interest Payment Date(s)	Determination Month (n)	Determination Month (m)	<i>[insert date] (repeat as required)</i>	<i>[insert calendar month and year] (repeat as required)</i>	<i>[insert calendar month and year] (repeat as required)]</i>
Interest Payment Date(s)	Determination Month (n)	Determination Month (m)					
<i>[insert date] (repeat as required)</i>	<i>[insert calendar month and year] (repeat as required)</i>	<i>[insert calendar month and year] (repeat as required)]</i>					

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		<b>Interest Commencement Date(s)</b>	<b>Interest Payment Date(s)</b>	<b>Interest Basis</b>
		[insert date] (repeat as required)	[insert date(s)] (repeat as required)	[Zero Coupon]/  [Fixed Rate Notes]/ [Floating Rate Notes]/ [Inflation-Linked Notes] (repeat as required)]
		<b>Early Redemption.</b>		
		[ <b>Call Option:</b> The Notes may be redeemed at the option of the Issuer [in whole or in part] / [in whole only] on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than [●] [calendar] [business] day[s] nor more than [●] [calendar] [business] day[s] to the Noteholders at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date). <sup>1</sup>		
		Where: Optional Redemption Amount (Call) means [insert if Optional Redemption Amount (Call) – Fixed is specified as applicable: an amount per Calculation Amount equal to the Participation Rate (Call) multiplied by the Calculation Amount; Optional Redemption Date(s) (Call) means [●] (repeat as necessary)]; Participation Rate (Call) means [●] per cent]/[insert if Optional Redemption Amount (Call) – Accrued Value is specified as applicable: an amount equal to the product of (a) the Calculation Amount of such Note, and (b) the Reference Price multiplied by (1 + Accrual Yield) <sup>n</sup> , where Accrual Yield is [●], Reference Price is [●] and “n” means the number of years from (and including) the Issue Date to (but excluding) the date fixed for redemption.]		
		[ <b>Tax Redemption:</b> The Notes may be redeemed early for tax reasons at [insert if Early Redemption Amount (Tax) – Par is specified as applicable: an amount equal to the product of (a) 100 per cent. and (b) the Calculation Amount of such Note, together with accrued interest (if any).] / [insert if Early Redemption Amount (Tax) – Accrued Value is specified as applicable: an amount equal to the product of (a) the Calculation Amount of such Note, and (b) the Reference Price multiplied by (1 + Accrual Yield) <sup>n</sup> , where Accrual Yield is [●], Reference Price is [●] and “n” means the number of years from (and including) the Issue Date to (but excluding) the date fixed for redemption.]		
		<b>Repayment procedure:</b> Payments of principal on the Notes shall be made by cheque drawn in the currency in which the payment is due, or upon application by a Noteholder in advance of such payment, by transfer to an account of the Noteholder held in the principal financial centre for the relevant currency. [insert for Global Note Certificates: While in global form, payments in respect of the Notes shall be made against the presentation and surrender of the global note certificate at the specified office of or to the order of a paying agent]. All payments will be made subject to the fiscal laws in force in the place of		

<sup>1</sup> Clearstream, Luxembourg and Euroclear require a minimum notice period of 5 business days.

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		<p>[presentation] [and] [payment].</p> <p><b>Representation:</b> Not applicable. No representatives of debt security holders are appointed.</p>
C.10	<p><b>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):</b></p>	<p>[Insert for Inflation Linked Notes: The value of the Notes is linked to [a] [reference rate(s)] [an inflation index] [inflation indices].]</p>
C.11	<p><b>Admission to Trading:</b></p>	<p>[Not Applicable. The Notes are Series B Notes and no application for listing or admission to trading will be made.] / [Application [has been] [is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of [the Luxembourg Stock Exchange] / [specify other exchange in the European Union]]</p>
		Section D – Risks
D.2	<p><b>Key Risks Specific to the Issuer:</b></p>	<p>The following key risks affect Morgan Stanley:</p> <p><b>Market Risk:</b> Morgan Stanley's results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors, including changes in asset values. Holding large and concentrated positions may expose Morgan Stanley to losses. These factors may result in losses for a position or portfolio owned by Morgan Stanley.</p> <p><b>Credit Risk:</b> Morgan Stanley is exposed to the risk that third parties that are indebted to it will not perform their obligations, as well as that a default by a large financial institution could adversely affect financial markets. Such factors give rise to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to Morgan Stanley.</p> <p><b>Operational Risk:</b> Morgan Stanley is subject to the risk of loss, or of damage to its reputation, resulting from inadequate or failed processes, or systems, human factors or from external events (e.g. fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). Morgan Stanley may incur operational risk across the full scope of its business activities, including revenue-generating activities (e.g. sales and trading) and support and control groups (e.g. information technology and trade processing).</p> <p><b>Liquidity and Funding Risk:</b> Liquidity is essential to Morgan Stanley's businesses and Morgan Stanley relies on external sources to finance a significant portion of its operations. Morgan Stanley's borrowing costs and access to the debt capital markets depend on its credit ratings. Morgan Stanley is a holding company, has no operations and depends on dividends, distributions and other payments from its subsidiaries.</p>

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		<p>Further, Morgan Stanley's liquidity and financial condition have in the past been, and in the future could be, adversely affected by U.S. and international markets and economic conditions. As a result of the foregoing, there is a risk that Morgan Stanley will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Additionally, there is a risk that Morgan Stanley's financial condition or overall soundness is adversely affected by an inability (or perceived inability) to meet its financial obligations in a timely manner. Morgan Stanley also experiences associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding.</p> <p><b>Legal, Regulatory and Compliance Risk:</b> Morgan Stanley is subject to the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation it may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to its business activities. Morgan Stanley is also subject to contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. Additionally, Morgan Stanley is subject to anti-money laundering, anti-corruption and terrorist financing rules and regulations.</p> <p><b>Risk Management:</b> Morgan Stanley's risk management strategies, models and processes may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk.</p> <p><b>Competitive Environment:</b> Morgan Stanley faces strong competition from other financial services firms, which could lead to pricing pressures that could materially adversely affect its revenue and profitability. Further, automated trading markets may adversely affect Morgan Stanley's business and may increase competition (for example, by putting increased pressure on bid-offer spreads, commissions, markups or comparable fees). Finally, Morgan Stanley's ability to retain and attract qualified employees is critical to the success of its business and the failure to do so may materially adversely affect its performance.</p> <p><b>International Risk:</b> Morgan Stanley is subject to numerous political, economic, legal, tax, operational, franchise and other risks as a result of its international operations (including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls, increased taxes and levies and other restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability) which could adversely impact its businesses in many ways.</p> <p><b>Acquisition, Divestiture and Joint Venture Risk:</b> Morgan Stanley may be unable to fully capture the expected value from acquisitions, divestitures, joint ventures, minority stakes or strategic alliances.</p>
		<p><b>Risk relating to the exercise of resolution measures powers:</b> The application of regulatory requirements and strategies in the United States or other jurisdictions to facilitate the orderly resolution of large financial institutions may pose a greater risk of loss for the security holders of Morgan Stanley and subject Morgan Stanley to other restrictions.</p>

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D.3	<p><b>Key Risks Specific to the Notes:</b></p>	<p>The Notes are subject to the following risks: <i>(include all that apply)</i></p> <ul style="list-style-type: none"> <li>• THE NOTES ARE NOT DEPOSITS OR SAVINGS ACCOUNTS AND ARE NOT INSURED BY THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR DEPOSIT PROTECTION SCHEME ANYWHERE, NOR ARE THEY OBLIGATIONS OF, OR GUARANTEED BY, A BANK.</li> <li>• [Investors may receive no or a limited amount of interest]</li> <li>• [Payment or payment of principal or interest, if applicable, may occur at a different time or in a different currency than expected]</li> <li>• [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.]</li> <li>• [Because the Global Note Certificates 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 Issuer.]</li> <li>• The terms and conditions applicable to the Notes permit defined majorities to bind all holders of the Notes, including those who did not attend and vote at the relevant meeting.</li> <li>• [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.]</li> <li>• Payments on a Note may be subject to U.S. withholding tax of 30 per cent. 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) comply with certain U.S. tax identification and certification requirements. If withholding is so required, none of the Issuer or any intermediary will be required to pay any additional amounts with respect to the amounts so withheld.</li> <li>• U.S. federal tax rules commonly referred to as “<b>FATCA</b>” 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. If withholding is so required, none of the Issuer or any intermediary will be required to pay any additional amounts with respect to the amounts so withheld.</li> <li>• [Notes may be redeemed early if the Issuer is obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present</li> </ul>
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## Summary

		<p>or future taxes or such levies.]</p> <ul style="list-style-type: none"> <li>• [Notes may be redeemed early at the option of the Issuer.]</li> <li>• If an event of default occurs in respect of the Issuer and the Notes are accelerated, the investor would have an unsecured claim against the Issuer for the amount due on the early redemption of the Notes.</li> <li>• The Issuer may amend the terms and conditions of the Notes without Noteholder consent if, in its opinion, such amendments are not materially prejudicial to Noteholders.</li> <li>• 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.</li> <li>• <i>[Insert for Inflation-Linked Notes: The market price of Notes may be very volatile. Further, investors in Inflation Linked Notes may receive no interest. The relevant rate of inflation 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 rate of inflation 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 rate of inflation the greater the effect on yield.]</i></li> <li>• <i>[Insert for Inflation-Linked Notes: It is impossible to predict how the rate of inflation will vary over time. The historical performance value (if any) of the rate of inflation does not indicate the future performance of the rate of inflation. Factors such as volatility, 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.]</i></li> <li>• [Potential conflicts of interest may exist between the investor and the Determination Agent, who, under the terms of the Notes, may make such adjustments to the Notes as it considers appropriate as a consequence of certain events affecting the [relevant Inflation Index][and/or][payment currency for the Notes], and in doing so, is entitled to exercise substantial discretion.]</li> <li>• <i>[Insert for Inflation Linked Notes: The Issuer may determine that certain disruption events have occurred and such events may lead to adjustments and/or early redemption of the Notes.]</i></li> <li>• <i>[Insert for Notes with Call Option: The Issuer has the right to redeem the Notes on any Optional Redemption Date (Call) at a pre-determined amount which may be less than the amount that the investors would have been entitled to receive under the terms of the Notes if such Call Option had not been exercised. The Issuer might exercise the Call Option at a time in which the redemption of the Notes is least favourable for the investors, and therefore this can limit the possibility for investors to realise in full the expected returns. If the Issuer exercises the Call Option, investors generally might not be</i></li> </ul>
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## Summary

		<p>able to reinvest the redemption proceeds at a rate of returns comparable with that provided by the Notes.]<sup>2</sup></p> <ul style="list-style-type: none"> <li>• <i>[Insert for Zero Coupon Notes or other Notes That Do Not Pay Interest:</i> The investor will not receive any periodic payments of interest on the [Zero Coupon] Notes [from [and including] [but excluding] the [Interest Commencement Date]/[Interest Payment Date] [falling [in/on] / [scheduled to fall on] [●] to [and including] [but excluding] the Interest Payment Date [falling on] / [scheduled to fall on] [●]].]</li> <li>• An investment in the Notes bears the risk that the Issuer is not able to fulfil its 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.</li> <li>• <i>[Insert for Notes Subject to an Interest Cap or Maximum Rate of Interest.</i> The rate of interest payable on the Notes is subject to a maximum rate of interest.]</li> </ul>
		Section E – Offer
E.2b	<b>Reasons for the Offer and Use of Proceeds:</b>	The net proceeds of each issue of Notes will be used by the Issuer for [general corporate purposes] / <i>[specify other]</i> .
E.3	<b>Terms and Conditions of the Offer:</b>	<p>Conditions, offer statistics, expected timetable and action required to apply for the offer</p> <p>[The conditions to which the offer is subject are [●].]</p> <p>[The total amount of the offer is [●].] [The total size of the offer is not fixed at the time of the Issue. The arrangements and time for announcing to the public the definitive amount of the offer are: [●].]</p> <p>[The Offer Period is [the period from, and [including]/[excluding], [●] to, and [including]/[excluding], [●]]/[the period from, and [including]/[excluding], [●] to, and [including]/[excluding], [●] for the Notes that will be offered by means of [“online selling”]/[“door-to-door” selling]]] (<i>delete as appropriate</i>)</p> <p>[Description of the application process: [●].]</p> <p>[Description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants: [●].]</p> <p>[The minimum amount of application is [●] [and] [[t]/[T]he maximum amount of application is [●]].]</p> <p>[Description of the method and time limits for paying up the securities and for delivery of the securities: [●].]</p> <p>[Description of the manner and date on which results of the offer are to be made public: [●].]</p> <p>Plan of distribution and allotment</p>

<sup>2</sup> Clearstream, Luxembourg and Euroclear require a minimum notice period of 5 business days.

## Summary

		<p>[The Notes are offered to [●].]</p> <p>[The Notes are being offered [simultaneously] in [●],[●]... and [●].]</p> <p>[Tranche [●] of the Notes is reserved for offer in [●],[●]... and [●].]</p> <p>[The process for notification to applicants of the amount allotted is [●]].</p> <p>[Dealing in the Notes [may] / [may not] begin before applicants are notified of the amount allotted to each applicant.]</p> <p><b>Pricing</b></p> <p>[The Notes will be offered at the Issue Price, being [●]] / [The Notes will be offered at [●]] / [The price at which the Notes will be offered will be determined at the end of the period for which such Notes are offered to the public [subject to a minimum offer price of [●]] [and] [subject to a maximum offer price of [●]]. Once so determined, the price at which the Notes will be offered will be disclosed [<i>describe manner of disclosure</i>].]</p> <p><b>[Indicative amounts:</b> If the Notes are being offered by way of a public offer and any specified product values are not fixed or determined at the commencement of the Offer Period, these specified product values will specify an indicative amount, indicative minimum amount, an indicative maximum amount or any combination thereof. In such case, the relevant specified product value(s) shall be the value determined based on market conditions by the Issuer on or around the end of the Offer Period. Notice of the relevant specified product value will be published [<i>insert website address</i>] prior to the Issue Date.]</p> <p><b>Placing and Underwriting</b></p> <p>[Name and address of the co-ordinator of the global offer: [●]]</p> <p>[Name and address of the co-ordinator of the offer in [●],[●]... and [●]]:[●]</p> <p>[To the knowledge of the Issuer, [●],[●] and [●]] are the placers in respect of the Notes in [<i>specify countries</i>]]</p> <p><b>Paying Agent[s]:</b> [●],[●]...[●]</p> <p>[Name and address of entities who have agreed to underwrite the issuance of the Notes on a firm commitment basis: [●],[●] [●]]</p> <p>[Name and address of the entities who have agreed to place the issuance of the Notes [without a firm commitment] / [under “best efforts” arrangements]: [●],[●] [●]]</p> <p>[Portion of the issuance of Notes which is not underwritten: [●]]</p> <p>[Material features of the agreements with the underwriters: [●],[●]...[●]].</p> <p>[Overall amount of [underwriting commission] [and] [placing] commission: [●]]</p>
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## Summary

		<p>[An underwriting agreement [has been] / [is expected to be] agreed on [●]]</p> <p>[Calculation Agent: [●]]</p> <p>[Determination Agent: [●]]</p>
E.4	<b>Interests Material to the Issue:</b>	[Subject to potential conflicts between the investor and the Determination Agent, Morgan Stanley does not have interests material to the issue.] / [ <i>Specify material interests to issue</i> ]
E.7	<b>Estimated Expenses charged to the investor by the Issuer or the offeror:</b>	[Estimated expenses charged to the investor by the Issuer or the offeror are [●].] / [No expenses will be charged by the Issuer to the investor, however a subscription charge of up to [specify amount] may be charged by the Authorised Offeror] / [Not applicable. There are no estimated expenses charged to the investor by the Issuer [or the Authorised Offeror].]

**RISK FACTORS RELATING TO THE NOTES**

*Prospective investors should read the entire Base Prospectus (and where appropriate, any applicable Final Terms). Words and expressions defined elsewhere in this Base Prospectus have the same meanings in this section.*

*Prospective investors should consider the section entitled “Risk Factors” at pages 12 to 22 in the Annual Report on Form 10-K for the year ended 31 December 2016 referred to in the section entitled “Incorporation by Reference” in this Base Prospectus and the factors described below and consult with their own professional advisors if they consider it necessary. The Issuer believes that such factors represent the principal risks inherent in investing in Notes issued pursuant to this Base Prospectus but the inability of the 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 the Issuer based on information currently available to it or which it may not currently be able to anticipate.*

**The Issuer and Morgan Stanley & Co. International plc as Distribution Agent, 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 describes generally the most significant risks of investing in Notes linked to one or more underlyings such as interest rates, swap rates and 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 purchase any Notes.**

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### 1. ***Risk Factors relating to the Issuer***

#### 1.1 ***Credit risk***

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

#### 1.2 ***Issuer's credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Issuer. 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.

#### 1.3 ***The Issuer may be substituted without the consent of the holders of Notes***

The Issuer may, without the consent of Noteholders and provided certain conditions are satisfied, agree to (i) substitute a subsidiary of Morgan Stanley in place of the Issuer or (ii) substitute a non-Morgan Stanley Group entity in place of the Issuer (provided that such non-Morgan Stanley Group entity is of at least the equivalent creditworthiness to the Issuer).

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2. ***Risk Factors relating to conflicts of interest***

2.1 ***Potential conflicts of interest may exist between the investor and the Determination Agent, which may be a subsidiary of the Issuer and which may make determinations with respect to the Notes***

Potential conflicts of interest may exist between the investor and the Determination Agent, which may be a subsidiary of the Issuer. Certain determinations made by the Determination Agent may require it to exercise discretion and make subjective judgments, such as with respect to adjustments to the Notes as it considers appropriate as a consequence of certain events affecting any relevant inflation index and/or payment currency for the Notes. These potentially subjective determinations may adversely affect the amount payable to the investor.

3. ***Risk Factors relating to some or all of the Notes***

3.1 ***Investors may receive no or a limited amount of interest, payments may occur at a different time than expected and payments may be made in a different currency than expected***

Potential investors should be aware that depending on the terms of the Relevant Notes (i) they may receive no or a limited amount of interest, (ii) payments may occur at a different time than expected and/or (iii) payments may be made in a different currency than expected.

3.2 ***Status of the Notes***

The Notes constitute part of the Issuer's senior debt and will rank pari passu with all of the Issuer's other unsecured and unsubordinated debt.

Morgan Stanley intends that the Notes will, when issued, constitute “loss-absorbing capacity” within the meaning of the final rules issued by the Board of Governors of the Federal Reserve System and, accordingly, will have only those provisions described in this Base Prospectus that will permit compliance thereof at such time of issuance. In this respect, Morgan Stanley is a parent holding company and has no operations and depends on dividends, distributions and other payments from its subsidiaries to fund its debt obligations (including Notes). Under a support agreement that Morgan Stanley has entered with its material subsidiaries, upon the occurrence of a resolution scenario, including a single-point-of-entry resolution strategy as contemplated in its resolution plan, Morgan Stanley would be obligated to contribute or loan on a subordinated basis all of its material assets, other than shares in its subsidiaries and certain intercompany payables, to provide capital and liquidity, as applicable, to its material subsidiaries. That obligation will be secured, in accordance with an amended and restated secured support agreement, on a senior basis by Morgan Stanley's assets (other than shares in its subsidiaries). As a result, claims of Morgan Stanley's material subsidiaries against its assets (other than shares in its subsidiaries) will be effectively senior to its unsecured obligations, including Notes which would be at risk of absorbing Morgan Stanley's and its subsidiaries' losses.

3.3 ***The value of the Notes 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' control including:

- (1) ***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;
- (2) ***Inflation.*** Investments in the Notes may involve inflation rate risk. Inflation rates may be affected by the economic, financial and political events in one or more jurisdictions. Rates of inflation may also be subject to significant fluctuations that may not correlate with changes in interest rates or currencies and investors should be aware that the timing of such changes may affect the value of the Notes, even if the average level of inflation is consistent with their expectations;

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- (3) *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;
- (4) *Creditworthiness.* Any prospective investor who purchases the Notes is relying upon the creditworthiness of the Issuer, and has no rights against any other person. If the Issuer becomes insolvent, investors may suffer potential loss of their entire investment irrespective of any favourable development of the other value determining factors. The ability of the Issuer to make its full payment obligations is subject to the Issuer not being insolvent.

Some or all of the above factors will influence the price investors will receive if an investor sells its Notes prior to maturity, which is usually referred to as “secondary market practice”. The secondary market price may be lower than the market value of the issued Notes as at the Issue Date to take into account, amongst other things, changes in market interest rates or inflation rates, 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.

#### 3.4 ***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 listed or quoted on an exchange or quotation system, this does not imply greater or lesser liquidity than if equivalent Notes were not so listed or quoted and the Issuer cannot guarantee that the listing or quotation will be permanently maintained. Where the Notes are not listed or quoted, it becomes more difficult to 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 on the Official List of the Luxembourg Stock Exchange and to trading on the Luxembourg Regulated Market, or admitted to listing, trading and/or quotation by any other 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. Morgan Stanley & Co. International plc 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, save to the extent required under the rules of any stock exchange on which the Notes are listed and admitted to trading. If Morgan Stanley & Co. International plc or one or more of its affiliates does make a market for the Notes, it may cease to do so at any time without notice to investors and it is not obligated to provide any quotation of bid or offer price(s) for the Notes which is favourable to investors. If at any time Morgan Stanley & Co. International plc and other affiliates of the Issuer were to cease making a market in the Notes, it is likely that there would be little or no secondary market for the Notes.

#### 3.5 ***Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of

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the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

3.6 ***Notes in Global Form***

Because the Global Note Certificates (as defined below) may be held by or on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”), and/or any other clearing system as may be specified in the applicable Final Terms (such system or systems hereinafter referred to as the “**Relevant Clearing System**”), investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

Notes issued under the Program pursuant to this Base Prospectus may be represented by interests in a global note certificate (a “**Global Note Certificate**”). Such Global Note Certificates may be registered in the name of a common depository (or its nominee) or common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg . Except in the circumstances described in the relevant Global Note Certificate, investors will not be entitled to receive definitive Notes. The Relevant Clearing System will maintain records of the beneficial interests in the Global Note Certificates. While the Notes are represented by one or more Global Note Certificates, investors will be able to trade their beneficial interests only through the Relevant Clearing System.

While the Notes are represented by one or more Global Note Certificates, the Issuer will discharge its payment obligations under the Notes by making payments through the Relevant Clearing System for distribution to their account holders. A holder of an interest in a Global Note Certificate must rely on the procedures of the Relevant Clearing System to receive payments under the relevant Notes. The Issuer does not have responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificates.

Holders of beneficial interests in the Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the Relevant Clearing System to appoint appropriate proxies.

3.7 ***Modification and waiver***

The Conditions of the Notes contain provisions for calling meetings 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.

3.8 ***Change of law***

The Conditions of the Notes are based on New York law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to New York law or regulation in New York after the date of this Base Prospectus.

3.9 ***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.

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3.10 ***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 of the Issuer and the Distribution Agent 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.

3.11 ***Selling Agent remuneration***

The Issuer may enter into distribution agreements with various financial institutions and other intermediaries as determined by the 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, subject to compliance with all applicable laws, an upfront fee and/or 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 influence the Selling Agent's recommendation of the Notes to potential investors and 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.

3.12 ***Subscription periods***

The Issuer has the right to close the offering of the Notes at any time prior to the end of the subscription period in its sole discretion.

3.13 ***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 appropriate 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.

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

Payments on a Note may be subject to U.S. withholding tax of 30 per cent 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) comply with certain U.S. tax identification and certification requirements, generally by furnishing the appropriate Internal Revenue Service (“**IRS**”) Form W-8 on which the beneficial owner certifies under penalties of perjury that it is not a United States person, as defined in the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) and meets the criteria for exemption from such U.S. withholding tax.

As discussed in “Taxation - United States Federal Taxation” below, Sections 1471 through 1474 of the Code, an agreement entered into with the IRS 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-U.S. laws and regulations implementing such an IGA) (collectively referred to as “**FATCA**”) may impose a withholding tax

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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.

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 timely provide the required U.S. tax forms or meet the criteria for exemption from such U.S. withholding tax or if withholding is imposed under FATCA none of the Issuer or any intermediary will be required to pay any additional amounts or otherwise indemnify a holder with respect to the amounts so withheld. See “*Taxation - United States Federal Taxation*” below for further discussion of these rules.

3.15 ***Issuer call option risk***

If Call Option is specified in the applicable Final Terms as being applicable, the Issuer will have the right to redeem the Notes on any “**Optional Redemption Date (Call)**.” Following the exercise by the Issuer of such Call Option, the investors will be entitled to receive a pre-determined amount which may be less than the amount that the investors would have been entitled to receive under the terms of the Notes if such Call Option had not been exercised.

The determination to redeem the Notes will be made by the Issuer taking into account a number of factors, including (in the case of Inflation-Linked Notes) the current level of the Inflation Index to which the Notes are linked, and the likelihood that such levels will be maintained or will decrease or increase, in the future and it is likely that the Issuer will exercise the Call Option at a time in which the redemption of the Notes is least favourable for the investors. The Issuer shall make such determination without taking into account the interest of the investors. The Call Option therefore can limit the possibility for investors to realise in full the expected returns.

An optional redemption feature of the Notes is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed.

If the Notes are Inflation-Linked Notes and the Issuer exercises the Call Option, investors in the Notes will no longer be able to participate in the performance of the Inflation Index or Inflation Indices to which the Notes are linked.

If the Issuer exercises the Call Option, investors generally might not be able to reinvest the redemption proceeds rate in the same market environment as it was available at the time in which they invested in the Notes and they might be unable to re-invest at a comparable rate of returns. Investors should consider reinvestment risk in light of other investments available at the time of their investment decision.

3.16 ***The Notes may be redeemed prior to maturity***

Unless in the case of any particular Series of Notes the applicable Final Terms specify otherwise, in the event that the Issuer would be 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, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any relevant jurisdiction, the Issuer may redeem all outstanding Notes in accordance with the Conditions at the early redemption amount specified in the applicable Final Terms.

In addition, if in the case of any particular Tranche of Notes the applicable Final Terms specify that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. 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.

In addition, an optional redemption feature in any particular Tranche of Notes is likely to limit their market value. During any period when the 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.

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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.

In addition, in the circumstance of an event of default by the Issuer and acceleration of the Notes, the investor would have an unsecured claim against the Issuer for the amount due on the early redemption of the Notes.

3.17 ***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.

3.18 ***The Issuer may amend the terms and conditions of the Notes without Noteholder consent if, in its opinion, such amendments are not materially prejudicial to Noteholders***

Condition 17.2 (*Modification*) of the “*Terms and Conditions of the Notes*” below allows the Issuer to amend the terms and conditions of the Notes without the consent of the Noteholders if, in the Issuer’s opinion, the amendment is to correct a manifest error, where the effect of the amendment is of a formal, minor or technical nature or the amendment is not materially prejudicial to Noteholders. Prospective investors should be aware that the Issuer is not required to consult with any other party, including the Noteholders, prior to amending the terms and conditions of the Notes pursuant to this Condition. The Issuer is entitled to exercise its discretion in making these determinations and Noteholders will be bound by any such amendments made pursuant to Condition 17.2.

3.19 ***Notes linked to one or more inflation indices***

The Issuer may issue Notes with interest determined by reference to interest rates or inflation indices. In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (a) the market price of such Notes may be very volatile;
- (b) investors in Notes may receive no interest;
- (c) historic performance of an inflation index is not an indication of future performance of the inflation index over the term of the Notes;
- (d) an inflation index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies, other indices or the actual levels of inflation affecting Noteholders;
- (e) the timing of changes in an inflation index 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 inflation index the greater the effect on yield.

3.20 ***Reform of LIBOR and EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index “benchmarks”***

The London Interbank Offered Rate (“**LIBOR**”), the Euro Interbank Offered Rate (“**EURIBOR**”) and other indices which are deemed “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such “benchmarks” to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to a “benchmark”.

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Key international reforms of “benchmarks” include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the “**IOSCO Benchmark Principles**”) and the EU’s Regulation (EU) 2016/1011 of the European Parliament and of the Council of June 8, 2016 on indices used as “benchmarks” in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the “**Benchmarks Regulation**”).

The IOSCO Benchmark Principles aim to create an overarching framework of principles for “benchmarks” to be used in financial markets, specifically covering governance and accountability, as well as the quality and transparency of “benchmark” design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the “benchmarks” industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation will apply from 1 January 2018, except that the regime for ‘critical’ benchmarks has applied from 30 June 2016 and certain amendments to the Market Abuse Regulation (Regulation (EU) No 596/2014) have applied from 3 July 2016.

The Benchmarks Regulation will apply to “contributors”, “administrators” and “users of” “benchmarks” in the EU, and will, among other things, (i) require benchmark administrators to be authorized (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of “benchmarks” and (ii) ban the use of “benchmarks” of unauthorized administrators. The scope of the Benchmarks Regulation is wide and, in addition to indices such as LIBOR and EURIBOR, it could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including “proprietary” indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on any listed Notes linked to a “benchmark” index, including in any of the following circumstances:

- an index which is a “benchmark” could not be used as such if its administrator does not obtain appropriate EU authorization or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular “benchmark” and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted; and
- the methodology or other terms of the “benchmark” related to a series of Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the “benchmark” or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes, including calculation agent determination of the rate or level in its discretion.

In addition to the international reform of “benchmarks” (both proposed and actual) described above, there are numerous other proposals, initiatives and investigations which may impact “benchmarks”. For example, in the United Kingdom (the “**UK**”), the national government has extended the legislation originally put in place to cover LIBOR to regulate a number of additional major UK-based financial “benchmarks” in the fixed income, commodity and currency markets, which could be further expanded in the future.

The UK's Financial Conduct Authority has also released “Financial Benchmarks: Thematic review of oversight and controls”, which reviewed the activities of firms in relation to a much broader

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spectrum of “benchmarks” that ultimately could impact inputs, governance and availability of certain “benchmarks”.

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of “benchmarks” could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain “benchmarks”, trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the disappearance of certain “benchmarks”. The disappearance of a “benchmark” or changes in the manner of administration of a “benchmark” could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the calculation agent, delisting (if listed) or other consequence in relation to Notes linked to such “benchmark”. Any such consequence could have a material adverse effect on the value of and return on any such Notes.

4. ***Risk Factors relating to currencies and exchange rates***

4.1 ***Emerging markets currencies***

Where the Notes are denominated in an emerging market currency, such emerging market currencies 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. In certain circumstances (including, without limitation, if an Inconvertibility Event occurs), the Determination Agent may be required to make certain adjustments to the terms and conditions applicable to the Notes and, in doing so, may be entitled to exercise substantial discretion.

4.2 ***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 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 Issuer has 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 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 Will 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 below its coupon rate and could result in an overall loss to an investor on the basis of the investor's home currency.

*The Issuer Has 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.

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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 Issuer 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.

4.3 ***Exchange rates may affect the value of a judgment***

The Notes will be governed by the laws of the State of New York. If a New York court were to enter a judgment in an action on any securities denominated in a foreign currency, such court would either enter a judgment in U.S. dollars based on the prevailing rate of exchange between the foreign currency and U.S. dollars on the date such judgment is entered or enter judgment in the foreign currency and convert the judgment or decree into U.S. dollars at the prevailing rate of exchange on the date such judgment or decree is entered.

4.4 ***Risks related to CNY Notes***

In this Risk Factor, references to “**CNY Notes**” are to Notes denominated in CNY or Renminbi deliverable in Hong Kong, or such other CNY Center as specified in the applicable Final Terms.

Renminbi is not a completely freely convertible currency at present, and there are still significant restrictions on remittance of Renminbi into and outside the People's Republic of China (“**PRC**”) which may affect the liquidity of the Notes.

The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite a reduction in recent years by the PRC government of control over routine foreign exchange transactions for current account items such as payments for imported goods and salary payments. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. The pilot scheme was extended in June 2010 to cover 20 provinces and cities in the PRC and was further extended in August 2011 to cover all of the PRC and to make Renminbi trade and other current account item settlement available in all countries worldwide.

However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from, or completing specific regulations or filings with, the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

On 13 October 2011, the People's Bank of China (the “**PBOC**”) promulgated the “Administrative Measures on Renminbi Settlement of Foreign Direct Investment” (the “**PBOC FDI Measures**”) as part of the implementation of the PBOC's detailed foreign direct investments (“**FDI**”) accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi-denominated cross-border loans. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC FDI Measures. Under the PBOC FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary.

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On 3 December 2013, the Ministry of Commerce of the PRC (“**MOFCOM**”) promulgated the “Circular on issues in relation to Cross-border Renminbi Foreign Direct Investment” (the “**MOFCOM Circular**”), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework.. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying “Renminbi Foreign Direct Investment” and the amount of capital contribution is required for each FDI. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC-listed companies by strategic investors) or for entrustment loans in the PRC.

As the MOFCOM Circular and the PBOC FDI Measures are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

Although the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund on 1 October 2016, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the pilot scheme introduced in July 2009 (as extended) will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under the Notes.

The limited availability of Renminbi outside the PRC may affect the liquidity of the CNY Notes and the Issuer's ability to source Renminbi to make payments in respect of the CNY Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi funds flows, there are limits on availability of Renminbi outside the PRC. Currently, licensed banks in Singapore and Hong Kong may offer limited CNY-denominated banking services to Singapore residents, Hong Kong residents and specified business customers. While the PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the **CNY Clearing Bank**), including but not limited to Hong Kong (the **Settlement Agreements**), and are in the process of establishing a Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The CNY Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement. The relevant CNY Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. The Issuer cannot assure the investor that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future, which will have the effect of restricting the availability of Renminbi offshore. The limited availability of Renminbi outside of the PRC may affect the liquidity of the Notes issued hereunder. The Issuer cannot assure the investor that it will be able to source Renminbi on satisfactory terms, if at all, to make payments on the Notes in such currency.

*Investment in CNY Notes is subject to exchange rate risks*

The value of Renminbi against the Hong Kong dollar and other foreign currencies fluctuates and is affected by developments in or affecting the PRC, international political and economic conditions

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and many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal will be made with respect to the Notes in CNY, except in the case of CNY Inconvertibility, CNY Non-transferability or CNY Illiquidity (as defined in Condition 25), in which case all payments and settlement in CNY will be made in accordance with Condition 25. As a result, the value of CNY payments may vary with the prevailing exchange rates in the marketplace. If the value of CNY depreciates against the relevant currency, the value of the investment in relevant currency will have declined. In the case of CNY Inconvertibility, CNY Non-transferability or CNY Illiquidity (as defined in Condition 25), such a decline may be very substantial.

Payments for the CNY Notes will only be made to investors in the manner specified in the CNY Notes

All payments to investors in respect of the Notes will be made solely (i) for so long as the CNY Notes are represented by a Note held with the common depository for Clearstream Banking, SA and Euroclear Bank SA/NV or any Relevant Clearing System by transfer to a CNY bank account maintained in the relevant offshore CNY centre(s) specified therein, or (ii) for so long as the Notes are in definitive form, by transfer to a CNY bank account maintained in the relevant offshore CNY centre(s) specified therein in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

5. ***Risk Factors relating to Notes that include certain features***

5.1 ***Caps and floors on interest rates***

The rate of interest payable on certain Notes may be subject to a maximum rate of interest (or interest cap) or a minimum rate of interest (or interest floor) specified in the applicable Final Terms. If a maximum rate of interest is specified, the rate of interest payable on such Notes will be capped at the maximum rate specified. However, if a floor or a minimum rate of interest is specified in respect of any 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.

5.2 ***Automatic change of interest basis***

Notes shall have (where the applicable Final Terms specify “Automatic Change of Interest Basis” to be applicable) more than one interest basis applicable to different interest periods and/or interest payment dates. These Notes may be Zero Coupon Notes, Fixed Rate Notes, Floating Rate Notes or Inflation-Linked Notes (or any combination of the foregoing).

5.3 ***If the interest rate on any Notes may be the subject of an automatic conversion, this may affect the secondary market and the market value of the Notes concerned.***

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Notes may be subject to such an automatic conversion, this will affect the secondary market in, and the market value of, the Notes since the converted rate may be a rate that is likely to result in a lower overall cost of borrowing for the Issuer. If the interest rate on any Note is automatically converted from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new rate at any time may be lower than the rates on other Notes. If the Notes automatically convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

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6. ***Representations and acknowledgments by Noteholders***

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

- (a) none of the Issuer or any Affiliate or any of their respective 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); and
- (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 respective 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.

Selected Financial Information of Morgan Stanley

**SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY**

This section contains selected financial information of Morgan Stanley relating to the years ended 31 December 2015 and 31 December 2016.

The information in respect of the years ended 31 December 2015 and 31 December 2016 set out below is derived from the audited financial statements included in Morgan Stanley's Annual Report on Form 10-K for the year 31 December 2016.

<i>Balance Sheets (\$ in millions)</i>	<b>At 31 December 2015</b>	<b>At 31 December 2016</b>
<i>Total assets</i>	787,465	814,949
<i>Total liabilities and equity</i>	787,465	814,949

<i>Consolidated Income Statements (\$ in millions)</i>	<b>2015</b>	<b>2016</b>
<i>Net revenues</i>	35,155	34,631
<i>Income from continuing operations before income taxes</i>	8,495	8,848
<i>Net income</i>	6,279	6,123

## GENERAL DESCRIPTION OF THE NOTES

*The following overview describes the key features of the Notes that the Issuer is offering under the Program pursuant to this Base Prospectus in general terms only. Investors should read this general description together with the more detailed information that is contained in this Base Prospectus and in the applicable Final Terms. This section constitutes a General Description of the Program for the purpose of Article 22.5.3 of Commission Regulation (EU) No 809/2004.*

<b>Issuer:</b>	Morgan Stanley.
<b>Distribution Agent:</b>	Morgan Stanley & Co. International plc.
<b>Fiscal Agent:</b>	The Bank of New York Mellon, London Branch.
<b>Registrar and Transfer Agent:</b>	The Bank of New York Mellon SA/NV, Luxembourg Branch (together with the Fiscal Agent, the “ <b>Agents</b> ”)
<b>Notes:</b>	Series A Notes and Series B Notes which are issued by Morgan Stanley under the Regulation S Program for the Issuance of Notes, Series A and B, Warrants and Certificates (the “ <b>Program</b> ”), and which are issued pursuant to the issue and paying agency agreement dated as of 19 April 2017 between the Issuer and the Agents (the “ <b>Issue and Paying Agency Agreement</b> ”). For the avoidance of doubt, this Base Prospectus does not relate to or describe any securities other than the Notes.
<b>Program Amount:</b>	The U.S. dollar value, determined as of the respective issue dates, of the aggregate principal amount of Notes issued under the Program which are outstanding and the aggregate issue price of the Warrants and Certificates outstanding and any other notes, warrants and/or certificates authorised pursuant to the Authorising Resolutions (as defined below), shall not at any one time exceed U.S.\$55,000,000,000. The issue of, amongst others, the Notes were authorised by Morgan Stanley pursuant to resolutions (the “ <b>Authorising Resolutions</b> ”) adopted at a meeting of the Board of Directors of Morgan Stanley held on 25 September 1998, 17 June 2003, 14 December 2004, 20 September 2005, 12 December 2006, 19 June 2007, 17 September 2007 and 16 June 2008. The maximum aggregate amount of Notes permitted to be outstanding at any one time under the Program may be increased from time to time.
<b>Issuance in Series:</b>	Notes will be issued in series (each, a “ <b>Series</b> ”). Each Series may comprise one or more tranches (“ <b>Tranches</b> ” and each, a “ <b>Tranche</b> ”) issued on different issue dates. The Notes of each Series will all be 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 and each Series may comprise Notes of different denominations. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
<b>Forms of Notes:</b>	Notes will be issued in registered form and may be in either individual certificate form or in global certificate form.

## General Description of the Notes

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Each global note certificate will either be: (a) in the case of Notes which are not to be held under the New Safekeeping Structure (as defined below), registered in the name of a nominee of a common depository for the Relevant Clearing System and the relevant global note certificate will be deposited on or about the issue date with the common depository; or (b) in the case of Notes which are to be held under the new safekeeping structure (“**New Safekeeping Structure**” or “**NSS**”), registered in the name of a nominee of a common safekeeper for Euroclear and/or Clearstream, Luxembourg and the relevant global note certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

**Terms and Conditions:**

Final Terms will be prepared in respect of each Tranche of Notes (each, a “**Final Terms**”). The terms and conditions applicable to each Tranche will be those set out herein under the heading “*Terms and Conditions of the Notes*”, as completed by the applicable Final Terms. The applicable Final Terms will also specify which of the provisions set out in the Terms and Conditions are applicable in respect of a particular Series of Notes.

**Specified Currency:**

Notes may be denominated 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.

**Status:**

The Notes constitute part of the Issuer's senior debt and will rank *pari passu* with all of the Issuer's other unsecured and unsubordinated debt.

Morgan Stanley intends that the Notes will, when issued, constitute “loss-absorbing capacity” within the meaning of the final rules issued by the Board of Governors of the Federal Reserve System and, accordingly, will have only those provisions described in this Base Prospectus that will permit compliance thereof at such time of issuance. In this respect, Morgan Stanley is a parent holding company and has no operations and depends on dividends, distributions and other payments from its subsidiaries to fund its debt obligations (including Notes). Under a support agreement that Morgan Stanley has entered with its material subsidiaries, upon the occurrence of a resolution scenario, including a single-point-of-entry resolution strategy as contemplated in its resolution plan, Morgan Stanley would be obligated to contribute or loan on a subordinated basis all of its material assets, other than shares in its subsidiaries and certain intercompany payables, to provide capital and liquidity, as applicable, to its material subsidiaries. That obligation will be secured, in accordance with an amended and restated secured support agreement, on a senior basis by Morgan Stanley’s assets (other than shares in its subsidiaries). As a result, claims of Morgan Stanley’s material subsidiaries against its assets (other than shares in its subsidiaries) will be effectively senior to its unsecured obligations, including Notes which would be at risk of absorbing Morgan Stanley’s and its subsidiaries’ losses.

**Issue Price:**

Notes may be issued at any price, as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory

requirements.

**Maturities:** Notes will have maturities as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.

Notes having a maturity of less than one year will, if the issue proceeds are accepted in the U.K., constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale*”.

**Redemption:** The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than as provided in “**Early Redemption**” below) or that such Notes will be redeemable at the option of the Issuer upon giving notice to the Noteholders on a date or dates specified prior to such stated maturity and at a price or prices specified.

Unless previously redeemed or purchased and cancelled, each Note will be redeemed by the Issuer at no less than 100 per cent. of its nominal value on its maturity date.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see above.

**Early Redemption:** Early redemption will be permitted for taxation reasons as mentioned in Condition 10.2 (*Tax Redemption*) of the “*Terms and Conditions of the Notes*” hereof but will otherwise be permitted (including, without limitation, following the occurrence of an Inconvertibility Event) only to the extent specified in the applicable Final Terms.

**Interest:** Notes may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed rate (which may be zero), a floating rate, a rate which varies during the lifetime of the relevant Series or at a rate which is linked to the performance of an Inflation Index (see “*Inflation-Linked Notes*” below).

**Inflation-Linked Notes:** The Issuer may issue Notes that are Inflation-Linked Notes as defined in Condition 8 (*Inflation-Linked Note Provisions*) of the “*Terms and Conditions of the Notes*” hereof. The applicable Final Terms in respect of each issue of Inflation-Linked Notes will specify the basis for calculating the amounts of interest payable, which will be determined by reference to the performance of the Inflation Index specified in the applicable Final Terms.

**Denominations:** Notes will be issued in such denominations as may be specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.

**Taxation:** Payments made by the Issuer in respect of any Notes will be made without withholding or deduction for, or on account of, any present or future tax, assessment or governmental charge (“**Taxes**”) imposed

## General Description of the Notes

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or levied by or on behalf of the United States or any representative political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of those Taxes is required by law. The beneficial owner of the Note (or a financial institution holding the Note on behalf of the beneficial owner that is not a United States person) is required under currently applicable law to timely furnish the appropriate IRS Form W-8 on which the beneficial owner certifies under penalties of perjury that it is not a United States person and meets the criteria for exemption from U.S. withholding tax.

**Benefit Plan Investors:**

The Notes may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”), any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include “plan assets” within the meaning of Section 3(42) of ERISA by reason of any such employee benefit plan, account or plan's investment therein.

**Use of Proceeds:**

The net proceeds from the sale of Notes will be used by the Issuer for general corporate purposes.

**Listing and admission to trading:**

Applications have been made to admit the Notes which are “Series A” Notes by Morgan Stanley to the Luxembourg Stock Exchange. The applicable Final Terms will specify whether an issue of Notes which are “Series A Notes” will be admitted to the Official List of the Luxembourg Stock Exchange and to trading on the Luxembourg Regulated Market, or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, as the Issuer and any Distribution Agent may agree. Notes which are “Series B” Notes will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system but may be offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive.

**Clearing Systems:**

Euroclear, Clearstream, Luxembourg and/or any other clearing system as may be specified in the applicable Final Terms.

**Governing Law:**

The Notes will be governed by the laws of the State of New York.

**Restrictions on sale to U.S. Persons:**

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 of U.S. Persons (as defined in Regulation S under the Securities Act).

**Selling Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States and in certain other countries, see “*Subscription and Sale*” and “*No Ownership by U.S. Persons*” hereof.

## CONSENT TO THE USE OF THE BASE PROSPECTUS

### Restrictions on Non-Exempt Offers of Notes in relevant Member States

This Base Prospectus has been prepared on a basis that permits Non-Exempt Offers of Notes in any or all of Belgium, France, Germany, Ireland, Italy, Luxembourg, Spain, The Netherlands and the U.K. as specified in the applicable Final Terms (each specified Member State, a “**Non-Exempt Offer Jurisdiction**” and together the “**Non-Exempt Offer Jurisdictions**”). Any person making or intending to make a Non-Exempt Offer of Notes on the basis of this Base Prospectus must do so only with the Issuer's consent to the use of this Base Prospectus as provided under “*Consent given in accordance with Article 3.2 of the Prospectus Directive*” below and provided such person complies with the conditions attached to that consent.

### Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of a Non-Exempt Offer of Notes, the Issuer accepts responsibility, in each of the Non-Exempt Offer Jurisdictions, for the content of this Base Prospectus in relation to any person (an “**Investor**”) who purchases any Notes in a Non-Exempt Offer made by a Distribution Agent or an Authorised Offeror (as defined below), where that offer is made during the Offer Period specified in the applicable Final Terms and provided that the conditions attached to the giving of consent for the use of this Base Prospectus are complied with. The consent and conditions attached to it are set out under “*Consent*” and “*Conditions to Consent*” below.

None of the Issuer or any Distribution Agent makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-Exempt Offer and none of the Issuer or any Distribution Agent has any responsibility or liability for the actions of that Authorised Offeror.

**Except in the circumstances set out in the following paragraphs, the Issuer has not authorised the making of any Non-Exempt Offer by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any Non-Exempt Offer of Notes. Any Non-Exempt Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor, for the avoidance of doubt, any Distribution Agent accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.** If, in the context of a Non-Exempt Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of the relevant Non-Exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents it should take legal advice.

The financial intermediaries referred to in paragraphs (ii) and (iii) below are together the “**Authorised Offerors**” and each an “**Authorised Offeror**”.

### *Consent*

In connection with each Tranche of Notes and subject to the conditions set out below under “*Conditions to Consent*” the Issuer consents to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-Exempt Offer of such Notes by:

- (i) the relevant Distribution Agent(s) specified in the applicable Final Terms;
- (ii) any financial intermediaries specified in the applicable Final Terms; and
- (iii) any other financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the Issuer's website [www.morganstanleyiq.eu](http://www.morganstanleyiq.eu) and identified as an Authorised Offeror in respect of the relevant Non-exempt Offer.

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***Conditions to Consent***

The conditions to the Issuer's consent to the use of this Base Prospectus in the context of the relevant Non-exempt Offer are that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms; and
- (ii) only extends to the use of this Base Prospectus to make Non-exempt Offers of the relevant Tranche of Notes in Belgium, France, Germany, Ireland, Italy, Luxembourg, Spain, The Netherlands and the U.K., as specified in the applicable Final Terms.

The consent referred to above only relates to Offer Periods (if any) occurring within 12 months from the date of this Base Prospectus.

The only relevant Member States which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any Relevant Member States are so specified) as indicated in (ii) above, will be Belgium, France, Germany, Ireland, Italy, Luxembourg, Spain, The Netherlands and the U.K., and accordingly each Tranche of Notes may only be offered to Investors as part of a Non-exempt Offer in Belgium, France, Germany, Ireland, Italy, Luxembourg, Spain, The Netherlands and the U.K., as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish or supplement a prospectus for such offer.

***ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS***

**AN INVESTOR INTENDING TO PURCHASE OR PURCHASING ANY NOTES IN A NON-EXEMPT OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER. NONE OF THE ISSUER OR, FOR THE AVOIDANCE OF DOUBT, ANY DISTRIBUTION AGENT HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF THE INFORMATION DESCRIBED ABOVE.**

Save as provided above, neither the Issuer nor any Distribution Agent have authorised, nor do they authorise, the making of any Non-exempt Offer of Notes in circumstances in which an obligation arises for the Issuer or any Distribution Agent to publish or supplement a prospectus for such offer.

**IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY**

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Distribution Agent do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer or the Distribution Agent which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions

Consent to the use of the Base Prospectus

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on the distribution of this Base Prospectus and the offer or sale of Notes in the United States and the EEA, see “*Subscription and Sale*”.

**WHERE THE INVESTOR CAN FIND MORE INFORMATION ABOUT MORGAN STANLEY**

Morgan Stanley files annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (the “SEC”). Investors may read and copy any document that Morgan Stanley files with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at +1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Morgan Stanley) file electronically with the SEC. Morgan Stanley's electronic SEC filings are available to the public at the SEC's internet site [www.sec.gov](http://www.sec.gov). The information contained on this internet site, and any information available at the SEC's public reference room, shall not form part of this Base Prospectus, unless such information has been expressly incorporated herein by way of a supplement to this Base Prospectus.

## Incorporation by Reference

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### INCORPORATION BY REFERENCE

The following documents and/or information which have previously been filed with the CSSF shall be deemed to be incorporated by reference in, and to form part of, this Base Prospectus:

<b>Document filed</b>	<b>Information incorporated by reference</b>	<b>Page</b>
1. Annual Report on Form 10-K for the year ended 31 December 2016	(a) Business	1-11
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		Proposed to Be Amended and Restated)		
		(j)	Annex B: Directors' Equity Capital Accumulation Plan (As Proposed to Be Amended and Restated)	B-1-B-13
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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 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 Morgan Stanley and approved by the CSSF 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.

For the purposes of Article 28.4 of the Commission Regulation (EU) No 809/2004, any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

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

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EU) No 809/2004.

**TERMS AND CONDITIONS OF THE NOTES**

*The following is the text of the terms and conditions, which, as completed by the applicable Final Terms, will be set forth on each Note in definitive form (if any) issued under the Program pursuant to this Base Prospectus. The terms and conditions applicable to any Note issued in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.*

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**1. INTRODUCTION**

1.1 **Program:** Morgan Stanley (“**Morgan Stanley**”), Morgan Stanley & Co. International plc (“**MSI plc**”) and Morgan Stanley B.V. (“**MSBV**”) have established the Regulation S Program for the

## Terms and Conditions of the Notes

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- issuance of Notes, Series A and Series B, Warrants and Certificates (the “**Program**”) which provides for the issuance of up to U.S.\$55,000,000,000 in aggregate principal amount, *inter alia*, of notes by Morgan Stanley. The Series A Notes and Series B Notes offered pursuant to the Base Prospectus dated 19 April 2017 (the “**Notes**”) will be governed by New York law. References to the “**Issuer**” in these terms and conditions shall mean Morgan Stanley.
- 1.2 **Final Terms:** The Notes 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**”), if any, applicable in relation to such Series.
- 1.3 **Issue and Paying Agency Agreement:** The Notes are the subject of an issue and paying agency agreement dated 19 April 2017 (such agreement as from time to time further modified and/or restated, the “**Issue and Paying Agency Agreement**”) between Morgan Stanley, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and The Bank of New York Mellon, 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 Base Conditions references to the “**Agents**” are to the Paying Agents and the Transfer 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 Issue and Paying Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the “**Noteholders**”) are bound by, and are deemed to have notice of, all the provisions of the Issue and Paying Agency Agreement as are applicable to them. Copies of the Issue and Paying Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

## 2. INTERPRETATION

### 2.1 Definitions

In the 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;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the applicable Final Terms;

“**Affiliate**” means, in relation to any person, (a) any entity controlled, directly or indirectly, by the person, (b) any entity that controls, directly or indirectly, the person or (c) any entity directly or indirectly under common control with the person (for such purposes, “**control**” of any entity or person means ownership of a majority of the voting power of the entity or person);

“**Broken Amount**” means the amount 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) for Notes denominated in U.S. dollars, in The

## Terms and Conditions of the Notes

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City of New York, or (b) for Notes denominated in Sterling, in London, or (c) for Notes denominated in Australian dollars, in Sydney, or (d) for Notes denominated in a Specified Currency other than U.S. dollars, euro, Sterling or Australian dollars, in the principal financial centre of the country of the Specified Currency, and (e) 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,

and, in each case, if “Additional Business Centre” is specified to be or to include: (i) “**U.S. Government Securities Business Day**”, then “Business Day” shall also be any day other than a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities; or (ii) “**TARGET**” or “**TARGET Settlement Day**”, then “Business Day” shall include a TARGET Settlement Day;

“**Business Day Convention**”, in relation to any particular date referred to in the Conditions or in the applicable Final Terms which is specified to be adjusted in accordance with a Business Day Convention, the convention for adjusting such date if it would otherwise fall on a day that is not a Business Day, and means any one or more 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, if the Business Day Convention specified in the applicable Final Terms is:

- (i) “**Following Business Day Convention**”, 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**”, 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**”, 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**”, 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**”, the relevant date shall not be adjusted in accordance with any Business Day Convention;

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“**Calculation Agent**” means, in respect of any Series of 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 amount(s) which may be specified as being calculated by the Calculation Agent in the Conditions;

“**Calculation Amount**” means, unless otherwise specified in the Final Terms, in relation to any Series of Notes, (i) where the 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, S.A.;

“**CMS Reference Rate**” means the rate determined in accordance with the Condition 6.7 (*CMS Rate Determination*);

“**CMS Reference Rate 1**” means the CMS Reference Rate specified as such in the applicable Final Terms and the terms “Relevant Swap Rate”, “Reference Currency”, “Designated Maturity”, “Relevant Screen Page”, “Relevant Time” and “Interest Determination Date” and any other relevant term will each be specified in the applicable Final Terms under the heading “CMS Reference Rate 1”;

“**CMS Reference Rate 2**” means the CMS Reference Rate specified as such in the applicable Final Terms and the terms “Relevant Swap Rate”, “Reference Currency”, “Designated Maturity”, “Relevant Screen Page”, “Relevant Time” and “Interest Determination Date” and any other relevant term will each be specified in the applicable Final Terms under the heading “CMS Reference Rate 2”;

“**Day Count Fraction**” means, 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 the Conditions or the applicable Final Terms and:

- (i) if “**Actual/Actual (ICMA)**” is so specified, means a fraction equal to “number of days accrued/number of days in year”, as such terms are used in Rule 251 of the statutes, by-laws and recommendations of the International Capital Markets Association (the “**ICMA Rule Book**”), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non-U.S. dollar denominated straight and convertible bonds issued after 31 December 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period in respect of which payment is being made;
- (ii) if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” 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);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/365L**” is so specified, the actual number of days in the Calculation Period divided by 365 (or, if the last day of the Calculation Period falls in a leap year, 366);
- (v) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (vi) if “**30/360**” or “**30/360 (ICMA)**”, is so specified, means 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;
- (vii) if “**30/360 (ISDA)**”, “**360/360**” or “**Bond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Terms and Conditions of the Notes

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” 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 **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30;

- (viii) 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:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” 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 **D<sub>2</sub>** will be 30; and

- (ix) 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:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” 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 D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” 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 D<sub>2</sub> 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; and

- (x) if “1/1” is specified in the applicable Final Terms, 1;

“**Designated Maturity**” means (i) for the purposes of a determination of the CMS Reference Rate, a period of time specified as such in the applicable Final Terms corresponding to such CMS Reference Rate, (ii) for the purposes of Screen Rate Determination, the period of time designated in the Reference Rate, and (iii) for any other purposes, a period of time specified as such in the applicable Final Terms;

“**Determination Agent**” means Morgan Stanley & Co. International plc 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 Condition 13 (*Events of Default*) or Condition 24 (*Inconvertibility Events*),

- (i) if “**Accrued Value**” is specified as being applicable in respect of a Note in the applicable Final Terms, an amount equal to the sum of:

- (A) the product of (a) the Calculation Amount of such Note and (b) the percentage produced by the following formula:

$$\text{Reference Price} \times (1 + \text{Accrual Yield})^n$$

where “n” means the number of years 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 and the calculation shall be made on the basis of such Day Count Fraction as may be specified in the applicable Final Terms or, if none is so specified, a Day Count Fraction of 30/360; and

- (B) accrued interest (if any); or

- (ii) if “**Fixed Redemption**” is specified as being applicable in respect of the Notes in the applicable Final Terms, an amount per Calculation Amount equal to the product of the Specified Rate and the Calculation Amount, together with accrued interest (if any).

“**Early Redemption Amount (Tax)**” means:

- (i) if “**Early Redemption Amount (Tax) – Par**” is specified in the applicable Final Terms, an amount equal to the product of 100 per cent. and (b) the Calculation Amount of such Note, together with accrued interest (if any); or

(ii) if “**Early Redemption Amount (Tax) – Accrued Value**” is specified in the applicable Final Terms, an amount equal to the sum of:

(A) the product of (a) the Calculation Amount of such Note and (b) the percentage produced by the following formula:

$$\text{Reference Price} \times (1 + \text{Accrual Yield})^n$$

where “n” means the number of years 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 and the calculation shall be made on the basis of such Day Count Fraction as may be specified in the applicable Final Terms or, if none is so specified, a Day Count Fraction of 30/360; and

(B) accrued interest (if any);

“**EEA**” means the European Economic Area;

“**Euroclear**” means Euroclear Bank SA/NV;

“**Extraordinary Resolution**” has the meaning given in the Issue and Paying Agency Agreement;

“**Fallback Rate Determination**” means, in respect of a CMS Reference Rate, any of the following as specified in the applicable Final Terms as an alternative basis for determining the CMS Reference Rate: (i) Fallback Screen Page, (ii) Mid-Market Quotations, and (iii) Determination Agent Fallback;

“**Final Redemption Amount**” means:

(i) if “**Accrued Value**” is specified as being applicable in respect of a Note in the applicable Final Terms, an amount equal to the product of (a) the Calculation Amount of such Note and (b) the percentage produced by the following formula:

$$\text{Reference Price} \times (1 + \text{Accrual Yield})^n$$

where “n” means the number of years 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 and the calculation shall be made on the basis of such Day Count Fraction as may be specified in the applicable Final Terms or, if none is so specified, a Day Count Fraction of 30/360; and

(ii) if “**Fixed Final Redemption**” is specified as being applicable in respect of a Note in the applicable Final Terms, an amount equal to the Fixed Final Redemption Amount;

“**Fixed Coupon Amount**” mean the amount, if any, specified as such in the applicable Final Terms;

“**Fixed Final Redemption Amount**” means the amount per Calculation Amount (which may be expressed as a percentage of the Calculation Amount or an amount per Calculation Amount) specified as such in the applicable Final Terms;

“**Fixed Interest Rate**” means the rate or rates (expressed as a percentage per annum) of interest as specified in the applicable Final Terms;

“**Fixed Leg Day Count Basis**” means the Day Count Fraction specified as such in the applicable Final Terms;

“**Floating Interest Rate**” means the rate or rates (expressed as a percentage per annum) of interest determined in accordance with Condition 6 (*Floating Rate Note Provisions*);

“**Floating Leg Day Count Basis**” means the Day Count Fraction specified as such in the applicable Final Terms;

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“**Floating Leg Rate Option**” means the Floating Rate Option (as defined in the ISDA Definitions) 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 Basis**” means, in respect of each type of Notes specified in the Conditions, the relevant provisions applicable to such type of Notes for determining or calculating the interest on such Notes as set out in the Conditions;

“**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. Where the Notes have more than one Interest Basis, an Interest Commencement Date will be specified in the applicable Final Terms in respect of each such Interest Basis;

“**Interest Determination Date**” means if the applicable Final Terms specify: (i) “**Daily Rate Determination**” to be applicable, in respect of a Reference Rate for any relevant day, the Interest Determination Date shall be such relevant day, or (ii) “**Periodic Rate Determination**” to be applicable, in respect of a Reference Rate for any Interest Period, the Interest Determination Date shall be the date or dates, if any, specified as such in the applicable Final Terms;

“**Interest Participation Rate**” means, in respect of any Interest Rate or Reference Rate (each, a “**Relevant Rate**”) for a relevant day (including an Interest Payment Date) and/or for an Interest Period ending on (but excluding) an Interest Payment Date, the amount or percentage rate specified as such in the applicable Final Terms in respect of such Relevant Rate for such day and/or such Interest Period, or, if a Rate Table is set out in the applicable Final Terms, each amount or percentage rate specified in the Rate Table in the column headed “Interest Participation Rate” in the row corresponding to such day or corresponding to the date (specified in the column “Interest Payment Date(s)”) on which such Interest Payment Date is scheduled to fall, provided that if the applicable Final Terms specify Interest Participation Rate to be not applicable, it shall be deemed to be equal to one. Where the applicable Final Terms specify more than one Interest Participation Rate for different Relevant Rates, the Interest Participation Rate will be construed to apply to each Relevant Rate for each relevant day (including an Interest Payment Date) and/or each Interest Period;

“**Interest Participation Rate 1**” means the Interest Participation Rate specified as such in the applicable Final Terms;

“**Interest Participation Rate 2**” means the Interest Participation Rate specified as such in the applicable Final Terms;

“**Interest Payment Date**” means the Scheduled Interest Payment Date, if such date is specified in the Conditions or the applicable Final Terms to be subject to adjustment in accordance with a Business Day Convention:

- (i) such date as 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);

provided that if the applicable Final Terms specify “Interest Specified Day(s)” to be applicable and the Relevant Determination Date is adjusted in accordance with the Conditions, the Interest Payment Date shall instead be the day falling the number of Interest Specified Day(s) after the Relevant Determination Date, and no Noteholder shall be entitled to any interest or further payment in respect of such delay;

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“**Interest Period**” means, subject as otherwise provided in the 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 except where specified in the applicable Final Terms;

“**Interest Specified Day(s)**” means such number of Business Day(s), Clearing System Business Day(s) or calendar days as specified in the applicable Final Terms;

“**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, in respect of any Interest Rate or Reference Rate (each, a “**Relevant Rate**”) for a relevant day (including an Interest Payment Date) and/or for an Interest Period ending on (but excluding) an Interest Payment Date, the percentage rate specified as such in the applicable Final Terms in respect of such Relevant Rate for such day and/or such Interest Period, which shall be preceded with either a “+” (plus) or a “-” (minus) sign (provided that if the applicable Final Terms specify Margin to be not applicable in respect of such Relevant Rate, it shall be deemed to be equal to zero), or if a Rate Table is set out in the applicable Final Terms, each percentage rate specified in the Rate Table in the column headed “Margin” (which shall be preceded with either a “+” (plus) or a “-” (minus) sign) in the row corresponding to such day or corresponding to the date (specified in the column “Interest Payment Date(s)”) on which such Interest Payment Date is scheduled to fall. Where the applicable Final Terms specify more than one Margin for different Relevant Rates, the Margin will be construed to apply to each Relevant Rate for each relevant day (including an Interest Payment Date) and/or each Interest Period;

“**Margin 1**” means the Margin specified as such in the applicable Final Terms;

“**Margin 2**” means the Margin specified as such in the applicable Final Terms;

“**Maturity Date**” means the Scheduled Maturity Date, provided that if the applicable Final Terms specify “Specified Day(s)” to be applicable and the Relevant Determination Date is adjusted in accordance with the Conditions, the Maturity Date shall instead be the day falling the number of Specified Day(s) after the Relevant Determination Date;

“**Mid-Market Quotations**” means, in relation to the determination of any CMS Reference Rate, the bid and offered rates for the Specified Fixed Leg, calculated on the Fixed Leg Day Count Basis, of a fixed-for-floating Reference Currency interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period or on any relevant day and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on the Floating Leg Day Count Basis, is equivalent to Floating Leg Rate Option (as defined in the ISDA Definitions) with a designated maturity determined by the Determination Agent by reference to standard market practice and/or the ISDA Definitions;

“**Optional Redemption Amount (Call)**” means,

- (i) if “Optional Redemption Amount (Call) – Accrued Value” is specified in the applicable Final Terms, an amount equal to the product of (a) the Calculation Amount of such Note and (b) the percentage produced by the following formula:

$$\text{Reference Price} \times (1 + \text{Accrual Yield})^n$$

where “n” means the number of years 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 and the calculation shall be made on the basis of such Day Count Fraction as may be specified in the applicable Final Terms or, if none is so specified, a Day Count Fraction of 30/360; and

## Terms and Conditions of the Notes

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- (ii) if “Optional Redemption Amount (Call) – Fixed” is specified in the applicable Final Terms, an amount per Calculation Amount determined by the Determination Agent in accordance with the following formula:

Optional Redemption Amount (Call) = Participation Rate (Call) × Calculation Amount;

“**Optional Redemption Date (Call)**” 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;

“**Participation Rate (Call)**” means a percentage rate specified as such in the applicable Final Terms or, if no such rate is specified, 100 per cent.;

“**Payment Business Day**” means:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
- (A) the relevant place of presentation;
  - (B) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
  - (C) if TARGET System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open; and
- (ii) either (1) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) may be carried on in the Principal Financial Centre of the country of the relevant currency and (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open;

“**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, other than the euro, the principal financial centre for that currency **provided, however, that** in relation to Australian dollars, it means Sydney and Melbourne and, in relation to New Zealand dollars, it means Wellington and Auckland;

“**Rate Table**” means a table specified as such in the applicable Final Terms;

“**Rate of Interest**” means, in respect of any relevant period or any relevant day (including any Interest Payment Date), 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 Conditions. If more than one Rate of Interest is specified for the Notes, “Rate of Interest” shall be construed to refer to each rate defined or specified as such in respect of the relevant period or day as specified in the applicable Final Terms;

“**Redemption Amount**” means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), 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 Conditions;

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

“**Reference Price**” means a numerical value or percentage as specified in the applicable Final Terms;

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**“Reference Rate”** means in respect of any relevant period or day, any of the following as specified in the applicable Final Terms: (i) a Fixed Interest Rate, (ii) a Floating Interest Rate, or (iii) any interest rate or swap rate specified as a “Reference Rate” in the applicable Final Terms, or determined in accordance with the Conditions, in each case, for such period or such day. Where the applicable Final Terms specify “CMS Rate Determination” to be applicable, “Reference Rate” shall be construed to include a CMS Reference Rate. If more than one Reference Rate is specified, “Reference Rate” shall be construed to refer to each rate defined or specified as such, or determined, in respect of the relevant period or day as specified in the applicable Final Terms;

**“Register”** shall have the meaning given to it in the Issue and Paying Agency Agreement;

**“Relevant Clearing System”** means, as appropriate, Clearstream, Luxembourg and/or Euroclear 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, in respect of a Reference Rate, the page, section or other part of a particular information service (including, without limitation, Reuters) specified as such in the applicable Final Terms in relation to such Reference Rate, 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 such Reference Rate;

**“Relevant Time”** means, for the purposes of a determination of a Reference Rate, the time (in the place) specified as such in the applicable Final Terms corresponding to such Reference Rate;

**“Reserved Matter”** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**“Scheduled Maturity Date”** means each date specified as such in the applicable Final Terms;

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

**“Specified Day(s)”** means such number of Business Day(s), Clearing System Business Day(s) or calendar days as specified 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 circumstance, 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 Fixed Leg”** means any of the following as specified in the applicable Final Terms: (i) the annual fixed leg, (ii) the semi-annual fixed leg, (iii) quarterly-annual fixed leg, or (iv) the quarterly-quarterly fixed leg;

**“Specified Office”** has the meaning given to it in the Issue and Paying Agency Agreement;

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

“**Specified Rate**” has the meaning given it in the applicable Final Terms;

“**Specified Swap Rate**” means any of the following as specified in the applicable Final Terms: (i) the swap rate, (ii) the annual swap rate, (iii) the semi-annual swap rate, (iv) the quarterly swap rate, (v) the quarterly-annual swap rate, or (vi) the quarterly-quarterly swap rate;

“**Spread**” has the value given to it 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;

“**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;

“**Taxes**” means any tax, duty, impost, levy, charge or contribution in the nature of taxation or any withholding or deduction for or on account thereof, including (but not limited to) any applicable stock exchange tax, turnover tax, stamp duty, stamp duty reserve tax and/or other taxes chargeable or payable in connection with any redemption of a Note and/or payment of the Redemption Amount;

“**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;
- (ii) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to the Conditions;
- (iii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*), and any other amount in the nature of interest payable pursuant to the Conditions;
- (iv) references to Notes being “**outstanding**” shall be construed in accordance with the Issue and Paying Agency Agreement; and
- (v) 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.

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

3.1 **Form:** The Issuer will issue Notes in registered form.

3.2 **Minimum Denomination:** The minimum Denomination for each Note which is admitted to trading on an 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).

3.3 **Notes**

- (a) **Form:** Notes may be in either individual certificate form or in global certificate form.
- (b) **Title:** Title to the Notes passes by registration in the Register which is kept by the Registrar in accordance with the provisions of the Issue and Paying Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each holder of Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. “**Holder**” and “**holder**” means, in the case of Notes, the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly.
- (c) **Interest:** A Note may be a Fixed Rate Note, a Floating Rate Note, an Inflation-Linked Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.
- (d) **Ownership:** The holder of any Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.
- (e) **Transfers:** Subject to Conditions 3.3(h) (*Closed Periods*) and 3.3(i) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Note may not be transferred unless the principal amount of Note transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are Specified Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.
- (f) **Registration and Delivery:** Within five business days of the surrender of a Note Certificate in accordance with Condition 3.3(e) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 3.3(f) (*Registration and Delivery*), “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (g) **No charge:** The transfer of a Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

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- (h) **Closed Periods:** Holders of Notes may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (i) **Regulations concerning transfers and registration:** All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Issue and Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any holder of Notes who requests in writing a copy of such regulations.

#### 4. STATUS

The Notes constitute part of the Issuer's senior debt and will rank *pari passu* with all of the Issuer's other unsecured and unsubordinated debt.

Morgan Stanley intends that the Notes will, when issued, constitute “loss-absorbing capacity” within the meaning of the final rules issued by the Board of Governors of the Federal Reserve System and, accordingly, will have only those provisions described in this Base Prospectus that will permit compliance thereof at such time of issuance. In this respect, Morgan Stanley is a parent holding company and has no operations and depends on dividends, distributions and other payments from its subsidiaries to fund its debt obligations (including Notes). Under a support agreement that Morgan Stanley has entered with its material subsidiaries, upon the occurrence of a resolution scenario, including a single-point-of-entry resolution strategy as contemplated in its resolution plan, Morgan Stanley would be obligated to contribute or loan on a subordinated basis all of its material assets, other than shares in its subsidiaries and certain intercompany payables, to provide capital and liquidity, as applicable, to its material subsidiaries. That obligation will be secured, in accordance with an amended and restated secured support agreement, on a senior basis by Morgan Stanley’s assets (other than shares in its subsidiaries). As a result, claims of Morgan Stanley’s material subsidiaries against its assets (other than shares in its subsidiaries) will be effectively senior to its unsecured obligations, including Notes which would be at risk of absorbing Morgan Stanley’s and its subsidiaries’ losses.

#### 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 in each case, in respect of an Interest Period and/or Interest Payment Date(s).
- 5.2 **Fixed Interest Rate:** The Rate of Interest in respect of each Interest Period and/or Interest Payment Date which is subject to the Fixed Rate Note Provisions will be the Fixed Interest Rate. A different Fixed Interest Rate may apply in respect of different Interest Periods and/or Interest Payment Dates, as specified in the applicable Final Terms. If a Rate of Interest or a Reference Rate for any period or any relevant day is specified in the Conditions or in the applicable Final Terms to be a “Fixed Interest Rate”, the relevant Rate of Interest or Reference Rate will be determined in accordance with the provisions set out in this Condition 5 (*Fixed Rate Note Provisions*).
- 5.3 **Accrual of interest:** The Notes bear interest from (and including) the Interest Commencement Date at the Rate(s) of Interest. Interest will be payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the date for its final redemption unless upon such date, the Redemption Amount remains unpaid when due and payable, in which case it will continue to bear interest on unpaid amounts in accordance with this Condition 5 (*Fixed Rate Note Provisions*) (as well after as before judgment) until the day on which the Redemption Amount has been paid or duly made available for payment.
- 5.4 **Fixed Coupon Amount:** If Fixed Coupon Amount is specified as applicable in the applicable Final Terms, the amount of interest payable in respect of each Note on each Interest Payment Date 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

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- Denomination, provided that if a Broken Amount is specified in the Final Terms as applicable in respect of an Interest Payment Date in respect of each Calculation Amount, the Interest Amount payable on such Interest Payment Date in respect of such Note per Calculation Amount shall be the Broken Amount.
- Different Fixed Coupon Amounts may apply in respect of different Interest Periods and/or Interest Payment Dates, as specified in the applicable Final Terms.
- 5.5 **Calculation of Interest:** If Fixed Coupon Amount is specified as not applicable in the applicable Final Terms the amount of interest payable in respect of each Note in respect of any Interest Period shall be an amount per Calculation Amount calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the applicable Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half of any such 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.
- 5.6 **Day Count Fraction:** The relevant day count fraction shall be determined in accordance with the definition of “**Day Count Fraction**” set out in Condition 2 above.
6. **FLOATING RATE NOTE PROVISIONS**
- 6.1 **Application:** This Condition 6 (*Floating Rate Note Provisions*) is applicable to the Notes only if one or more of the Floating Rate Note Provisions are specified in the applicable Final Terms as being applicable, in each case, in respect of an Interest Period and/or Interest Payment Date(s).
- 6.2 **Floating Interest Rate:** The Rate of Interest in respect of each Interest Period and/or Interest Payment Date which is subject to the Floating Rate Note Provisions will be the Floating Interest Rate. A different Floating Interest Rate may apply in respect of different Interest Periods and/or Interest Payment Dates, as specified in the applicable Final Terms. If a Rate of Interest or a Reference Rate for any period or any relevant day is specified in the Conditions or in the applicable Final Terms to be a “**Floating Interest Rate**”, the relevant Rate of Interest or Reference Rate will be determined in accordance with the provisions set out in Conditions 6.5 (*Screen Rate Determination*), 6.6 (*ISDA Determination*) or 6.7 (*CMS Rate Determination*), as specified in the applicable Final Terms.
- 6.3 **Accrual of interest:** Each Floating Rate Note bears interest from (and including) the Interest Commencement Date at the Floating Interest Rate in respect of each Interest Period (each being a “**Rate of Interest**” in respect of Floating Rate Notes) payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the date for its final redemption unless upon such date, the Redemption Amount remains unpaid when due and payable, in which case it will continue to bear interest on unpaid amounts in accordance with this Condition 6 (*Floating Rate Note Provisions*) (as well after as before judgment) until the day on which the Redemption Amount has been paid or duly made available for payment. The Rate of Interest in respect of all or any Interest Periods shall, if so specified in the applicable Final Terms, be zero.
- 6.4 **Linear Interpolation:** In respect of any Notes for which the Floating Rate Notes Provisions are applicable, if “Linear Interpolation” is specified to be applicable in respect of any Interest Period, the Floating Interest Rate for such Interest Period shall be determined by the Determination Agent through the use of straight-line interpolation by reference to:
- (a) if Screen Rate Determination is specified as the manner in which the Floating Interest Rate is to be determined, two rates based on the relevant Reference Rate (where ISDA Determination is specified as applicable in the Final Terms) or the Floating Rate Option (where ISDA Determination is specified in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time, for which rates are available, next shorter than the length of such Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time, for which rates are available, next longer than the length of such Interest Period;

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- (b) if ISDA Determination is specified as the manner in which the Floating Interest Rate is to be determined, two rates based on the relevant Floating Rate Option one of which shall be determined as if the Designated Maturity were the period of time, for which rates are available, next shorter than the length of such Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time, for which rates are available, next longer than the length of such Interest Period; and
  - (c) if CMS Rate Determination is specified as the manner in which the Floating Interest Rate is to be determined, two rates based on the relevant CMS Reference Rate one of which shall be determined as if the Designated Maturity were the period of time, for which rates are available, next shorter than the length of such Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time, for which rates are available, next longer than the length of such Interest Period.

6.5 **Screen Rate Determination:** If Screen Rate Determination is specified in the applicable Final Terms as the manner in which a Floating Interest Rate is to be determined, the Floating Interest Rate for an Interest Period or any relevant day (each, a “**Relevant Day**”) will be the Screen Rate for such Interest Period or such Relevant Day, plus or minus (as indicated in the applicable Final Terms) the Margin (if any is specified in the applicable Final Terms in relation to such Screen Rate), and multiplied by the Interest Participation Rate (if any is specified in the applicable Final Terms in relation to such Screen Rate).

The Screen Rate applicable to the Notes for an Interest Period or a Relevant Day will be determined by the Determination Agent on the following basis:

- (a) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Screen Rate will be the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date in respect of such Interest Period or such Relevant Day, as determined by the Determination Agent;
- (b) in any other case, the Screen Rate will be 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 in respect of such Interest Period or such Relevant Day, as determined by the Determination Agent;
- (c) if, in the case of Condition 6.5(a) above, such rate does not appear on that page or, in the case of Condition 6.5(b) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Determination Agent will:
  - (i) 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 in respect of such Interest Period or such Relevant Day 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
  - (ii) determine the arithmetic mean of such quotations; and
- (d) if fewer than two such quotations are provided as requested, the Determination Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Determination Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Determination 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 or for a Relevant Day and in an amount that is representative for a single transaction in that market at that time,

**provided, however, that** if the Determination 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 or any Relevant Day, the Screen Rate applicable to the Notes in

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respect of such Interest Period or such Relevant Day will be 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 or Relevant Day.

6.6 **ISDA Determination:** If ISDA Determination is specified in the applicable Final Terms as the manner in which a Floating Interest Rate is to be determined, the Floating Interest Rate applicable to the Notes for each Interest Period will be the relevant ISDA Rate, plus or minus (as indicated in the applicable Final Terms) the Margin (if any is specified in the applicable Final Terms in relation to such ISDA Rate), and multiplied by the Interest Participation Rate (if any is specified in the applicable Final Terms in relation to such ISDA Rate). The “**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 Determination Agent under an interest rate swap transaction if the Determination 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:

- (a) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the applicable Final Terms;
- (b) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable Final Terms; and
- (c) 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.

6.7 **CMS Rate Determination:** If CMS Rate Determination is specified in the applicable Final Terms as the manner in which a Floating Interest Rate is to be determined, the Floating Interest Rate applicable to the Notes for each Interest Period will be the relevant CMS Interest Rate determined in accordance with paragraphs (a) or (b) below, as applicable.

(a) **Single CMS Rate**

If the CMS Interest Rate is specified in the applicable Final Terms to be “**Single CMS Rate**”, the CMS Interest Rate in respect of an Interest Period or any relevant day will be equal to the CMS Reference Rate for such Interest Period or such relevant day, plus or minus (as indicated in the applicable Final Terms) the Margin (if any is specified in the applicable Final Terms in relation to such CMS Reference Rate), and multiplied by the Interest Participation Rate (if any is specified in the applicable Final Terms in relation to such CMS Reference Rate).

(b) **Spread CMS Rate**

If the CMS Interest Rate is specified in the applicable Final Terms to be “**Spread CMS Rate**”, the CMS Interest Rate in respect of an Interest Period or any relevant day will be equal to (1) CMS Reference Rate 1 for such Interest Period or such relevant day, plus or minus (as specified in the applicable Final Terms) Margin 1 (if any is specified in the applicable Final Terms in relation to such CMS Reference Rate 1), and multiplied by Interest Participation Rate 1 (if any is specified in the applicable Final Terms in relation to such CMS Reference Rate 1), minus (2) CMS Reference Rate 2 for such Interest Period or such relevant day, plus or minus (as specified in the applicable Final Terms) Margin 2 (if any is specified in the applicable Final Terms in relation to such CMS Reference Rate 2), and multiplied by Interest Participation Rate 2 (if any is specified in the applicable Final Terms in relation to such CMS Reference Rate 2).

(c) **Determination of CMS Reference Rate**

The CMS Reference Rate in respect of an Interest Period or any relevant day (as applicable) will be the Specified Swap Rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (expressed as a percentage rate per annum) (the “**Relevant Swap Rate**”) which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in respect of such Interest Period or such relevant day, all as determined by the Determination Agent. If the Relevant Swap Rate does not appear on the Relevant Screen Page at

the Relevant Time, the CMS Reference Rate in respect of an Interest Period or a relevant day (as applicable) will be determined by the Determination Agent in accordance with the first applicable Fallback Rate Determination that provides a CMS Reference Rate, and if the applicable Final Terms specify:

- (i) “**Fallback Screen Page**” to be applicable, the Determination Agent will, acting in good faith and in a commercially reasonable manner, determine an alternative or successor page or publication to the Relevant Screen Page for the Relevant Swap Rate;
- (ii) “**Mid-Market Quotations**” to be applicable, the Determination Agent will determine the CMS Reference Rate on the basis of the arithmetic mean of the Mid-Market Quotations provided by the Reference Banks at approximately the Relevant Time on the Interest Determination Date in respect of such Interest Period or such day by requesting the principal Relevant Financial Centre office of each of the Reference Banks to provide Mid-Market Quotations. If at least five Mid-Market Quotations are provided, the Determination Agent will determine the arithmetic mean of such Mid-Market Quotations provided by discarding the highest of such Mid-Market Quotations (or in event of equality, one of the highest) and lowest of such Mid-Market Quotations (or in event of equality, one of the lowest). If four Mid-Market Quotations are provided, the Determination Agent will determine the arithmetic mean of such Mid-Market Quotations provided. If less than four Mid-Market Quotations are provided, the next Fallback Rate Determination specified in the applicable Final Terms will apply, or if none is specified, Determination Agent Fallback will apply. All calculations of the arithmetic mean of the relevant number of Mid-Market Quotations provided pursuant to this paragraph will be rounded to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards; and
- (iii) “**Determination Agent Fallback**” to be applicable, the Determination Agent will, acting in good faith and in a commercially reasonable manner, determine the CMS Reference Rate by using available and relevant public information and having regard to comparable benchmarks available.

If any Fallback Rate Determination(s) are specified in the applicable Final Terms, then only that or those (as the case may be) Fallback Rate Determinations shall apply and if two or more Fallback Rate Determinations are specified, those Fallback Rate Determinations shall apply in the order as specified in the applicable Final Terms, such that if the Determination Agent determines that the CMS Reference Rate cannot be determined by applying a Fallback Rate Determination, then the next Fallback Rate Determination specified shall apply.

- 6.8 **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.
- 6.9 **Calculation of Interest Amount:** In respect of Floating Rate Notes, the Determination 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 of any such 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.
- 6.10 **Publication:** The Determination 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 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 Determination 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 Determination 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.

- 6.11 **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 Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, 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 remains unpaid when due and payable, the Redemption Amount in respect of each Note shall thereafter be an amount equal to the product of (a) the Calculation Amount of such Note and (b) the percentage produced by the following formula:

$$\text{Reference Price} \times (1 + \text{Accrual Yield})^n$$

where “n” means the number of years from (and including) the Issue Date to (but excluding) the day on which all such sums due in respect of such Note have been paid or duly made available for payment and the calculation shall be made on the basis of such Day Count Fraction as may be specified in the applicable Final Terms or, if none is so specified, a Day Count Fraction of 30/360.

## 8. INFLATION-LINKED NOTE PROVISIONS

The Issuer may issue Notes the payment of interest on which is linked to an inflation index (“**Inflation-Linked Notes**”) in accordance with these Conditions which are specified as being applicable in the applicable Final Terms, in accordance with the elections made in the applicable Final Terms.

This Condition 8 (*Inflation-Linked Note Provisions*) is applicable only in relation to Notes specified in the applicable Final Terms as being Inflation-Linked Notes.

- 8.1 **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 or Maturity 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 or other relevant payment date as may be specified in the applicable Final Terms, such Relevant Level will not be used in any calculations. The Substitute Inflation Index Level so determined pursuant to this Condition 8.1 (*Delay of Publication*), will be the definitive level for that Reference Month.

- 8.2 **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 Inflation Index (in lieu of any previously applicable Inflation Index) for the purposes of the Notes by using the following methodology:

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- (a) If at any time a Successor Inflation Index has been designated by the calculation 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 Condition 8.2(b), 8.2(c) or 8.2(d) below; or
- (b) If a Successor Inflation Index has not been determined under Condition 8.2(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 8.2(a) or 8.2(b) above, the Determination Agent shall ask five leading independent dealers to state what the replacement Inflation 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 Inflation 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 8.2(d) below; or
- (d) If no Successor Inflation Index has been determined under Condition 8.2(a), 8.2(b) or 8.2(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.
- 8.3 **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 Inflation Index**”) will be used for purposes of determining the level of such Inflation Index from the date of such rebasing; provided, however, that the Determination Agent shall make such adjustments as are made by the calculation agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Inflation Index so that the Rebased Inflation 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 Inflation Index so that the Rebased Inflation 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.
- 8.4 **Material Modification Prior to Payment Date:** If, on or prior to the day that is five Business Days before an Interest Payment 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.
- 8.5 **Manifest Error in Publication:** If, within thirty days of publication and prior to any relevant Interest Payment 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 19 (*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 such Interest Payment 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 such Interest Payment 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 or other relevant payment date in relation to the Notes, within five Business Days after notice of such amount payable by the Determination Agent.

- 8.6 **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 8 (*Inflation-Linked Note Provisions*), 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 Inflation 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 19 (*Notices*).

8.7 **Inflation-Linked Rates**

If the Notes are specified in the applicable Final Terms as Inflation-Linked Notes and the applicable Final Terms specify:

- (a) “**Leveraged Inflation Coupon**”, the Issuer shall, on each Interest Payment Date, pay interest on the Notes in an amount (which may be zero) per Calculation Amount determined by the Determination Agent in accordance with the following formula:

$$\text{Calculation Amount} \times \left\{ \left[ \text{Leverage} \times \left( \frac{CPI_n}{CPI_m} - 1 \right) \right] + \text{Spread} \right\} \times \text{Day Count Fraction}$$

provided that if the applicable Final Terms specify:

- (i) an Interest Cap, the amount calculated in accordance with the above formula shall not exceed the Interest Cap; or
  - (ii) an Interest Floor, the amount calculated in accordance with the above formula shall not be less than the Interest Floor; or
  - (iii) an Interest Cap and an Interest Floor, the amount calculated in accordance with the above formula shall not exceed the Interest Cap and shall not be less than the Interest Floor.
- (b) “**Real Inflation Coupon**”, the Issuer shall, on each Interest Payment Date, pay interest on the Notes in an amount (which may be zero) per Calculation Amount determined by the Determination Agent in accordance with the following formula:

$$\text{Calculation Amount} \times \text{Leverage} \times \frac{CPI_n}{CPI_{\text{Initial}}} \times \text{Day Count Fraction}$$

provided that if the applicable Final Terms specify:

- (i) an Interest Cap, the amount calculated in accordance with the above formula shall not exceed the Interest Cap; or

- (ii) an Interest Floor, the amount calculated in accordance with the above formula shall not be less than the Interest Floor; or
  - (iii) an Interest Cap and an Interest Floor, the amount calculated in accordance with the above formula shall not exceed the Interest Cap and shall not be less than the Interest Floor.
- (c) “**Cumulative Inflation Coupon**”, the Issuer shall, on each Interest Payment Date, pay interest on the Notes in an amount (which may be zero) per Calculation Amount determined by the Determination Agent in accordance with the following formula:

$$\text{Calculation Amount} \times \text{Leverage} \times \left( \frac{CPI_n}{CPI_{initial}} - 1 \right) \times \text{Day Count Fraction}$$

provided that if the applicable Final Terms specify:

- (i) an Interest Cap, the amount calculated in accordance with the above formula shall not exceed the Interest Cap; or
- (ii) an Interest Floor, the amount calculated in accordance with the above formula shall not be less than the Interest Floor; or
- (iii) an Interest Cap and an Interest Floor, the amount calculated in accordance with the above formula shall not exceed the Interest Cap and shall not be less than the Interest Floor.

8.8 **Calculation of Interest Amount:** In respect of Inflation-Linked Notes, the Determination 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 Inflation-Linked Note for such Interest Period. The Interest Amount will be calculated by the Determination Agent in accordance with the formula set out above, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half of any such 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.

8.9 **Publication:** The Determination 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 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 Determination 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 Determination 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.

8.10 **Notifications etc.:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 (*Inflation-Linked Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, 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.

8.11 **Definitions Applicable to Inflation-Linked Notes**

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

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“**Affected Payment Date**” means each Interest Payment 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);

“**CPI<sub>Final</sub>**” means the official determination of the Inflation Index published for the Determination Month (Final) subject to adjustment in accordance with the provisions of Condition 8 (*Inflation-Linked Note Provisions*);

“**CPI<sub>Initial</sub>**” means either of the following as specified in the applicable Final Terms: (i) the value specified as “CPI<sub>Initial</sub>” in the applicable Final Terms, or (ii) the Initial Inflation Index Level;

“**CPI<sub>m</sub>**” means, in respect of each Interest Payment Date and each Interest Period ending on (but excluding) such Interest Payment Date, the official determination of the Inflation Index published for the Determination Month (m) in respect of such Interest Payment Date, subject to adjustment in accordance with the provisions of Condition 8 (*Inflation-Linked Note Provisions*);

“**CPI<sub>n</sub>**” means, in respect of each Interest Payment Date and each Interest Period ending on (but excluding) such Interest Payment Date, the official determination of the Inflation Index published for the Determination Month (n) in respect of such Interest Payment Date, subject to adjustment in accordance with the provisions of Condition 8 (*Inflation-Linked Note Provisions*);

“**Determination Date**” means, subject to the Conditions, the date specified as such in the applicable Final Terms;

“**Determination Month**” means, in respect of each Interest Payment Date, the month specified as such in the applicable Final Terms, which may, without limitation, also be expressed as a specified number of months before or after, as specified in the applicable Final Terms, the relevant Interest Payment Date;

“**Determination Month (Final)**” means a calendar month of the year specified as such in the applicable Final Terms, and each Determination Month (Final) shall be a “Reference Month” for the purposes of the Conditions;

“**Determination Month (Initial)**” means a calendar month of the year specified as such in the applicable Final Terms, and each Determination Month (Initial) shall be a “Reference Month” for the purposes of the Conditions;

“**Determination Month (m)**” means, any of the following as specified in the applicable Final Terms: (i) in respect of each Interest Payment Date and the Interest Period ending on (but excluding) such Interest Payment Date, the calendar month of the year specified in the column headed “Determination Month (m)” of the Determination Month Table in the row corresponding to the date (specified in the column headed “Interest Payment Date(s)”) on which such Interest Payment Date is scheduled to fall, or (ii) in respect of each Interest Period and the Interest Payment Date on which such Interest Period ends (but is not included in such Interest Period), a specified number of calendar months before or after (or the same calendar month as) the month in which such Interest Payment Date falls, or (iii) in respect of each Interest Period and the Scheduled Interest Payment Date on which such Interest Period ends (but is not included in such Interest Period), a specified number of calendar months before or after (or the same calendar month as) the month in which the Scheduled Interest Payment Date falls. Each Determination Month (m) shall be a “Reference Month” for the purposes of the Conditions;

“**Determination Month (n)**” means, any of the following as specified in the applicable Final Terms: (i) in respect of each Interest Payment Date and the Interest Period ending on (but excluding) such Interest Payment Date, the calendar month of the year specified in the column headed “Determination Month (n)” of the Determination Month Table in the row corresponding to the date (specified in the column headed “Interest Payment Date(s)”) on which such Interest Payment Date is scheduled to fall, or (ii) in respect of each Interest Period and the Interest Payment Date on which such Interest Period ends (but is not included in such Interest Period), a specified number of calendar months before or after (or the same calendar month as) the month in which such Interest Payment Date falls, or (iii) in respect of each Interest Period and the Scheduled Interest Payment Date on which such Interest Period ends (but is not included in such Interest Period), a specified number of calendar months before or after (or the same calendar month as) the month in which the Scheduled Interest Payment Date falls. Each Determination Month (n) shall be a “Reference Month” for the purposes of the Conditions;

“**Determination Month Table**” means a table specified as such in the applicable Final Terms, which will be in or substantially in the form set out below;

<b>Determination Month Table</b>		
<b>Interest Payment Date(s)</b>	<b>Determination Month (n)</b>	<b>Determination Month (m)</b>
<i>[insert date] (repeat as required)</i>	<i>[insert calendar month and year] (repeat as required)</i>	<i>[insert calendar month and year] (repeat as required)</i>

“**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 Issue 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

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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 applicable 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;

“**Initial Inflation Index Level**” means the official determination of the Inflation Index published for the Determination Month (Initial) subject to adjustment in accordance with the provisions of Condition 8 (*Inflation-Linked Note Provisions*);

“**Interest Cap**” means an amount specified as such in the applicable Final Terms;

“**Interest Floor**” means an amount specified as such in the applicable Final Terms;

“**Interest Period**” means each period specified as such in the applicable Final Terms, and may be expressed as beginning on (and including) a specified date and ending on (and not including) another date;

“**Leverage**” means the percentage rate specified as such in the applicable Final Terms;

“**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. 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 the Conditions, the Determination Agent shall use the Fallback Bond (as that term is defined in this Condition 8.11 (*Definitions Applicable to Inflation-Linked Notes*)). 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 8.1 (*Delay of Publication*), in respect of an Affected Payment Date; and

“**Successor Inflation Index**” has the meaning specified in Condition 8.2 (*Cessation of Publication*).

## 9. **AUTOMATIC CHANGE OF INTEREST BASIS**

If the applicable Final Terms specify “Automatic Change of Interest Basis” to be applicable, then the Rate of Interest in respect of an Interest Period and/or Interest Payment Date will be determined in accordance with the Interest Basis applicable to such Interest Period and/or Interest Payment Date specified in the Interest Basis Table set out in the applicable Final Terms.

## 10. **REDEMPTION AND PURCHASE**

- 10.1 **Scheduled Redemption.** Unless previously redeemed or cancelled, and unless otherwise specified in the Conditions, Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*) in accordance with the Conditions.

10.2 **Tax Redemption.** Notes may be redeemed in whole (but not in part), at the option of the Issuer at any time prior to maturity, upon the giving of a notice of redemption as described below in Condition 19 (*Notices*), if the Issuer determines that, as a result of:

- (a) any change in or amendment to the laws, or any regulations or rulings promulgated under the laws, of the United States or of any political subdivision or taxing authority of or in the United States affecting taxation; or
- (b) any change in official position regarding the application or interpretation of the laws, regulations or rulings referred to above;

which change or amendment becomes effective on or after the date of the applicable Final Terms in connection with the issuance of the Notes, the Issuer is or will become obligated to pay Additional Amounts with respect to the Notes as described in Condition 12 (*Taxation*). The Notes will be redeemed at the Early Redemption Amount (Tax).

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.

10.3 **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 the number of days' notice equal to the Minimum Notice Number of Day(s) nor more than the number of days' notice equal to the Maximum Notice Number of Day(s) 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).<sup>3</sup>

10.4 **Partial Redemption.** If the Notes are to be redeemed in part only on any date in accordance with Condition 10.3 (*Redemption at the Option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 10.3 (*Redemption at the Option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed.

10.5 **Purchase:** Morgan Stanley or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

10.6 **Cancellation:** All Notes so redeemed shall, and all Notes so purchased by Morgan Stanley or any of its Subsidiaries may, at the discretion of the relevant purchaser, be cancelled. All Notes so redeemed, and all Notes so purchased and cancelled, may not be reissued or resold.

#### 10.7 **Definitions**

In these Conditions:

“**Maximum Notice Number of Day(s)**” means the number of days specified in the Final Terms; and

“**Minimum Notice Number of Day(s)**” means the number of days specified in the Final Terms.

#### 11. **PAYMENTS**

11.1 **Principal:** Subject to Condition 11.3 (*Payments of Principal and Interest in CNY*), payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth (15th) day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be

<sup>3</sup> Clearstream, Luxembourg and Euroclear require a minimum notice period of 5 business days.

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- credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- 11.2 **Interest:** Subject to Condition 11.3 (*Payments of Principal and Interest in CNY*), payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth (15th) day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- 11.3 **Payments of Principal and Interest in CNY:** Notwithstanding Conditions 11.1 (*Principal*) and 11.2 (*Interest*), in respect of CNY Notes, no payment of principal or interest in CNY will be made by cheque and all payments to Noteholders will be made solely (i) for so long as the CNY Notes are represented by a Note held with the common depository for Clearstream Banking SA and Euroclear Bank SA/NV or any Relevant Clearing System, by transfer to a CNY bank account maintained in Hong Kong, or (ii) for so long as the Notes are in definitive form, by transfer to a CNY bank account maintained in Hong Kong, in each case in accordance with prevailing rules and regulations.
- 11.4 **Payments Subject to Fiscal Laws:** All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 12 (Taxation) and (ii) any withholding or deduction required pursuant to an agreement described in in Section 1471(b) of the United States Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- 11.5 **Payments on Payment Business Days:** Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 (*Payments*) arriving after the due date for payment or being lost in the mail.
- 11.6 **Partial payments:** If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- 11.7 **Record date:** Each payment in respect of a Note will be made to the person shown as the holder in the Register at the opening of business in the place of the Registrar's Specified Office on such number of days before the due date for such payment as is specified in the applicable Final Terms (the “**Record Date**”). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the Register at the opening of business on the relevant Record Date.

11.8 **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:

- (i) of the Specified Currency for U.S. dollars for settlement on the payment date;
- (ii) in the aggregate amount of the Specified Currency payable to those holders or beneficial owners of Notes; and
- (iii) 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 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 or 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 or default.

## 12. TAXATION

12.1 **Additional Amounts:** If the applicable Final Terms specify “**Additional Amounts**” as being applicable in respect of any Series of Notes, the Issuer will, subject to certain exceptions and limitations set forth below, pay those additional amounts (the “**Additional Amounts**”) to any Noteholder who is a U.S. Alien (as defined below) as may be necessary in order that every net payment of the principal of and interest in respect of the Note and any other amounts payable on the Note after withholding for or on account of any present or future tax, assessment or governmental charge imposed upon or as a result of that payment by the United States or any political subdivision or taxing authority thereof or therein, will not be less than the amount provided for in the Note to be then due and payable.

The Issuer will not, however, be required to make any payment of Additional Amounts to any Noteholder for or on account of:

- (a) any present or future tax, assessment or other governmental charge that would not have been so imposed but for:
  - (i) the existence of any present or former connection between the Noteholder, or between a fiduciary, settlor, beneficiary, member or shareholder of the Noteholder, if the Noteholder is an estate, a trust, a partnership or a corporation, and the United States or its possessions, including, without limitation, the Noteholder, or such fiduciary, settlor, beneficiary, member or shareholder, being

## Terms and Conditions of the Notes

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- or having been a citizen or resident of the United States or being or having been engaged in the conduct of a trade or business or present in the United States or having, or having had, a permanent establishment in the United States, or
- (ii) the presentation by the Noteholder for payment on a date more than 15 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
  - (b) any estate, inheritance, gift, sales, transfer, capital gains, corporation, income or personal property tax or any similar tax, assessment or governmental charge;
  - (c) any tax, assessment or other governmental charge imposed by reason of the Noteholder's past or present status as a personal holding company or controlled foreign corporation or passive foreign investment company for U.S. federal income tax purposes or as a corporation that accumulates earnings to avoid U.S. federal income tax or as a private foundation or other tax-exempt organisation;
  - (d) any tax, assessment or other governmental charge that is payable otherwise than by withholding from payments on or in respect of any Note;
  - (e) any tax, assessment or other governmental charge that would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence or identity or connection with the United States of the holder or beneficial owner of that Note, if compliance is required by statute or by regulation or published administrative guidance of the United States or of any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from the tax, assessment or other governmental charge;
  - (f) any withholding tax imposed under Sections 1471 through 1474 of the Code and any applicable U.S. Treasury regulations promulgated thereunder or published administrative guidance implementing such sections of the Code (including withholding resulting from any inter-governmental agreement or other agreement with the United States in connection with such sections of the Code, regulations and/or guidance);
  - (g) any tax, assessment or other governmental charge imposed by reason of the Noteholder's past or present status as the actual or constructive owner of 10 per cent. or more of the total combined voting power of all classes of stock entitled to vote of Morgan Stanley or as a direct or indirect subsidiary of Morgan Stanley; or
  - (h) any combination of the items listed above.

Nor will Additional Amounts be paid with respect to any payment on a Note to a U.S. Alien who is a fiduciary or partnership or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the United States (or any political subdivision thereof) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary or a member of that partnership or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Noteholder.

The term “**U.S. Alien**” means any person who, for U.S. federal income tax purposes, is a foreign corporation, a nonresident alien individual, a foreign trust, or a foreign partnership one or more of the members of which is a foreign corporation, a nonresident alien individual or a nonresident alien fiduciary of a foreign estate or trust.

### 13. EVENTS OF DEFAULT

#### 13.1 If any of the following events (each, an “Event of Default”) occurs and is continuing:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes or fails to pay any amount of interest in respect of the Notes, in each case within thirty days of the respective due date for payment thereof; or

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- (b) ***Insolvency, etc.***: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), (iii) the Issuer takes any action for a composition with or for the benefit of its creditors generally, or (iv) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), and 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.

- 13.2 ***Annulment of Acceleration and Waiver of Defaults.*** In some circumstances, if any or all Events of Default, other than the non-payment of the principal of the Notes of a Series that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the holders of a majority in principal amount of such Series of Notes (voting as one class) may annul past declarations of acceleration of or waive past defaults of the Notes. However, any continuing default in payment of principal of or any premium or interest on those Notes may not be waived.

#### 14. **PRESCRIPTION**

- 14.1 Claims for principal and interest on redemption in respect of Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

#### 15. **REPLACEMENT OF NOTES**

If any Note or Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, during normal business hours (and, if the Notes are then 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 or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Note Certificates must be surrendered before replacements will be issued.

#### 16. **AGENTS**

- 16.1 In acting under the Issue and Paying 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.
- 16.2 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 Bank of New York Mellon, London Branch. The Issuer reserves the right at any time to vary or terminate the appointment of any

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

- (a) there shall at all times be a Registrar appointed in respect of the Notes;
- (b) if a Calculation Agent is specified in the applicable Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (c) if a Determination Agent is specified in the applicable Final Terms, the Issuer shall at all times maintain a Determination Agent; and
- (d) 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 and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

16.3 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 19 (*Notices*).

## 17. MEETINGS OF NOTEHOLDERS AND MODIFICATION

17.1 **Meetings of Noteholders:** The Issue and Paying Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented, provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

### 17.2 Modification

- (a) The Notes and the Conditions may be amended without the consent of the Noteholders where, in the opinion of the Issuer:
  - (i) the amendment is to correct a manifest error or to effect a modification which is of a formal, minor or technical nature; or
  - (ii) the amendment is not materially prejudicial to the interest of the Noteholders.
- (b) The parties to the Issue and Paying Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in its opinion, not materially prejudicial to the interests of the Noteholders.

17.3 **Interests of Noteholders:** In connection with the Conditions, the Issuer and the Fiscal Agent shall have regard to the interests of the Noteholders as a class. In particular, but without limitation, the Issuer and the Fiscal Agent shall not have regard to the consequences for individual Noteholders

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- resulting from such individual Noteholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.
- 17.4 **Severance:** Should any of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way.
18. **FURTHER ISSUES**
- The Issuer may from time to time, without the consent of the Noteholders, create and 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.
19. **NOTICES**
- 19.1 **Notes:** Notices to holders of Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective last addresses on the Register and, to the extent the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Luxembourg Regulated Market, notices to holders will be published in accordance with the rules of the Luxembourg Stock Exchange, and, if permitted by the rules and regulations of the Luxembourg Stock Exchange, on the Issuer's website at [www.morganstanleyiq.eu](http://www.morganstanleyiq.eu).
- 19.2 **Unlisted Notes:** Notices to Noteholders of non-listed Notes may be published, as specified in the applicable Final Terms, in newspapers, on the Issuer's website at [www.morganstanleyiq.eu](http://www.morganstanleyiq.eu), or otherwise.
20. **LOSSES**
- In no event shall the Issuer or the Agents have any liability for indirect, incidental, consequential or other damages (whether or not it may have been advised of the possibility of such damages) other than interest until the date of payment on sums not paid when due in respect of any Notes or assets not delivered when due. Noteholders are entitled to damages only and are not entitled to the remedy of specific performance in respect of any Note.
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 the 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.
22. **ROUNDING**
- For the purposes of any calculations referred to in the Conditions (unless otherwise specified in the 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 (or if specified in the applicable Final Terms, upward) to the next lower whole

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- 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, RENOMINALISATION AND RECONVENTIONING**
- 23.1 **Application:** This Condition 23 (*Redenomination, Renominalisation and Reconventioning*) 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 the 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:** Following redenomination of the Notes pursuant to this Condition 23 (*Redenomination, Renominalisation and Reconventioning*), where Notes have been issued in definitive form, the amount of interest due in respect of such Notes will be calculated by reference to the aggregate principal amount of the Notes presented for payment by the relevant holder.
- 23.5 **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 Floating Interest Rate(s) 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. **INCONVERTIBILITY EVENTS**
- 24.1 If, in respect of any Series of Notes, the applicable Final Terms specifies that "Inconvertibility Event Provisions" are applicable, this Condition 24 (*Inconvertibility Events*) shall apply in respect of such Notes.
- 24.2 If, at any time during the term of such Notes, the Determination Agent determines that an Inconvertibility Event has occurred, it will inform the Issuer of the occurrence of such event. Following the determination by the Determination Agent of the occurrence of an Inconvertibility Event, the Issuer may, at its sole and absolute discretion, provide a notice of the occurrence of such an event of inconvertibility to the holders of the Notes in accordance with Condition 19 (*Notices*) electing either:
- (a) If "**Converted Payment**" is specified in the applicable Final Terms: to continue making any payments due under such Notes until the Maturity Date, in which case, any amount due under such Notes shall be converted from the Relevant Currency into the Inconvertibility Specified Currency at the Fallback FX Spot Rate determined by the Determination Agent in its sole and absolute discretion; or
- (b) If "**Early Redemption**" is specified in the applicable Final Terms: to early redeem the Notes on a specified date (such date, the "**Inconvertibility Early Redemption Date**"), in

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which case the Notes shall early redeem at the Inconvertibility Early Redemption Amount on such Inconvertibility Early Redemption Date. The Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount; or

- (c) If “**Suspended Payment**” is specified in the applicable Final Terms: to suspend the payment until such number of Business Days as are specified in the applicable Final Terms after the Determination Agent has notified the Issuer that, in the Determination Agent's sole and absolute discretion, the Inconvertibility Event has ceased or is no longer in effect.

**provided that** the Issuer may, at any time from and including the Trade Date to and including the Maturity Date, subsequent to the despatch of a notice electing one of the selected options other than “Early Redemption”, dispatch a second notice electing “Early Redemption”, **provided that** such option was specified as applicable in the applicable Final Terms, in which case the Notes will be redeemed in accordance with the terms of “Early Redemption” above and the date specified in such notice will be the Inconvertibility Early Redemption Date.

For the avoidance of doubt, failure to deliver such notice or the failure of the recipient to receive such notice will not affect the Issuer's ability to make payments according to the option it selected.

#### 24.3 Definitions:

“**Fallback FX Spot Rate**” means the relevant currency exchange rate determined in accordance with the applicable Settlement Rate Option and, if a Settlement Rate Option is not applicable, the currency exchange rate at the time at which such rate is to be determined for foreign exchange transactions in the Specified Currency or the Inconvertibility Specified Currency for value on the relevant Inconvertibility Early Redemption Date, as determined in good faith and in a commercially reasonable manner by the Determination Agent;

An “**Inconvertibility Event**” shall be deemed to have occurred if from (and including) the Trade Date to (and including) the Maturity Date, any event or circumstance occurs that generally makes it, in the sole and absolute discretion of the Determination Agent, impossible, unlawful or impracticable for the Issuer, the Determination Agent or any of its affiliates for any reason beyond their reasonable control:

- (i) to convert the Relevant Currency into the Inconvertibility Specified Currency or the Inconvertibility Specified Currency into the Relevant Currency (whether directly or through a cross exchange rate) through customary legal channels; or
- (ii) to determine the rate of conversion of the Inconvertibility Specified Currency into the Relevant Currency or the Relevant Currency into the Inconvertibility Specified Currency or
- (iii) to transfer, or make a payment in, or delivery of, the Relevant Currency from or to, outside, or inside, of the Relevant Jurisdiction, in each case under (i), (ii) or (iii), in an amount up to the total amount of payment due to be made by the Issuer under the Notes; or
- (iv) to determine a rate at which any Relevant Currency can be lawfully exchanged for U.S. dollars; or
- (v) to convert any Relevant Currency into U.S. dollars; or
- (vi) for the Issuer or any of its affiliates to hold, purchase, sell or otherwise deal in any Notes, or any other property in order for the Issuer or any of its affiliates to perform any related hedging arrangement, or for the purposes of the Issuer or the Issuer's obligations in respect of any Notes;

“**Inconvertibility Early Redemption Amount**” means:

- (i) If “**Fixed Redemption**” is specified in the applicable Final Terms, an amount per Calculation Amount as specified as such in the applicable Final Terms;

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- (ii) if “**Early Redemption Amount**” is specified in the applicable Final Terms, an amount equal to (i), the Early Redemption Amount, (ii) converted from the Relevant Currency into the Inconvertibility Specified Currency at the exchange rate (expressed as a number of the Relevant Currency per one unit of the Inconvertibility Specified Currency) determined by the Determination Agent in its sole and absolute discretion for settlement on or about the relevant payment date and (iii) less the reasonable cost to and/or the loss realised by, the Issuer and/or any Affiliate in respect of break funding costs for the Issuer term financing associated with such early redemption of the Notes, in each case as calculated by the Determination Agent in its sole and absolute discretion; or
- (iii) if “**Fair market value**” is specified in the applicable Final Terms, an amount, in the Inconvertibility Specified Currency, equal to the fair market value of such Notes, 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 Inconvertibility Early Redemption Date), 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] or in respect of break funding costs for the Issuer's term financing associated with such early redemption of the Notes, in each case as calculated by the Determination Agent in its sole and absolute discretion.

“**Inconvertibility Specified Currency**” means the currency specified in the applicable Final Terms;

“**Relevant Currency**” means the currency as specified in the applicable Final Terms; and

“**Relevant Jurisdiction**” means the jurisdiction as specified in the applicable Final Terms.

## 25. CNY DISRUPTION EVENTS

25.1 In the event that a CNY Disruption Event, as determined by the Determination Agent in its sole discretion, occurs on or prior to any date on which a payment is scheduled to be made under a CNY Note (including, but not limited to, an Interest Payment Date or the Maturity Date) and such CNY Disruption Event is continuing on such date (any such CNY Note so affected, an “**Affected CNY Note**”), the following terms will apply:

- (a) first, payments under the Affected CNY Note shall be postponed to two Hong Kong Business Days after the date on which the CNY Disruption Event ceases to exist, unless that CNY Disruption Event continues to exist for 14 consecutive calendar days from the original date that, but for the occurrence of the CNY Disruption Event, would have been the date for such payments (which payment date may be, but is not limited to, an Interest Payment Date or the Maturity Date). In that case, the provisions of sub-paragraph (b) below will apply on the day immediately following the lapse of such 14 calendar day period;
- (b) second, the relevant payment obligations under the Affected CNY Note shall be replaced by an obligation to pay an amount that would be due as if settlement were non-deliverable with the effect that any amounts in CNY payable under the Affected CNY Note shall be converted into an amount in USD as calculated by the Determination Agent in its sole discretion. All the payments hereunder shall be made in USD on the relevant Non-Deliverable Substitute Settlement Date. For the avoidance of doubt, this sub-paragraph (b) shall only apply to any payment which is scheduled to occur on a date (which may be, but is not limited to, the Maturity Date or an Interest Payment Date) that is affected by the CNY Disruption Event and shall not affect any payments falling due on any other dates.

25.2 For the purpose of this Condition 25 (*CNY Disruption Events*):

“**CNY Disruption Event**” means any of CNY Illiquidity, CNY Inconvertibility or CNY Non-Transferability.

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“**CNY Illiquidity**” means, as determined by the Determination Agent in its sole discretion, the occurrence of any event that makes it impossible (where it had previously been possible) for the Issuer to obtain a firm quote of an offer price in respect of an amount in CNY equal to the then current outstanding principal amount of the relevant Affected CNY Notes, any interest or any other amount to be paid under such Notes (the “**Relevant Disrupted Amount**”), during the term of such Notes, either in one transaction or a commercially reasonable number of transactions that, when taken together, is no less than such Relevant Disrupted Amount, in the general CNY exchange market in each Offshore CNY Center in order to perform its obligations under the Affected CNY Notes.

“**CNY Inconvertibility**” means, as determined by the Determination Agent in its sole discretion, the occurrence of any event that makes it impossible (where it had previously been possible) for the Issuer to convert an amount of CNY no less than the Relevant Disrupted Amount into or from USD in the general CNY exchange market in each Offshore CNY Center.

“**CNY Non-Transferability**” means, as determined by the Determination Agent in its sole discretion, the occurrence in each Offshore CNY Center of any event that makes it impossible (where it had previously been possible) for the Issuer to transfer CNY (a) between accounts inside the Offshore CNY Center, (b) from an account inside the Offshore CNY Center to an account outside such Offshore CNY Center and outside mainland China, or (c) from an account outside an Offshore CNY Center and outside mainland China to an account inside the Offshore CNY Center. For the purpose of CNY Non-Transferability and Hong Kong as an Offshore CNY Center only, a segregated Chinese Renminbi fiduciary cash account with the People's Bank of China and operated by Bank of China (Hong Kong) Limited shall be deemed to be an account inside Hong Kong.

“**CNY Notes**” means Notes denominated in CNY or Renminbi deliverable in Hong Kong, or such other CNY Center as specified in the applicable Final Terms.

“**Hong Kong Business Day**” means any day, other than a Saturday or a Sunday, that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close in Hong Kong.

“**Non-Deliverable Substitute Settlement Date**” means, in respect of any payment date determined pursuant to the terms herein, subject to adjustment in accordance with the provisions of Condition 25.1(a) and/or any Business Day Convention applicable to the terms of an Affected CNY Note, the day determined by the Determination Agent which shall be as soon as practicable, but in no event later than two (2) Hong Kong Business Days after the date on which the USD/CNY Spot Rate is determined.

“**Offshore CNY Center**” means Hong Kong, or such other CNY Center as specified in the applicable Final Terms.

“**USD/CNY Spot Rate**” means the Chinese Renminbi/U.S. dollar official fixing rate, expressed as the amount of Chinese Renminbi per one U.S. dollar, for settlement in two Hong Kong Business Days reported by the Treasury Markets Association which appears on Reuters page <CNHFIX=> at approximately 11:15 a.m., Hong Kong time (the “**Spot USD/CNY(HK) Fixing**”). In the event that the Spot USD/CNY(HK) Fixing is not available, the Determination Agent may in its sole discretion: (a) delay the determination of the USD/CNY Spot Rate until such day that the Spot USD/CNY(HK) Fixing is available or (b) determine the USD/CNY spot rate in its sole discretion.

For the avoidance of doubt, references to “general CNY exchange market in each Offshore CNY Center” in the definitions of CNY Illiquidity and CNY Inconvertibility refers to purchase, sale, lending or borrowing of CNY for general purpose (including, but not limited to, funding), and therefore any purchase or sale of CNY where such CNY is required by relevant laws or

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regulations for settlement of any cross-border trade transaction with an entity in mainland China, or any purchase or sale of CNY for personal customers residing in each such Offshore CNY Center, would not be purchase or sale made in such general CNY exchange market.

26. **SUBSTITUTION**

26.1 *Substitution of Issuer with Morgan Stanley Group entities*

Subject to the conditions set out in this Condition 26 (Substitution), the Issuer may, at any time, without the consent of Noteholders, substitute a subsidiary of Morgan Stanley in place of the Issuer as principal debtor under the Notes, provided that any Notes in respect of which such a substitution is effected will be fully and unconditionally guaranteed pursuant to a guarantee of Morgan Stanley as to the payment of principal of, premium, interest and supplemental amounts, if any, and any Additional Amounts on those Notes when and as the same will become due and payable, whether at maturity or otherwise, and provided further that under the terms of the guarantee, Noteholders will not be required to exercise their remedies against the substitute prior to proceeding directly against Morgan Stanley (as guarantor);

26.2 *Substitution of Issuer with non Morgan Stanley Group entities*

Subject to the conditions set out in this Condition 26 (Substitution), the Issuer may, at any time, without the consent of the Noteholders, substitute for itself any entity which is not a Morgan Stanley Group entity provided that such entity is, on the date of such substitution and in the opinion of the Issuer of at least the equivalent creditworthiness (this will be deemed to be the case where the Substitute (defined below) has a long term credit rating from at least one rating agency of standard application on the international capital markets (including but not limited to S&P, Moody's and Fitch) which is at least as high as the Issuer) to the Issuer.

26.3 *Conditions to substitution*

Substitution of the Issuer for another entity (the “**Substitute**”) as provided in Condition 26.1 (*Substitution of Issuer with Morgan Stanley Group entities*) or 26.2 (*Substitution of Issuer with non Morgan Stanley Group entities*) above (as applicable) are subject to the following conditions:

- (a) the Substitute becoming party to the Issue and Paying Agency Agreement with any appropriate consequential amendments, as if it had been an original party to it in place of the Issuer;
- (b) the Substitute is validly existing under the laws under which it is established or incorporated, has capacity to assume all rights, obligations and liabilities under the Notes, receipts, coupons, and has obtained all necessary corporate authorisations to assume all such rights, obligations and liabilities under the Notes;
- (c) the Substitute has obtained all necessary governmental or regulatory approvals and consents for the performance by it of its obligations in connection with the Notes and that all such approvals and consents are in full force and effect;
- (d) in the case of substitution of the Issuer pursuant to Condition 26.2 (*Substitution of Issuer with non Morgan Stanley Group entities*) above only:
  - (i) the Substitute and the Issuer having obtained legal opinions from independent legal advisers of recognised standing in the country of incorporation of the Substitute and in New York that the obligations of the Substitute under the Notes are legal, valid and binding obligations of the Substitute; and
  - (ii) if the relevant Notes are rated at the relevant time, the Substitute has obtained, prior to the substitution date, a written confirmation from the relevant rating agencies that the substitution will not result in whole or in part in a withdrawal, downgrading, placement in creditwatch or negative outlook of the Notes;
- (e) all consents and approvals as required have been obtained and that the Substitute and the Notes comply with all applicable requirements of the Securities Act;

## Terms and Conditions of the Notes

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- (f) the Fiscal Agent has confirmed to the Issuer that it has completed its relevant “know your customer” requirements on the proposed Substitute;
  - (g) such substitution being permitted by the rules of any stock exchange on which the Notes are listed and each such stock exchange confirming that, following the proposed substitution of the Substitute, the Notes will continue to be listed on such stock exchange;
  - (h) no payment in respect of the Notes, receipts and coupons is overdue at the relevant time;
  - (i) at the time of any such substitution, the Substitute is in a position to fulfil all payment obligations arising from or in connection with the Notes in freely convertible and transferable lawful money without the necessity of any taxes or duties to be withheld at source, and to transfer all amounts which are required therefor to the Fiscal Agent without any restrictions; and
  - (j) if appropriate, the Substitute appointing a process agent as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes.

### 26.4 *Reference in the Conditions to the Issuer*

In the event of a substitution pursuant to this Condition 26, any reference in the Conditions to the Issuer shall be construed as a reference to the entity substituted.

### 26.5 *Notification to Noteholders*

The Issuer shall as soon as reasonably practicable notify Noteholders of the substitution in accordance with Condition 19 (*Notices*).

### 26.6 *No obligation to have regard to the consequences of the exercise of the right of substitution*

In connection with the right of substitution under this Condition 26, the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Noteholders provided that the Substitute indemnifies each holder of Notes, receipts and coupons against any tax, assessment or governmental charge imposed on such Noteholder or required to be withheld or deducted as a consequence of such substitution.

## 27. **REPRESENTATIONS AND ACKNOWLEDGEMENTS BY NOTEHOLDERS**

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

- 27.1 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); and
- 27.2 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.

## 28. **GOVERNING LAW AND JURISDICTION**

- 28.1 **Governing Law:** The Notes will be governed by the laws of the State of New York.

## Terms and Conditions of the Notes

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28.2 **Jurisdiction:** Morgan Stanley for the benefit of the Noteholders hereby (i) irrevocably submits to the non-exclusive jurisdiction of any New York State court or United States federal court sitting in the Borough of Manhattan in the City of New York solely for purposes of any legal action or proceeding arising out of or relating to the Notes or this Agreement and (ii) irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any legal action or proceeding in any New York State court or United States federal court sitting in the Borough of Manhattan in the City of New York, and any claim that any such action or proceedings brought in any such court has been brought in an inconvenient forum. Morgan Stanley agrees that a final judgment in any such legal action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

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**PRO FORMA FINAL TERMS FOR NOTES**

**Final Terms dated [●]**

**MORGAN STANLEY**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Under the Base Prospectus for the Issuance of Notes, Series A and Series B  
under the Regulation S Program for the Issuance of Notes, Series A and Series B, Warrants and Certificates

**PART A — CONTRACTUAL TERMS**

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 19 April 2017 [and the supplement[s] dated [●],[●] ... [●]] to the Base Prospectus] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended and includes any implementing measures in a relevant Member State (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 the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [However, a summary of the Issue is annexed to these Final Terms.]<sup>4</sup> Copies of the Base Prospectus [and any supplement(s) thereto] are available from the offices of Morgan Stanley & Co. International plc at 25 Cabot Square, Canary Wharf, London, E14 4QA [and on the Issuer's website at www.morganstanleyiq.eu] and copies of the Base Prospectus [and any supplement(s) thereto] and these Final Terms are available on the website of the Luxembourg Stock Exchange at www.bourse.lu.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date:*

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 [8 April 2016] [and the supplement to it dated 20 January 2017] which are incorporated by reference in the Base Prospectus dated 19 April 2017. 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 the Base Prospectus dated [current date] [and the supplement[s] to it dated [●],[●] ... [●]] which together constitutes a base prospectus for the purposes of the Prospectus Directive (the “**Base Prospectus**”), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [However, a summary of the Issue is annexed to these Final Terms.]<sup>5</sup> Copies of the Base Prospectus [and any supplement(s) thereto] are available from the offices of Morgan Stanley & Co. International plc at 25 Cabot Square, Canary Wharf, London, E14 4QA [and on the Issuer's website at www.morganstanleyiq.eu] and copies of the Base Prospectus [and any supplement(s) thereto] and these Final Terms are available on the website of the Luxembourg Stock Exchange at www.bourse.lu.]

*[(Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms)]*

1. a) Series Number: [●]  
b) Series Designation: [Series A] / [Series B]

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<sup>4</sup> Insert if Notes are for denominations lower than EUR 100,000.

<sup>5</sup> Insert if Notes are for denominations lower than EUR 100,000.

Pro Forma Final Terms for Notes

	(c) Tranche Number:	[●] [The Notes will be fungible with the [currency] [●] [Title of the Notes], bearing ISIN [●]]
2.	Specified Currency:	[●]
3.	Aggregate [Nominal Amount]/[Number] of Notes:	[●] <sup>6</sup>
	[[a] Series:	[●]]
	[b) Tranche:	[●]]
4.	Issue Price:	[●] per cent. of par per Note/[●] per Note
5.	a) Specified Denominations (Par):	[●] [and integral multiples of [●] in excess thereof]
	b) Calculation Amount:	[●] <i>(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations)</i>
6.	a) Issue Date:	[●]
	b) Trade Date:	[●]
	c) Interest Commencement Date:	[●] / [Issue Date] / [Not Applicable]
		[OR] [In relation to interest payable under Condition 0 (Fixed Rate Note Provisions), [●]. See paragraph 14 below for further details] [In relation to interest payable under Condition 6 (Floating Rate Note Provisions), [●]. See paragraph 15 below for further details]
7.	Maturity Date:	[[Scheduled Maturity Date is] [●]] / [The Interest Payment Date falling in, or nearest to, [month] [year]] <i>(specify date or, for Floating Rate Notes the Interest Payment Date falling in, or nearest to, the relevant month and year)</i>
8.	Specified Day(s):	[Applicable] / [Not Applicable] <i>(If Not Applicable, delete the below)</i>

<sup>6</sup> 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.

Pro Forma Final Terms for Notes

- [●] [Business Day[s]] / [Clearing System Business Day[s]] / [calendar days]
9. Interest Basis: [Non-interest bearing]
- [Zero Coupon [and]]
- [Fixed Rate Notes [and]]
- [Floating Rate Notes [and]]
- [Inflation-Linked Notes]
- (further particulars specified below)

10. Automatic Change of Interest Basis: [Applicable/Not Applicable]

(Condition 9)

Interest Basis Table		
Interest Commencement Date(s)	Interest Payment Date(s)	Interest Basis
[●] <i>(repeat as required)</i>	[●]/[As set forth in paragraph [●] below <i>(repeat as required)</i>	[Zero Coupon]/ [Fixed Rate Notes]/ [Floating Rate Notes]/ [Inflation-Linked Notes]/ <i>(repeat as required)</i>

11. Final Redemption Amount: [Fixed Final Redemption. The Fixed Final Redemption Amount is [●].]

[Accrued Value. The Accrual Yield is [●] per cent. and the Reference Price is *[specify]*.]

12. Call Option:<sup>7</sup>

Redemption at the option of the Issuer: [Applicable/Not Applicable]

(Condition 10.3)

13. Method of distribution: [Syndicated/Non-syndicated]

<sup>7</sup> Clearstream, Luxembourg and Euroclear require a minimum notice period of 5 business days.

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]  
 (Condition 5 ) *(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)*

a) Fixed Interest Rate: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/ other (*specify*)] in arrear]/

[OR]

Interest Period	Fixed Interest Rate
From (and including) the [Interest Commencement Date]/[Interest Payment Date] [falling on] / [scheduled to fall on] [●] to (but excluding) the Interest Payment Date [falling on] / [scheduled to fall on] [●] [(such scheduled Interest Payment Dates not being adjusted for any Business Day Convention)] <i>(repeat as required)</i>	[●] per cent. per annum [payable [annually/semi-annually/quarterly /monthly/ other ( <i>specify</i> )] in arrear] <i>(repeat as required)</i>

b) Interest Period(s) subject only to Fixed Rate Notes Provisions: From (and including) the [Interest Commencement Date]/[Interest Payment Date] [falling on] / [scheduled to fall on] [●] to (but excluding) the Interest Payment Date [falling on] / [scheduled to fall on] [●] [(such scheduled Interest Payment Dates not being adjusted for any Business Day Convention)]

*(repeat as required)*

c) Interest Payment Date(s): [Each of the [●] day of [month], [month] *(repeat as required)* in each calendar year from (and including) [●] to (and including) [●] / [[●] (*specify dates*)] [, each] [, adjusted in accordance with the Business Day Convention specified below]/[, not adjusted]

*(Specify Interest Payment Dates to which only Fixed Rate Notes Provisions apply)*

d) Business Day Convention: [Following Business Day Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention] / [No Adjustment / Unadjusted]

e) Fixed Coupon Amount(s): [Applicable, [●] per Calculation Amount]/ [Not Applicable]

[OR]

Interest Period	Fixed Coupon Amount
From (and including) the [Interest Commencement Date]/[Interest Payment Date] [falling on] / [scheduled to fall on] [●] to (but excluding) the Interest Payment Date [falling on] / [scheduled to fall on] [●] [(such scheduled Interest Payment Dates not being adjusted for any Business Day Convention)]  <i>(repeat as required)</i>	[●] per Calculation Amount/[Not Applicable]  (repeat as required)

- f) Broken Amount(s): [Applicable, [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]] / [Not Applicable]

[OR]

Interest Payment Date(s)	Broken Amount
[●]  <i>(repeat as required)</i>	[[●] per Calculation Amount] / [Not Applicable]  (repeat as required)

- g) Day Count Fraction: [Actual/Actual ICMA] / [Actual/Actual] / [Actual/Actual (ISDA)] / [Actual/365 Fixed] / [Actual/365L] / [Actual/360] / [30/360] / [30/360 (ICMA)] / [30/360 (ISDA)] / [360/360] / [Bond Basis] / [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)] / [1/1]
- h) Party responsible for calculating the Interest Amount(s): [●] / [Morgan Stanley & Co. International plc]
15. **Floating Rate Note Provisions** [Applicable. The Notes are Floating Rate Notes] / [Not Applicable]
- (Condition 6) *(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)*
- a) Interest Payment Dates: [Each of the [●] day of [month], [month] (repeat as required) in each calendar year from (and including) [●] to (and including) [●]] / [[●] (specify dates) [, each] [,

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- adjusted in accordance with the Business Day Convention specified below)/[, not adjusted]
- b) Interest Period(s): From (and including) the [Interest Commencement Date]/[Interest Payment Date] [falling on] / [scheduled to fall on] [●] to (but excluding) the Interest Payment Date [falling on] / [scheduled to fall on] [●] [(such scheduled Interest Payment Dates not being adjusted for any Business Day Convention)]
- (repeat as required)*
- c) Linear Interpolation: [Applicable in respect of the Interest Period: *(repeat applicable Interest Periods from above)* / [Not Applicable] (Condition 6.4)
- d) Business Day Convention: [Following Business Day Convention] [Modified Following Business Day Convention] /[Modified Business Day Convention] /
- [Preceding Business Day Convention] /
- [FRN Convention. The Specified Period is from (and including) [●] to (but excluding) [●] *(repeat as required)*]/ Floating Rate Convention] /[Eurodollar Convention]/
- [No Adjustment] / [Unadjusted]
- (delete as appropriate)*
- e) Additional Business Centre(s): [●]
- f) Manner in which the Floating Interest Rate(s) is/are to be determined: [Screen Rate Determination] / [ISDA Determination] [CMS Rate Determination] / [Not Applicable]

[OR]

Interest Period	Floating Interest Rate
From (and including) the [Interest Commencement Date]/[Interest Payment Date] [falling on] / [scheduled to fall on] [●] to (but excluding) the Interest Payment Date [falling on] / [scheduled to fall on] [●] [(such scheduled Interest Payment Dates not being adjusted for any Business Day Convention)]	[Screen Rate Determination]/ [ISDA Determination]/[CMS Rate Determination]/[[●] per cent.]  <i>(repeat as required)</i>

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		<i>(repeat as required)</i>										
g)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	[●]/[Determination Agent]										
h)	Screen Rate Determination:	[Applicable] / [Not Applicable]										
	• Reference Rate:	[●]										
	• Interest Determination Date(s):	[●]										
	• Relevant Screen Page:	[●]										
	• Margin:	[[+/-][●] per cent. per annum] / [As specified in the Rate Table below]										
	• [Interest Participation Rate:	[●] / [As specified in the Rate Table below]										
	• [Rate Table:]		<table border="1"> <thead> <tr> <th colspan="3">Rate Table</th> </tr> <tr> <th>Interest Payment Date(s)</th> <th>Margin</th> <th>Interest Participation Rate</th> </tr> </thead> <tbody> <tr> <td>[●] <i>(repeat as required)</i></td> <td>[[+/-][●] per cent. per annum] <i>(repeat as required)</i></td> <td>[●] <i>(repeat as required)</i></td> </tr> </tbody> </table>	Rate Table			Interest Payment Date(s)	Margin	Interest Participation Rate	[●] <i>(repeat as required)</i>	[[+/-][●] per cent. per annum] <i>(repeat as required)</i>	[●] <i>(repeat as required)</i>
Rate Table												
Interest Payment Date(s)	Margin	Interest Participation Rate										
[●] <i>(repeat as required)</i>	[[+/-][●] per cent. per annum] <i>(repeat as required)</i>	[●] <i>(repeat as required)</i>										
i)	ISDA Determination:	[Applicable] / [Not Applicable]										
	• Floating Rate Option:	[●]										
	• Designated Maturity:	[●]										
	• Reset Date:	[●]										
	• Margin:	[[+/-][●] per cent. per annum] / [As specified in the Rate Table below]										
	• [Interest Participation Rate:	[●] / [As specified in the Rate Table below]										

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<ul style="list-style-type: none"> <li>• [Rate Table:]</li> </ul>	<b>Rate Table</b>		
	<b>Interest Payment Date(s)</b>	<b>Margin</b>	<b>Interest Participation Rate</b>
	[●] <i>(repeat as required)</i>	[[+/-][●] per cent. per annum] <i>(repeat as required)</i>	[●] <i>(repeat as required)</i>

j) CMS Rate Determination: [Applicable] / [Not Applicable]

*(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)*

• CMS Interest Rate: [Single CMS Rate] [Spread CMS Rate]

[CMS Reference Rate [1]] *(If [CMS Reference Rate 2] CMS Interest Rate is [If CMS Interest Rate is "Spread CMS Rate", insert "Spread CMS Rate", this column and heading insert this column and "CMS Reference Rate 1"] heading "CMS Reference Rate 2"])*

• Specified Swap Rate: [the swap rate/annual swap rate/ semi-annual swap rate/ quarterly swap rate/ quarterly-annual swap rate/ quarterly-quarterly swap rate] [the swap rate/annual swap rate/ semi-annual swap rate/ quarterly swap rate/ quarterly-annual swap rate/ quarterly-quarterly swap rate]

• Reference Currency: [●] [●]

• Designated Maturity: [●][month[s]/year[s]] [●][month[s]/year[s]]

• Relevant Screen Page: [●] [●]

• Relevant Time: [●] [●]

• Interest Determination Date(s): [Periodic Rate Determination is applicable. The Interest Determination Date(s) [is/are]: [●] / [the first day of each Interest Period] / [the second TARGET Settlement Day prior to the start of each Interest Period]] / [Daily Rate Determination is applicable] [Periodic Rate Determination is applicable. The Interest Determination Date(s) [is/are]: [●] / [the first day of each Interest Period] / [the second TARGET Settlement Day prior to the start of each Interest Period]] / [Daily Rate Determination is

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		applicable]
• Fallback Rate Determination:	[Determination Agent Fallback: Applicable - to be applied first / second / third] / [Not Applicable]	[Determination Agent Fallback: Applicable - to be applied first / second / third] / [Not Applicable]
	Fallback Screen Page: Applicable - to be applied first / second / third] / [Not Applicable]	Fallback Screen Page: Applicable - to be applied first / second / third] / [Not Applicable]
	Mid-Market Quotations: Applicable - to be applied first / second / third] / [Not Applicable]	Mid-Market Quotations: Applicable - to be applied first / second / third] / [Not Applicable]
	[Reference Banks: [●]]	[Reference Banks: [●]]
• Specified Fixed Leg (for determination of Mid-Market Quotations if specified to be applicable):	[annual fixed leg / semi-annual fixed leg / quarterly-annual fixed leg / quarterly-quarterly fixed leg]	[annual fixed leg / semi-annual fixed leg / quarterly-annual fixed leg / quarterly-quarterly fixed leg]
• Fixed Leg Day Count Basis:	[Actual/Actual ICMA)] / [Actual/Actual ICMA)] / [Actual/Actual] / [Actual/Actual] / [Actual/Actual (ISDA)] / [Actual/Actual (ISDA)] / [Actual/365 Fixed)] / [Actual/365 Fixed)] / [Actual/365L] / [Actual/360] / [30/360] / [30/360 (ICMA)] / [30/360 (ISDA)] / [360/360] / [Bond Basis] / [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)] / [1/1]	[Actual/Actual ICMA)] / [Actual/Actual ICMA)] / [Actual/Actual] / [Actual/Actual] / [Actual/Actual (ISDA)] / [Actual/Actual (ISDA)] / [Actual/365 Fixed)] / [Actual/365 Fixed)] / [Actual/365L] / [Actual/360] / [30/360] / [30/360 (ICMA)] / [30/360 (ISDA)] / [30/360 (ICMA)] / [30/360 (ISDA)] / [360/360] / [Bond Basis] / [ISDA)] / [360/360] / [Bond Basis] / [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)] / [1/1]
• Floating Leg Day Count Basis:	[Actual/Actual ICMA)] / [Actual/Actual ICMA)] / [Actual/Actual] / [Actual/Actual] / [Actual/Actual (ISDA)] / [Actual/Actual (ISDA)] / [Actual/365 Fixed)] / [Actual/365 Fixed)] / [Actual/365L] / [Actual/360] / [30/360] / [30/360 (ICMA)] / [30/360 (ISDA)] / [30/360 (ICMA)] / [30/360 (ISDA)] / [360/360] / [Bond Basis] / [ISDA)] / [360/360] / [30E/360] / [Eurobond Basis] / [Bond Basis] / [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)] / [1/1]	[Actual/Actual ICMA)] / [Actual/Actual ICMA)] / [Actual/Actual] / [Actual/Actual] / [Actual/Actual (ISDA)] / [Actual/Actual (ISDA)] / [Actual/365 Fixed)] / [Actual/365 Fixed)] / [Actual/365L] / [Actual/360] / [30/360] / [30/360 (ICMA)] / [30/360 (ISDA)] / [30/360 (ICMA)] / [30/360 (ISDA)] / [360/360] / [Bond Basis] / [ISDA)] / [360/360] / [Bond Basis] / [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)] / [1/1]
• Floating Leg Rate Option:	[●]	[●]
• Margin [1]: (If CMS Interest Rate is	[●] / [As specified in the Rate Table below]	

“Spread CMS Rate”, insert “Margin 1”)

- Margin 2: [●]/ [As specified in the Rate Table below] (*Specify “Margin 2” if CMS Interest Rate is “Spread CMS Rate”, otherwise, delete this paragraph*)
- [Interest Participation Rate [1]: (*If CMS Interest Rate is “Spread CMS Rate”, insert “Interest Participation Rate 1”*)] [●] / [As specified in the Rate Table below]
- Interest Participation Rate 2: [●] / [As specified in the Rate Table below] (*Specify “Interest Participation Rate 2” if CMS Interest Rate is “Spread CMS Rate”, otherwise delete this paragraph*)

• [Rate Table:]

Rate Table				
Interest Payment Date	[Margin [1]]	[Margin 2]	[Interest Participation Rate [1]]	[Interest Participation Rate 2]
[●] <i>(repeat as required)</i>				

- k) Minimum Rate of Interest: [[Not Applicable] / [●] per cent. per annum] / [A percentage rate to be determined by the Determination Agent before the Issue Date and notified to the Noteholders thereafter by publication on [●] (*insert website address*), provided that such percentage rate shall be [not less than [●] per cent.] [and] [not greater than [●] per cent.]]
- l) Maximum Rate of Interest: [[Not Applicable] / [●] per cent. per annum] / [A percentage rate to be determined by the Determination Agent before the Issue Date and notified to the Noteholders thereafter by publication on [●] (*insert website address*), provided that such percentage rate shall be [not less than [●] per cent.] [and] [not greater than [●] per cent.]]
- m) Linear Interpolation (Condition 6.4) [Applicable in respect of the Interest period: (*repeat applicable Interest Periods*)]  
[Not Applicable]
- n) Day Count Fraction: [Actual/Actual ICMA] / [Actual/Actual] / [Actual/Actual (ISDA)] / [Actual/365 Fixed] / [Actual/365L] / [Actual/360] / [30/360] / [30/360 (ICMA)] / [30/360]

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		(ISDA)] / [360/360] / [Bond Basis] / [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)] / [1/1]
16.	<b>Inflation-Linked Notes</b>	[Applicable] / [Not Applicable]
	(Condition 8)	<i>(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	Rate of Interest	[Leveraged Inflation Coupon] / [Real Inflation Coupon] / [Cumulative Inflation Coupon]
	a) Inflation Index / Inflation Indices:	[●]
	b) Inflation Index Sponsor(s):	[●]
	c) Determination Agent responsible for calculating Interest Amount:	[●] / [Morgan Stanley & Co. International plc]
	d) Index Level Adjustment Correction: (Condition 8.6)	[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 Condition 8, 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 Inflation Index Sponsor or, if revised, any subsequent revision of such level for a Reference Month shall be final and conclusive for such Reference Month, <b>provided that</b> such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Interest Payment Date].  <i>(delete as appropriate)</i>
	e) Related Bond:	[Specify] / [Fallback Bond] / [Fallback Bond: Not Applicable]
	f) Interest Period(s):	From (and including) the [Interest Commencement Date]/[Interest Payment Date] [falling on] / [scheduled to fall on] [●] to (but excluding) the Interest Payment Date [falling on] / [scheduled to fall on] [●] [(such scheduled Interest Payment Dates not being adjusted for any Business Day Convention)]  <i>(repeat as required)</i>
	g) Interest Payment Date(s):	[Each of the [●] day of [month], [month] <i>(repeat as required)</i> in each calendar year from (and including) [●] to (and including) [●]] / [[●] <i>(specify dates)</i> [, each] [, adjusted in accordance with the Business Day Convention specified below]/[, not adjusted]
	h) Business Day Convention:	[Following Business Day Convention] / [Modified

Following Business Day Convention] / [Modified Business Day Convention] /

[Preceding Business Day Convention] /

[FRN Convention. The Specified Period is from (and including) [●] to (but excluding) [●] (*repeat as required*)]/ Floating Rate Convention] / [Eurodollar Convention] /

[No Adjustment] / [Unadjusted]

*(delete as appropriate)*

- i) Leverage: [●] per cent.
- j) Spread: [[+/-] [●] per cent.] / [Not Applicable]
- k) CPI<sub>Initial</sub>: [●] / [Initial Inflation Index Level] / [Not Applicable]
- [●] Determination Month (Initial): [●] (*specify if Initial Inflation Index Level is applicable*)

l) Determination Month:

<b>Determination Month Table</b>		
<b>Interest Payment Date(s)</b>	<b>Determination Month (n)</b>	<b>Determination Month (m)</b>
<i>[insert date] (repeat as required)</i>	<i>[insert calendar month and year] (repeat as required)</i>	<i>[insert calendar month and year] (repeat as required)</i>

[OR]

[As specified below] (*insert sub-paragraphs below if Determination Month Table not applicable*)

- Determination Month (m): [In respect of an Interest Period and the [Scheduled] Interest Payment Date on which such Interest Period ends, [[●] calendar month[s] [before]/[after]] the month in which such [Scheduled] Interest Payment Date [falls]/[is scheduled to fall]
- Determination Month (n): [In respect of each Interest Payment Date and the Interest Period ending on (but excluding) such Interest Payment Date, as specified in the column headed “Determination Month (n)” in paragraph 16(xiii) above corresponding to such Interest Payment Date]/

[In respect of each Interest Period and the [Scheduled] Interest Payment Date on which such Interest Period ends (but is not included in such Interest Period), [●] [calendar month][s][before][after] the month in which such

		[Scheduled] Interest Payment Date falls]
m)	Interest Cap:	[●]/ [Not Applicable]
n)	Interest Floor:	[●]/ [Not Applicable]
o)	Day Count Fraction:	[Actual/Actual ICMA)] / [Actual/Actual] / [Actual/Actual (ISDA)] / [Actual/365 Fixed)] / [Actual/365L] / [Actual/360] / [30/360] / [30/360 (ICMA)] / [30/360 (ISDA)] / [360/360] / [Bond Basis] / [30E/360] / [Eurobond Basis] / [30E/360 (ISDA)] / [1/1]
17.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
	(Condition 7)	<i>(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)</i>
a)	Accrual Yield:	[●] per cent. per annum
b)	Reference Price:	[●]

**PROVISIONS RELATING TO EARLY REDEMPTION**

18.	<b>Call Option<sup>8</sup></b>	[Applicable/Not Applicable]
		[Optional Redemption Amount (Call) – Fixed applies.]
		[Optional Redemption Amount (Call) – Accrued Value applies.]
	(Condition 10.3)	<i>(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)</i>
a)	Optional Redemption Date(s) (Call):	[●]
b)	[Participation Rate (Call)] / [Accrual Yield and Reference Price] for determining the Optional Redemption Amount (Call):	[[[●] per cent.] / [100 per cent.]] <i>(insert if Optional Redemption Amount (Call) – Fixed applies)</i> / [The Accrual Yield is [●] per cent. and the Reference Price is <i>[specify].</i> ] <i>(insert if Optional Redemption Amount (Call) – Accrued Value applies)</i>
c)	Optional Redemption in part only:	[Applicable. Redemption will be effected in accordance with Condition 10.4 ( <i>Partial Redemption</i> )] / [Not Applicable]
		<i>(delete as appropriate)</i>
d)	Maximum Notice Number of Day(s):	[●] [calendar day[s]] / [Business Day[s]]
e)	Minimum Notice Number of Day(s):	[●] [calendar day[s]] / [Business Day[s]] <sup>9</sup>

<sup>8</sup> Clearstream, Luxembourg and Euroclear require a minimum notice period of 5 business days.

<sup>9</sup> Clearstream, Luxembourg requires a minimum notice period of 5 business days.

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19. a) **Early Redemption Amount upon Event of Default** (Condition 13): [Fixed Redemption. The Specified Rate is [●]/[100] per cent.]
- [Accrued Value. The Accrual Yield is [●] per cent. and the Reference Price is [specify].] (N.B. *Accrued Value should always be specified for Zero Coupon Notes or Par Accreting Value Notes*)
- b) **Early Redemption Amount (Tax) upon any withholding or deduction being required with respect to the Notes**, as described in Condition 12 (*Taxation*): [Not applicable] / [Early Redemption Amount (Tax) – Par] / [Early Redemption Amount (Tax) – Accrued Value. The Accrual Yield is [●] per cent. and the Reference Price is [specify].] (N.B. *Accrued Value should always be specified for Zero Coupon Notes or Par Accreting Value Notes*)
20. **Inconvertibility Event Provisions:** [Applicable] / [Not Applicable]  
(Condition 24) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- a) Consequences of the occurrence of an Inconvertibility Event: [Converted Payment] / [Early Redemption] / [Suspended Payment]
- b) Inconvertibility Early Redemption Amount: [Not Applicable]
- [OR]
- [Fixed Redemption. [●] per cent. per Calculation Amount.]
- [Early Redemption Amount:
- [Fixed Redemption. [●] per cent. per Calculation Amount.]/[Accrued Value. The Accrual Yield is [●] per cent. and the Reference Price is [specify].] (N.B. *If Early Redemption Amount is specified as applicable, Accrued Value should always be specified for Zero Coupon Notes or Par Accreting Value Notes*).
- [Fair Market Value]
- c) Relevant Currenc(y)/(ies): [●]
- d) Relevant Jurisdiction(s): [●]
- e) Inconvertibility Specified Currenc(y)/(ies): [●]
- f) Settlement Rate Option: [Currency Reference Dealers] / [Not Applicable]

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**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- |     |  |   |
|-----|--|---|
| 21. | <b>Form of Notes:</b><br>(Condition 3)   | [Global Note Certificate registered in the name of [a nominee for] [a common depository for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))] <sup>10</sup> , exchangeable for Individual Note Certificates in the limited circumstances described in the Global Note Certificate]<br><br>[Individual Note Certificates] |
| 22. | <b>Additional Financial Centre(s) or other special provisions relating to Payment Dates:</b> | [Not Applicable] / [ <input type="checkbox"/> ] ( <i>Specify Additional Financial Centre(s)</i> )<br><br>( <i>Note that this item relates to the date and place of payment, and not interest period end dates, to which items 12(v) and 13(vii) relate</i> ) <sup>11</sup>  |
| 23. | <b>Record Date:</b>  | [As set out in the Conditions/The Record Date is <input type="checkbox"/> [Business Day/day/clearing system business day] before the relevant due date for payment/Not Applicable]  |
| 24. | <b>Redenomination, renominalisation and reconventioning provisions:</b>                      | [Not Applicable] / [The provisions in Condition 23 ( <i>Redenomination, Renominalisation and Reconventioning</i> ) apply]   |
| 25. | <b>Taxation:</b><br><br>Condition 12.1:  | <br><br>“Additional Amounts” is [Applicable] / [Not Applicable]   |
| 26. | <b>CNY Center:</b>   | <input type="checkbox"/> /[Not Applicable]  |
| 27. | <b>Rounding (Condition 22)</b>   | [Japanese Yen amounts to be rounded [to the nearest whole JPY (with amounts greater than or equal to JPY 0.5 being rounded) upward to the next higher whole Japanese Yen amount()]] [Not Applicable]  |

**DISTRIBUTION**

- |     |  |  |
|-----|--|--|
| 28. | a) If syndicated, names [and addresses] <sup>12</sup> of Managers [and underwriting commitments] <sup>13</sup> : and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best | [Not Applicable/give names[, addresses and underwriting commitments]] [(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis.)] |
|-----|--|--|

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<sup>10</sup> To be included for Notes in global form which are to be held under the NSS.

<sup>11</sup> This should specify “Not applicable” unless, exceptionally, location of Fiscal Agent is to be included as a business day for the purposes of payments whilst Notes are in global form in the clearing systems.

<sup>12</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

<sup>13</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

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	efforts” basis if such entities are not the same as the Managers.) <sup>14</sup>	
b)	[Date of [Subscription] Agreement:	[●] <sup>15</sup>
c)	Stabilisation Manager(s) (if any):	[Not Applicable/ <i>give name</i> ]
29.	If non-syndicated, name [and address] <sup>16</sup> of Dealer:	[Not Applicable/ <i>give name [and address]</i> <sup>17</sup> ]
30.	Non-exempt Offer and Offer Period:	[Applicable]/[Not Applicable]
	Non-exempt Offer Jurisdictions:	An offer of the Notes may be made in [Belgium] / [France] / [Germany] / [Ireland] / [Italy] / [Luxembourg] / [Spain] / [The Netherlands] / [the U.K.]
	Offer Period	[the period from, and [including]/[excluding], [●] to, and [including]/[excluding], [●] (“ <b>Offer Period</b> ”)]/[the period from, and [including]/[excluding], [●] to, and [including]/[excluding], [●] for the Notes that will be offered by means of [“online selling”]/[“door-to-door” selling]]
31.	Financial Intermediaries granted specific consent to use the Base Prospectus in accordance with the Conditions in it:	[ <i>insert names and addresses of financial intermediaries receiving consent (specific consent)</i> ]
32.	[Total commission and concession:	[In connection with the offer and sale of the Notes, [the Issuer][Morgan Stanley & Co. International plc] will pay [ <i>name[s]</i> ] a [one time][recurring] [distribution] / [structuring] fee amount equal to [a maximum of] [●] [of the Aggregate Nominal Amount] / [ <i>specify amount</i> ] / [per annum/ <i>other</i> ] / [No fees will be paid by the Issuer or Morgan Stanley & Co. International plc, directly or indirectly, in connection with any advised sale of Notes]] <sup>18</sup>

**[THIRD PARTY INFORMATION**

(*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.<sup>19</sup>

<sup>14</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

<sup>15</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

<sup>16</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

<sup>17</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

<sup>18</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

<sup>19</sup> Insert if any third party information has been provided.

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Signed on behalf of the Issuer:

By .....

Duly authorised

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**PART B – OTHER INFORMATION**

**1. LISTING AND ADMISSION TO TRADING**

Listing and admission to Trading: *(Insert for Series A Notes:)*

[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 the Luxembourg Stock Exchange's Regulated Market and to be listed on the official list of the Luxembourg Stock Exchange with effect from [●].] / [Application [has [also] been made/is [also] expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to listing and/or trading on [*insert name of exchange*] with effect from [●].]

[No assurances can be given that such application for listing and/or admission to trading will be granted (or, if granted, will be granted by the Issue Date.][The Issuer has no duty to maintain the listing (if any) of the Notes on the relevant stock exchange(s) over their entire lifetime.]

*(Insert for Series B Notes:)*

[Not Applicable.]

*[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: [●]]<sup>20</sup>

**2. RATINGS**

Ratings: [The Notes to be issued have been rated:

[S & P: [●]]

[Moody's: [●]]

[Fitch: [●]]

[DBRS: [●]]

[[Other]: [●]]

*Option 1*

*[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and*

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<sup>20</sup> Delete for Notes with a denomination per Note of less than EUR 100,000.

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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 and is not registered under Regulation EU no. 1060/2009, as amended (the “**CRA Regulation**”). 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 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**”).<sup>21</sup>

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*<sup>22</sup>

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Program generally or, where the issue has been specifically rated, that rating.)*

*Option 5*

[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:]*

“So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer”.] OR

*[Specify material conflicts]*

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<sup>21</sup> Edit and delete options as appropriate for the relevant rating agency/agencies providing the rating(s).

<sup>22</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

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*(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 EXPENSES<sup>23</sup>**

[a] Reasons for the offer: [●]

(If reasons for offer different from making profit and/or hedging certain risks, will need to include those reasons here.)]

[b] Estimated net proceeds: [●]

(If proceeds are intended for more than one use, will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[c] Estimated total expenses: [●]

*(Include breakdown of expenses)*

[5. ***Fixed Rate Notes only* – YIELD**

Indication of yield: [●]

[6. ***Floating Rate Notes only* - HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]<sup>24</sup>

[7 ***Inflation-Linked Notes only* – DESCRIPTION OF INFLATION INDEX/PERFORMANCE OF INFLATION INDEX AND OTHER INFORMATION CONCERNING THE INFLATION INDEX**

*[Include the name of the Inflation Index and an indication of where to obtain information about the Inflation Index]*

*[Need to include details of where past and future performance and volatility of the Inflation Index can be obtained.]*

*(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)*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

7. **OPERATIONAL INFORMATION**

ISIN Code: [●]

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<sup>23</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

<sup>24</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

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Common Code:

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable] / [give [name(s)], [addresses of the clearing system(s)], [relevant identification number(s)]]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent:

Names and addresses of additional Paying Agent(s) (if any):

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

[Note that designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs<sup>25</sup> as common safekeeper, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper<sup>26</sup> and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either on issue or subsequently. Such recognition will depend on satisfaction of Eurosystem eligibility criteria]

*(include this text if “Yes” selected)*

[Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

*(include this text if “No” is selected)*

8. **TERMS AND CONDITIONS OF THE OFFER<sup>27</sup>**

Offer Price: [Issue Price] [*specify*]

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<sup>25</sup> International Central Securities Depositories.

<sup>26</sup> To be included for Notes

<sup>27</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

Conditions to which the offer is subject:	[Not Applicable/ Offers of the Notes are conditional upon their issue]
Description of the application process:	[Not Applicable/ <i>give details</i> ]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/ <i>give details</i> ]
Details of the minimum and/or maximum amount of application:	[Not Applicable/ <i>give details</i> ]
Details of the method and time limited for paying up and delivering the Notes:	[Not Applicable/ The Notes will be issued on the Issue Date against payment to the Issuer of the net subscription moneys]
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> ]
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] / [Estimated expenses charged to the investor by the Issuer or the offeror are [●].] / [No expenses will be charged by the Issuer to the investor, however a subscription charge of up to [ <i>specify amount</i> ] may be charged by the Authorised Offeror] / [Not applicable. There are no estimated expenses charged to the investor by the Issuer [or the Authorised Offeror] / [ <i>give details</i> ]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/ <i>give details</i> ]

9. **PLACING AND UNDERWRITING**<sup>28</sup>

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: [●]

<sup>28</sup> Delete for Notes with a denomination per Note of EUR 100,000 or more.

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: [●]

10. **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 OF THE NOTES**

*[Insert]*

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## FORMS OF NOTES

Morgan Stanley will issue Notes in registered form in either individual certificate form or global certificate form.

Notes will be issued in the form of either individual Note Certificates in registered form (“**Individual Note Certificates**”) or a global Note in registered form (a “**Global Note Certificate**”), in each case as specified in the applicable Final Terms. Each Global Note Certificate will either be: (a) in the case of a Note which is not to be held under the New Safekeeping Structure (defined below), registered in the name of a common depositary (or its nominee) for the Relevant Clearing System and the relevant Global Note Certificate will be deposited on or about the issue date with the common depositary and will be exchangeable in accordance with its terms; or (b) in the case of a Note to be held under the new safekeeping structure (“**New Safekeeping Structure**” or “**NSS**”), be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the relevant Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Note Certificates in accordance with its terms.

Where a Global Note Certificate is intended to be held under the NSS, the applicable Final Terms will indicate whether or not such Global Note Certificates are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Note Certificates are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day Credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon the satisfaction of the Eurosystem eligibility criteria. The common safekeeper for a Global Note Certificate held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

If the applicable Final Terms specify the form of Notes as being “Individual Note Certificates”, then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Final Terms specify the form of Notes as being “**Global Note Certificate exchangeable for Individual Note Certificates**”, then the Notes will initially be in the form of a Global Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates only upon the occurrence of an Exchange Event.

An “**Exchange Event**” will occur if:

- (a) the Relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business;
- (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered if the Notes represented by the Global Note Certificate were represented by Individual Note Certificates.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Issue and Paying Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

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***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” above and the provisions of the applicable Final Terms which complete those terms and conditions. The terms and conditions applicable to any Global Note Certificate that represents a Note will differ from those terms and conditions which would apply to the Note were it in individual form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

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## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### *Conditions Applicable to Global Note Certificates*

Each Global Note Certificate will contain provisions which modify the terms and conditions set out in “*Terms and Conditions of the Notes*” as they apply to the Global Note Certificate. The following is a summary of certain of those provisions:

### *Clearing System Accountholders*

For so long as any of the Notes is represented by a Global Note Certificate and such Global Note Certificate is held on behalf of the Relevant Clearing System, each person (other than the Relevant Clearing System) who is for the time being shown in the records of the Relevant Clearing System as the holder of a particular principal amount of Notes (each an **Accountholder**) (in which regard any certificate or other document issued by the Relevant Clearing System as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to for the purposes of any quorum requirements of, or the right to demand a poll or, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 13 (*Events of Default*)) other than with respect to the payment of principal and interest on the Notes, the right to which shall be vested, as against the Issuer, solely in the registered holder of the Global Note Certificate in accordance with and subject to its terms, and the expressions “**Holder**”, “**holder**” and “**Noteholder**” and related expressions shall be construed accordingly. Each Accountholder must look solely to the Relevant Clearing System, for its share of each payment made to the registered holder of the Global Note Certificate.

### *Exchange of Global Note Certificates*

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Issue and Paying Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Issuer irrevocably agrees that in the event that (i) a Global Note Certificate (or any part of it) has become due and repayable in accordance with the Conditions or the Maturity Date has occurred and, in either case, payment in full of the amount due has not been made to the holder in accordance with the provisions of the Global Note Certificate on such date or (ii) following an Exchange Event, the Global Note Certificate is not duly exchanged for Individual Note Certificates by the date provided above, each Accountholder or its successors or assigns may, provided any required certifications have been made, without the consent and to the exclusion of the holder of the Global Note Certificate, file any claim, take any action or institute any proceeding to enforce, directly against the Issuer, the obligation of the Issuer under the Global Note Certificate to pay any amount due in respect of each Note represented by the Global Note Certificate which is credited to such Accountholder's securities account with the Relevant Clearing System as fully as though such Note were evidenced by an Individual Note Certificate without the production of the Global Note Certificate; *provided* that the holder of the Global Note Certificate shall not theretofore have filed a claim, taken action or instituted proceedings to enforce the same in respect of such Note.

### *Transfers*

Transfers of beneficial interests in a Global Note Certificate will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial

interest in a Global Note Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note Certificate of the same series only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Issue and Paying Agency Agreement.

**Record Date**

For so long as the Notes are evidenced by a Global Note Certificate, the Record Date for the purposes of Condition 11.7 (*Record date*) shall be the day before the due date for the relevant payment.

**Interest Calculation:** For so long as the Notes are evidenced by a Global Note Certificate, interest payable to the registered holder will be calculated by applying the Rate of Interest to the aggregate outstanding principal amount of the Notes evidenced by the Global Note Certificate and multiplying the sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

**Partial Exercise of Call Option:** In connection with an exercise of the option contained in Condition 10.3 (*Redemption at the Option of the Issuer*) of the Terms and Conditions of the Notes in relation to some but not all of the Notes, the Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion)<sup>29</sup>

**Notices:** Notwithstanding Condition 19 (*Notices*) of the Terms and Conditions of the Notes while all the Notes are represented by a Global Note Certificate and the Global Note Certificate is registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper (or its nominee), notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) of the Terms and Conditions of the Notes, on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as the Notes are listed on any stock exchange or are admitted to trading by another relevant authority, any notice to Noteholders shall be published in accordance with the rules and regulations of each such stock exchange or other relevant authority.

**Payment Business Day:** Notwithstanding Condition 2 (*Interpretation*), the definition of “Payment Business Day” in relation to any Global Note Certificate shall be as follows:

“**Payment Business Day**” means:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
  - (B) if TARGET2 System is specified on the applicable Final Terms, a day on which the TARGET2 System is open; and
- (ii) either (1) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits in the Principal Financial Centre of the country of the relevant currency and (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

<sup>29</sup> Clearstream, Luxembourg and Euroclear require a minimum notice period of 5 business days.

**BENEFIT PLAN INVESTORS**

The Notes may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), or any individual retirement account or plan subject to Section 4975 of the Code or any entity whose underlying assets include “plan assets” within the meaning of Section 3(42) of ERISA by reason of any such employee benefit plan, account or plan's investment therein.

The Global Note Certificates and the Individual Note Certificates will bear a legend to the following effect:

THE INVESTOR SHALL BE DEEMED TO REPRESENT BY ITS ACQUISITION AND HOLDING OF AN INTEREST HEREIN THAT IT IS NOT ACQUIRING THE SECURITIES WITH THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”), ANY INDIVIDUAL RETIREMENT ACCOUNT OR PLAN SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” WITHIN THE MEANING OF SECTION 3(42) OF ERISA BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN, ACCOUNT OR PLAN'S INVESTMENT THEREIN.

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TAXATION

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 U.S. federal tax treatment of the transaction or the holders. Holders should seek their own advice based upon their particular circumstances from an independent tax adviser.**

The following are certain of the material U.S. federal income tax consequences and certain estate tax consequences of ownership and disposition of the Notes by Non-U.S. Holders (as defined below). This summary is based on the U.S. Internal Revenue Code of 1986, as amended (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 the Notes;
- nonresident alien individuals who have lost their U.S. 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 advisers 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; or
- an estate or trust the income of which is subject to U.S. federal income tax without regard to its source.

**Withholding Tax**

Except as otherwise discussed below in “ – FATCA”, and “ – Backup Withholding and Information Reporting”, a Non-U.S. Holder generally will not be subject to U.S. 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 U.S. federal income tax purposes:

- the Note is treated as indebtedness of the Issuer;
- the payments or proceeds are not effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder;
- the Non-U.S. 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;

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- 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 Non-U.S. Holder (and any intermediary) have complied with all U.S. tax identification and certification requirements.

*Certification Requirement.* The certification requirements referred to in the preceding paragraphs will be fulfilled if the Non-U.S. Holder (and any intermediary) furnishes the U.S. Internal Revenue Service (“IRS”) Form W-8BEN or W-8BEN-E (or with respect to certain intermediaries and beneficial owners, other appropriate forms), on which, among other things, the Non-U.S. Holder certifies under penalties of perjury that it is not a United States person, as defined in the Code.

#### **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 Non-U.S. Holder is not a United States person, as defined in 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 with the conduct by the Non-U.S. Holder of a trade or business in the United States.

#### **FATCA**

Sections 1471 through 1474 of the Code, an agreement entered into with the IRS 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-U.S. laws and regulations implementing such an IGA) (collectively referred to as “FATCA”) impose an information reporting regime and potentially a 30 per cent withholding tax with respect to certain payments to (i) any non-U.S. 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 Issuer and most financial intermediaries will be subject to the requirements imposed under FATCA.

Withholding (if applicable) currently applies to payments of interest from sources within the United States and payments of gross proceeds and redemption proceeds beginning no earlier than 1 January 2019.

The United States and a number of jurisdictions 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 IRS. 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.

In the event that the Issuer or an intermediary is required to deduct a withholding tax under FATCA, neither the Issuer, nor any intermediary will be required to pay any additional amounts with respect to the amounts so withheld.

FATCA is 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 adviser to determine how FATCA may affect such investor in its particular circumstance.

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**Backup Withholding and Information Reporting**

Information returns may be filed with the IRS in connection with payments on the Notes as well as in connection with the proceeds from a sale, exchange or other disposition. A Non-U.S. Holder may be subject to backup withholding in respect of amounts paid to the Non-U.S. Holder, unless such Non-U.S. Holder complies with applicable certification procedures to establish that it is not a United States person for U.S. federal income tax purposes or otherwise establishes an exemption. Compliance with the certification procedures described under “ – Certification Requirement” 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.

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**U.K. TAXATION**

The following is a general description of the Issuer's understanding of the U.K. withholding taxation treatment at the date hereof in relation to payments of interest (as that term is understood for U.K. tax purposes) in respect of the Notes. The comments do not deal with any other U.K. tax aspects of acquiring, holding or disposing of Notes. Transactions involving Notes, including the issue and subscription of Notes, any purchase or disposal or settlement of Notes, may have U.K. tax consequences for potential purchasers (including but not limited to, transfer taxes and possible withholding or deduction for or on account of U.K. 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. The following is based on current U.K. tax law (as applied in England and Wales) and the published 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. Prospective Noteholders who may be liable to taxation in jurisdictions other than the U.K. 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 U.K. withholding taxation aspects of payments in respect of the Notes. In particular, Prospective 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 U.K..

**A. Notes - U.K. Withholding Tax on Interest Payments by the Issuer**

**Payments of interest on the Notes that does not have U.K. source may be made without deduction or withholding on account of U.K. income tax. If interest paid on the Notes does have a U.K. source, then payments may be made without deduction or withholding on account of U.K. income tax in the following circumstances:**

1. Interest which has a U.K. source may be paid by the Issuer without withholding or deduction for or on account of U.K. income tax if the Notes in respect of which the 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" within the meaning of section 1005 of the Income Tax Act 2007. The Luxembourg Stock Exchange is a recognised stock exchange. The Notes will satisfy this requirement if they are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Luxembourg Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of U.K. tax.
2. Interest on Notes issued for a term of less than one year (and which do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than one year) may be paid by the Issuer without withholding or deduction for or on account of U.K. income tax.
3. In other cases, an amount must generally be withheld from payments of interest on the Notes that has a U.K. source on account of U.K. income tax at the basic rate (currently 20 per cent), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

**B. Other Rules Relating to U.K. Withholding Tax**

## U.K. Taxation

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1. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Whether any discount element on such Notes will be subject to any U.K. withholding tax pursuant to the provisions mentioned above, will depend on the precise terms of the Notes.
  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 U.K. withholding tax as outlined above.
  3. Where interest has been paid under deduction of U.K. income tax, Noteholders who are not resident in the U.K. may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

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## BELGIAN TAXATION

*The following is a general description of certain Belgian tax considerations relating to an investment in the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Belgium of acquiring, holding and disposing of the Notes. This summary is based upon the law as in effect on the date of this prospectus and is subject to any change in law that may take effect after such date.*

Any payment of interest (as defined by Belgian tax law) on the Notes made through a paying agent in Belgium will in principle be subject to Belgian withholding tax on the gross amount of the interest, currently at the rate of 30 per cent.

Periodic interest income and amounts paid by Morgan Stanley in excess of the issue price (whether or not on the maturity date) are qualified and taxable as “interest” for Belgian tax purposes. In addition, if the Notes qualify as fixed income securities within the meaning of article 2, §1, 8° of the Belgian Income Tax Code of 1992, in case of a realisation of the Notes between two interest payment dates, an income equal to the pro rata of accrued interest corresponding to the holding period is also taxable as interest. For the purposes of the following paragraphs, any such gains and accrued interest are therefore referred to as interest.

For Belgian tax purposes, if interest is in a foreign currency, it is converted into euro on the date of payment or attribution.

### *Taxation applicable to individuals resident in Belgium*

Belgian resident individuals, i.e. individuals who are subject to Belgian personal income tax (*Personenbelasting/Impôt des personnes physiques*), and who hold the Notes as a private investment, are in Belgium subject to the following tax treatment with respect to the Notes. Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment or when the transactions with respect to the Notes fall outside the scope of the normal management of their own private estate.

Payments of interest on the Notes made through a paying agent in Belgium will in principle be subject to a 30 per cent withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes). The Belgian withholding tax constitutes the final tax for Belgian resident individuals. This means that they do not have to declare the interest obtained on the Notes in their personal income tax return, provided Belgian withholding tax was levied on these interest payments.

Nevertheless, Belgian resident individuals may elect to declare interest on the Notes in their personal income tax return. Also, if the interest is paid outside Belgium without the intervention of a Belgian paying agent, the interest received (after deduction of any non-Belgian withholding tax) must be declared in the personal income tax return. Interest income which is declared this way will in principle be taxed at a flat rate of 30 per cent (or at the relevant progressive personal income tax rate(s), taking into account the taxpayer's other declared income, whichever is more beneficial) and no local surcharges will be due. The Belgian withholding tax levied may be credited against the income tax liability.

Capital gains (other than those that qualify as interest, as defined above) realised on the sale of the Notes are in principle tax exempt, unless the capital gains are deemed to be speculative or realised outside the scope of the normal management of one's private estate. Capital losses are in principle not tax deductible.

### *Taxation applicable to Belgian corporations*

Belgian resident companies, i.e. companies that are subject to Belgian corporate income tax (*Vennootschapsbelasting/Impôt des sociétés*), are in Belgium subject to the following tax treatment with respect to the Notes. Different rules apply to companies subject to a special tax regime, such as investment companies within the meaning of Article 185 bis of the Belgian Income Tax Code 1992.

Interest payments on the Notes made through a paying agent in Belgium to Belgian resident companies will in principle be subject to a 30 per cent withholding tax (calculated on the interest received after deduction of any non-Belgian withholding taxes). However, interest can under certain circumstances be exempt from withholding tax, provided a special certificate is delivered. For zero coupon notes or other

notes with a capitalisation feature, an exemption will only apply if the investor and Morgan Stanley are related companies within the meaning of Article 105, 6° of the Royal Decree of 27 August 1993 implementing the Belgian Income Tax Code 1992.

Interest on the Notes will be subject to Belgian corporate income tax (on an accrual basis) at the standard rate of 33.99 per cent (or, as the case may be, at the reduced rates applicable to low income companies subject to certain conditions). If non-Belgian withholding tax has been levied on the interest, a foreign tax credit will be applied against the Belgian tax due. The foreign tax credit is determined by reference to a fraction where the numerator is equal to the rate of the foreign tax with a maximum of 15 and the denominator is equal to 100 minus the amount of the numerator (with a number of additional limitations). Any Belgian withholding tax that has been levied is creditable and refundable in accordance with the applicable legal provisions.

Capital gains (other than those that qualify as interest, as defined above) realised upon a sale of the Notes will be subject to Belgian corporate income tax at the standard rate of 33.99 per cent (or, as the case may be, at the reduced rates applicable to low income companies subject to certain conditions). Capital losses on the Notes will in principle be tax deductible.

### *Taxation applicable to entities subject to the legal entities' tax*

Belgian non-profit legal entities, i.e. legal entities that are subject to Belgian tax on legal entities (*Rechtspersonenbelasting/impôt des personnes morales*), are subject to the following tax treatment with respect to the Notes in Belgium.

Payments of interest on the Notes made through a paying agent in Belgium will in principle be subject to a 27 per cent withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes) and no further tax on legal entities will be due on the interest.

However, if the interest is paid outside Belgium without the intervention of a Belgian paying agent and without the deduction of Belgian withholding tax, the Belgian non-profit legal entity itself is responsible for the declaration and payment of the 27 per cent withholding tax.

Capital gains realised on the sale of the Notes are in principle tax exempt, unless the capital gain qualifies as interest (as defined above). Capital losses are in principle not tax deductible.

### *Taxation applicable to Organisations for Financing Pensions (“OFP”)*

Belgian pension fund entities that have the form of an Organisation for Financing Pensions are subject to Belgian corporate income tax (*Vennootschapsbelasting/Impôt des sociétés*). OFPs are subject to the following tax treatment in Belgium with respect to the Notes.

Interest derived by OFPs (*Organismen voor de Financiering van Pensioenen/Organismes de Financement de Pensions*) on the Notes and capital gains realised upon a sale of the Notes will not be subject to Belgian corporate income tax. Any Belgian withholding tax levied is creditable and refundable in accordance with the applicable legal provisions. Capital losses on the Notes will not be tax deductible.

### *Taxation applicable to non-Belgian residents*

Interest payments on the Notes made to non-residents of Belgium through a paying agent in Belgium will, in principle, be subject to a 30 per cent withholding tax (calculated on the interest received after deduction of any non-Belgian withholding taxes), unless the holder of the Notes is resident in a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit. If the interest is paid abroad without the intervention of a paying agent in Belgium, no Belgian withholding tax will apply.

Non-resident investors who have not allocated the Notes to the exercise of a professional activity in Belgium through a permanent establishment can also obtain an exemption from Belgian withholding tax on interest from the Notes paid through a credit institution, a stock market company or a clearing or settlement institution established in Belgium, provided that they deliver an affidavit to such institution or company confirming that: (i) they are non-residents; (ii) the Notes are held in full ownership or in usufruct; and (iii) the Notes are not allocated to the exercise of a professional activity in Belgium. No other Belgian income tax will be due by these investors.

Non-resident corporate investors who have allocated the Notes to the exercise of a professional activity in Belgium through a permanent establishment are subject to the same tax rules as Belgian resident companies (see above).

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*Inheritance duties*

No Belgian inheritance duties will be due in respect of the Notes if the deceased holder of the Notes was not a Belgian resident at the time of his or her death, even if the Notes were held in custody in Belgium.

*Stock exchange tax and tax on repurchase transactions*

A stock exchange tax (*Taks op de beursverrichtingen/ taxe sur les opérations de bourse*) will be levied on the purchase and sale of the Notes on the secondary market if (i) executed in Belgium through a professional intermediary, or (ii) deemed to be executed in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals with habitual residence in Belgium, or legal entities for the account of their seat or establishment in Belgium. However the issuance of the Notes will not be subject to the tax on stock exchange transactions.

The tax is generally due at a rate of 0.09 per cent for transactions in debt instruments for purposes of the stock exchange tax and at a rate of 0.27 per cent for transactions in other securities which are not capitalisation shares, with a maximum amount per transaction and per party of €1,300 for debt instruments and €1,600 for other securities which are not capitalisation shares. A separate tax is due from each of the seller and the purchaser, both collected by the professional intermediary. However, if the intermediary is established outside of Belgium, the tax will in principle be due by the ordering private individual or legal entity, unless that individual or entity can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian representative for tax purposes, which will be liable for the tax on stock exchange transactions in respect of the transactions executed through the professional intermediary.

A tax on repurchase transactions (*Taks op de reportverrichtingen/ taxe sur les reports*) at the rate of 0.085 per cent subject to a maximum of €1,300 per party and per transaction, will be due from each party to any such transaction entered into or settled in Belgium in which a professional intermediary for stock transactions acts for either party.

However, the tax on stock exchange transactions and the tax on repurchase transactions referred to above will not be payable by exempt persons acting for their own account, including non-residents (subject to certain formalities) and certain Belgian institutional investors, as defined in Articles 126-1.2 and 139 of the Code of various duties and taxes (*Wetboek diverse rechten en taksen/ Code des droits et taxes divers*).

As stated above, the European Commission has published a proposal for a Directive for a common financial transactions tax (the "FTT"). The proposal currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC on the common system of value added tax). For Belgium, the tax on stock exchange transactions and the tax on repurchase transactions should thus be abolished once the FTT enters into force. The proposal is still subject to negotiation between the participating Member States and therefore may be changed at any time.

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**FRENCH TAXATION**

*The following is limited to a general description of certain French withholding tax considerations relating to the Notes. It does not purport to be a description of general French tax considerations relating to the Notes. Prospective investors are advised to consult their own professional advisors to obtain information about the tax consequences of transactions involving the Notes, including any purchase or disposal of, or other dealings in, the Notes. Only personal advisors are in a position to adequately take into account special tax aspects of the particular Notes in question as well as the investor's personal circumstances and any special tax treatment applicable to the investor. This summary is based on French law as in force at the date of this Base Prospectus. The laws and their interpretation by the tax authorities may change and such changes may have retroactive effect.*

**Withholding tax**

*The following is an overview addressing only the French compulsory withholding tax treatment of income payments by the Issuer arising from the Notes. This overview is based on the assumption that the Issuer is not (and will not be) and is not (and will not be) deemed to be, a French resident for French tax purposes and the Notes (or any transaction in connection with the Notes) are not (and will not be) attributed or attributable to a French branch, permanent establishment or other fixed place of business in France of the Issuer.*

Payments of interest and principal by the Issuer under the Notes will not be subject to any compulsory withholding tax in France.

By exception, pursuant to Article 125 A of the French tax code, where the paying agent (*établissement payeur*) is established in France and subject to certain limited exceptions, interest and other similar revenues received by individuals fiscally domiciled (*domiciliés fiscalement*) in France are subject to a 24 per cent mandatory withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made (this withholding tax is refunded if in excess of the final personal income tax liability).

Social contributions (CSG of 8.2 per cent, the *prélèvement social* of 4.5 per cent, the *contribution additionnelle au prélèvement social* of 0.3 per cent, the *prélèvement de solidarité sur les produits de placement* of 2 per cent and the CRDS of 0.5 per cent) are also levied by way of withholding tax at a global rate of 15.5 per cent on such interest and other similar revenues received by individuals fiscally domiciled (*domiciliés fiscalement*) in France.

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**GERMAN TAXATION**

*The following is a general discussion of certain German tax consequences of the acquisition, ownership and disposal of the Notes. As each Tranche of the Notes may be subject to a different tax treatment due to the specific terms of each Tranche, the following section shall only be regarded as generic description with regard to the possible tax treatment in Germany. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This general description is based on the laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.*

*Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents.*

To the extent the following information describes the taxation in the case of a disposal of the Notes, such description applies accordingly to cases of a call, exercise, assignment or redemption of the Notes as well as a transfer of Notes into a corporation by way of a hidden contribution into a corporation (*verdeckte Einlage in eine Kapitalgesellschaft*).

***German tax residents***

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Notes) and, in general, capital gains.

***Notes held as private assets***

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as private assets (*Privatvermögen*), the following applies:

***Taxable income***

The Notes should qualify as other capital receivables (*sonstige Kapitalforderungen*) in terms of section 20 para 1 no 7 German Income Tax Act (“**ITA**” – *Einkommensteuergesetz*).

Interest paid regarding the Notes should qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 ITA.

Capital gains / capital losses realised upon disposal of the Notes, computed as the difference between acquisition cost and sales proceeds reduced by expenses directly and factually related to the sale, should qualify as positive or negative savings income in terms of section 20 para 2 sentence 1 no 7 ITA. Where the Notes are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition and the sales proceeds will be converted into Euro at the time of sale with the result that any currency gains or losses are part of the capital gains. If the Notes are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Notes can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

If interest claims are disposed of separately (i.e. without the Notes), the proceeds from the disposition are subject to income taxation. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately.

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated 18 January 2016, a sale shall be disregarded where the transaction costs exceed the sales proceeds, which means that losses suffered from such “sale” shall not be tax-deductible. Similarly, a bad debt loss (*Forderungsausfall*), i.e. should the Issuer become insolvent, and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden contribution into a corporation, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible. Further, pursuant to said tax decree, where full risk certificates (*Vollrisikozertifikate*) provide for instalment payments, such instalment payments shall always qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) in the sense of section 20 para 1 no 7 ITA, unless the terms and conditions of the

certificates provide explicit information regarding redemption or partial redemption during the term of the certificates and the contractual parties comply with these terms and conditions. It is further stated in the tax decree that, if, in the case of certificates with instalment payments, there is no final payment at maturity, the expiry of such certificates shall not qualify as a sale-like transaction, which means that any remaining acquisition costs could not be deducted for tax purposes. Similarly, any remaining acquisition costs of certificates with instalment payments shall not be tax-deductible if the certificates do not provide for a final payment or are terminated early without a redemption payment because the respective underlying has left the defined corridor or has broken certain barriers (e.g. in knock-out structures). Although this tax decree only refers to full risk certificates with instalment payments, it cannot be excluded that the tax authorities apply the above principles also to other kinds of full risk instruments such as notes.

If the Issuer exercises the right to substitute the debtor of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the new debtor. Such a substitution could result in the recognition of a taxable gain or loss for the respective investors.

#### ***German withholding tax (Kapitalertragsteuer)***

With regard to savings earnings (*Kapitalerträge*), e.g. interest or capital gains, Germany income tax is generally levied as a flat rate income tax (*Abgeltungsteuer*) at a rate of 25 per cent (plus solidarity surcharge in an amount of 5.5 per cent on such tax, resulting in a total tax charge of 26.375 per cent plus, if applicable, church tax (*Kirchensteuer*)).

If the Notes are held in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading business or a German securities trading bank (each a “**German Disbursing Agent**”) the flat rate income tax (including solidarity surcharge) will be levied by way of withholding at the aforementioned rate by the German Disbursing Agent. For individual Holders who are subject to church tax an electronic information system for church withholding tax purposes applies in relation to investment income, with the effect that church tax will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

If no German Disbursing Agent is involved in the payment process the investor will have to include the savings earnings, e.g. interest or capital gains, in its tax return and the flat rate income tax of 25 per cent plus solidarity surcharge and, if applicable, church tax will be collected by way of assessment.

The tax base is, in principle, equal to the taxable gross income as set out above (i.e. prior to withholding). However, if the Notes have not been kept or administered in a custodial account with the same German Disbursing Agent since the time of their acquisition, upon the disposal withholding tax applies on 30 per cent of the disposal proceeds (plus interest accrued on the Notes (*Stückzinsen*), if any), unless the current German Disbursing Agent has been notified of the actual acquisition costs of the Notes by the previous German Disbursing Agent or by a statement of a bank or financial services institution from another Member State of the European Union or the European Economic Area or from certain other countries in accordance with art. 17 para. 2 of the Council Directive 2003/48/EC on the taxation of savings income (e.g. Switzerland or Andorra).

When computing the tax base for withholding tax purposes, the German Disbursing Agent has to deduct any negative savings income (*negative Kapitalerträge*) or paid accrued interest (*Stückzinsen*) in the same calendar year or unused negative savings income of previous calendar years. In addition, subject to certain requirements and restrictions the German Disbursing Agent credits foreign withholding taxes levied on investment income in a given year from securities held by a private investor with the German Disbursing Agent.

No German withholding tax will be levied if the investor has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife or registered partners). Similarly, no withholding tax will be levied if the relevant investor has submitted a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent local tax office to the German Disbursing Agent.

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The Issuer is, unless the Issuer acts as a German Disbursing Agent, not obliged to levy German withholding tax in respect of payments on the Notes.

***Tax assessment***

The taxation of savings income shall take place mainly by way of levying withholding tax (please see above). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and settle the respective investor's income tax liability. If no withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the investor is nevertheless obliged to file a tax return, and the savings income will then be taxed within the assessment procedure.

However, also in the assessment procedure, savings income is principally taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*) being identical to the withholding tax rate (26.375 per cent - including solidarity surcharge (*Solidaritätszuschlag*) plus, if applicable, church tax). In certain cases, the investor may apply to be assessed on the basis of its applicable personal progressive tax rate if the respective income tax liability is lower than under the application of the flat income tax rate. Such application can only be filed consistently for all savings income within the assessment period. In case of jointly assessed husband and wife the application can only be filed for savings income of both spouses.

When computing the savings income, the saver's lump sum amount (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife or registered partners) will be deducted. The deduction of the actual income related expenses, if any, is excluded.

***Notes held as business assets***

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as business assets (*Betriebsvermögen*), interest payments and capital gains will be subject to corporate income tax at a rate of 15 per cent or income tax at a progressive rate of up to 45 per cent, as the case may be, (in each case plus 5.5 per cent solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located (rates vary between 7 and approx. 19 per cent). Further, in the case of individuals, church tax may be levied. Business expenses that are connected with the Notes are generally tax-deductible. In case the income of the investor is determined based on accrual accounting, interest and capital gains may be taxable before actual payments are received. Where Notes qualify as zero bonds and form part of a trade or business, each year the part of the difference between the issue or purchase price and the redemption amount attributable to such year must be taken into account.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out above for private investors. However, investors holding the Notes as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent. No withholding tax will be levied on capital gains from the redemption, sale or assignment of the Notes if (a) the Notes are held by a corporation satisfying the requirements of section 43 para 2 sentence 3 no 1 ITA or (b) the proceeds from the Notes qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax liability of the investor. If the tax withheld exceeds the respective (corporate) income tax liability, the difference will be refunded within the annual tax assessment procedure.

***Non-German tax residents***

Persons who are not tax resident in Germany are not subject to tax with regard to income from the Notes unless (i) the Notes are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Notes qualifies for other reasons as taxable German source income or (iii) the income is paid by a German Disbursing Agent against presentation of the Notes or interest coupons (so-called over-the-counter transaction, *Tafelgeschäfte*). If a non-resident person is subject to tax with its income from the Notes, in principle, similar rules apply as set out above with regard to German tax resident persons (please see above).

Non-residents of Germany are in general also not subject to German withholding tax on interest and capital gains. However, if the interest or capital gain is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a German Disbursing Agent (as

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defined above), withholding tax will be levied as explained above at “– Notes held as private assets” or “– Notes held business assets”, respectively. Under certain circumstances, non-residents may benefit from tax reductions or tax exemptions under applicable double tax treaties (*Doppelbesteuerungsabkommen*) entered into with Germany.

### ***Inheritance and Gift Tax***

Inheritance or gift taxes with respect to any Note may, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany or if such Note is attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed. In addition, certain German expatriates may be subject to inheritance and gift tax.

The few existing double taxation treaties regarding inheritance and gift tax may lead to different results. Special rules apply to certain German citizens that are residing in a foreign country and German expatriates.

### ***Other Taxes***

No stamp, issue, registration or similar taxes or duties are payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net asset tax (*Vermögensteuer*) is not levied in Germany.

The European Commission and certain EU Member States (including Germany) are currently intending to introduce a financial transactions tax (“FTT”) (presumably on secondary market transactions involving at least one financial intermediary). However, it is currently uncertain when the proposed FTT will be enacted by the participating EU Member States and when the FTT will enter into force with regard to dealings with the Notes.

### ***No gross-up for German withholding tax (Kapitalertragsteuer)***

Purchasers of the Notes should note that in accordance with the terms and conditions of the Notes, unless specified in the applicable Final Terms, the Issuer, in principle, will neither assume any liability for German withholding taxes (*Kapitalertragsteuer*) withheld from payments under the Notes, nor make any additional payments in regard of these taxes, i.e. no gross-up will apply in case a withholding tax is imposed.

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## IRISH TAXATION

**The following is a summary based on the laws and practices currently in force in Ireland of certain matters regarding the tax position of investors who are the absolute beneficial owners of the Notes. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Notes. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of payments thereon under the laws of their country of residence, citizenship or domicile.**

### **Withholding Tax**

Tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Notes so long as such payments do not constitute Irish source income. Interest paid on the Notes may be treated as having an Irish source if:

- (a) the Issuer is resident in Ireland for tax purposes; or
- (b) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which are used to fund the payments on the Notes; or
- (c) the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer does not and will not have a branch or permanent establishment in Ireland; and (iii) the Issuer will not maintain a register of any registered Notes in Ireland.

### **Encashment Tax**

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) on any interest, dividends or annual payments payable out of or in respect of the stocks, funds, shares or securities of a company not resident in Ireland, where such interest, dividends or annual payments are collected or realised by a bank or encashment agent in Ireland for payment to any person who is Irish resident.

Encashment tax will not apply where the holder of the Notes is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

### **Taxation of Receipts**

Notwithstanding that a Noteholder may receive payments of interest, premium or discount on the Notes free of Irish withholding tax, the Noteholder may still be liable to pay Irish income or corporation tax (and in the case of individuals, the universal social charge) on such interest if (i) such interest has an Irish source, (ii) the Noteholder is resident or (in the case of a person other than a body corporate) ordinarily resident in Ireland for tax purposes (in which case there may also be a pay related social insurance (PRSI) liability for an individual in receipt of interest on the Notes), or (iii) the Notes are attributed to a branch or agency of the Noteholder in Ireland. Ireland operates a self-assessment system in respect of income and corporation tax, and each person must assess its own liability to Irish tax.

Relief from Irish income tax may be available under the specific provisions of a double taxation agreement between Ireland and the country of residence of the recipient.

### **Capital Gains Tax**

A Noteholder will be subject to Irish tax on capital gains realised on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and the Notes were not used in or for the purposes of a trade carried on by the Noteholder in Ireland through a branch or agency and were not used or held or acquired for the purposes of such a branch or agency or in the case of Notes which derive their value or more than 50 per cent of their value from Irish real estate, mineral rights or exploration rights unless the Notes remain quoted on a stock exchange.

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### **Capital Acquisitions Tax**

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs is currently levied at 33 per cent.) if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland.

Notes in registered form are regarded as property situate in Ireland if the register of the Notes is in Ireland. The Notes may, however, be regarded as situated in Ireland regardless of their physical location if they secure a debt due by an Irish resident debtor and/or are secured over Irish property. Accordingly, if Irish situate Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponent or the donee/successor.

### **Stamp Duty On Transfer Of Notes**

As the Issuer is not registered in Ireland, stamp duty will not arise on a document effecting a transfer of the Notes so long as the instrument of transfer of the Notes does not relate to:

- (a) any immovable property situated in Ireland or any right over or interest in such property; or
- (b) any stocks or marketable notes of a company which is registered in Ireland (other than a company which is (a) an investment undertaking within the meaning of section 739B of the Taxes Consolidation Act, 1997 (“TCA”) or (b) a qualifying company within the meaning of section 110 of the TCA).

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ITALIAN TAXATION

*The following is a general description of current Italian law and practise relating to the direct taxation of the Notes. The statements herein regarding direct taxation are based on the laws in force in Italy as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following general description does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.*

*Prospective investors are advised to consult their own tax advisors concerning the overall tax consequences of their interest in the Notes.*

***Tax treatment of the Notes***

As clarified by the Italian tax authorities, the Notes may be subject to different tax regimes depending on whether:

- (a) they represent derivative financial instruments or bundles of derivative financial instruments not entailing a "use of capital" (*impiego di capitale*), through which the Noteholders invests indirectly in underlying financial instruments for the purpose of obtaining a profit deriving from the negotiation of such underlying financial instruments; or
- (b) they represent a debt instrument implying a "use of capital" (*impiego di capitale*), through which the Noteholders transfer to the Issuer a certain amount of capital, for the economic exploitation of the same, subject to the right to obtain a (partial or entire) reimbursement of such amount at maturity.

***Notes representing derivative financial instruments or bundles of derivative financial instruments***

***Italian resident Noteholders***

Where the Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, payments in respect of Notes qualifying as securitised derivative financial instruments as well as capital gains realised on any sale or transfer for consideration or exercise or redemption thereof are subject to a 26 per cent substitute tax (*imposta sostitutiva*). The recipient may opt for three different taxation criteria:

- (1) Under the tax declaration regime (*regime della dichiarazione*), which is the standard regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all payments in respect of Notes and all capital gains, net of any incurred capital loss, realised by the Italian resident individual holding the Notes not in connection with an entrepreneurial activity pursuant to all disposals of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses realised before 30 June 2014 may be carried forward to be offset against subsequent capital gains realised from 1 July 2014 for an overall amount of 48.08 per cent. of the relevant capital losses with reference to losses realised before 1 January 2012 and for an overall amount of 76.92 per cent. with reference to losses realized between 1 January 2012 and 30 June 2014.
- (2) As an alternative to the tax declaration regime, Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on payments received in respect of Notes and capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each

sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Capital losses realised before 30 June 2014 may be carried forward to be offset against subsequent capital gains realised from 1 July 2014 for an overall amount of 48.08 per cent. of the relevant capital losses with reference to losses realised before 1 January 2012 and for an overall amount of 76.92 per cent. with reference to losses realised between 1 January 2012 and 30 June 2014. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

- (3) Any payments received and any capital gains accrued by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Depreciation of the managed assets accrued before 30 June 2014 may be carried forward to be offset against subsequent increase in value of the managed assets accrued from 1 July 2014 for an overall amount of 48.08 per cent. of the relevant capital losses with reference to losses realised before 1 January 2012 and for an overall amount of 76.92 per cent. with reference to losses realised between 1 January 2012 and 30 June 2014. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on capital gains relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the **Finance Act 2017**).

Any gain obtained from payments in respect of Notes qualifying as securitised derivative financial instruments as well as capital gains realised on any sale or transfer for consideration or exercise or redemption thereof would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for the purposes of Italian regional tax on productive activities (**IRAP**)) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

***Notes representing debt instruments implying a "use of capital"; Notes having 100 per cent. capital protection guaranteed by the Issuer***

#### ***Taxation of interest***

##### ***Italian resident Noteholders***

Legislative Decree 1st April 1996, No. 239 (Decree No. 239) regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as Interest) from Notes issued, *inter alia*, by non-Italian resident entities. The provisions of Decree No. 239 only apply to those Notes which qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Presidential Decree 22nd December, 1986, No. 917 (Decree No. 917). In accordance with Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not less than that indicated therein, and (ii) attribute to the holders no direct or indirect right to control or participate to the management of the Issuer.

Where the Italian resident Noteholder is an individual holding Notes otherwise than in connection with entrepreneurial activity, (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the *risparmio gestito* tax regime (see above)), Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). Such investors are qualified as "net recipients".

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Holder, also to IRAP).

### ***Notes not having 100 per cent. capital protection guaranteed by the Issuer***

In case Notes representing debt instruments implying a "use of capital" do not guarantee the total reimbursement of the principal, under Italian tax law they should qualify as "atypical securities" and payments in respect of such Notes received by Italian resident individual Noteholders would be subject to a 26 per cent. final withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation and withholding taxes on interest, premium and other income relating to Notes Notes not having 100 per cent. capital protection guaranteed by the Issuer if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

The withholding tax mentioned above does not apply to interest payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (a) a company or similar commercial entity (including the Italian permanent establishment of foreign entities); (b) a commercial partnership; or (c) a commercial private or public institution.

### ***Capital gains tax***

#### ***Italian resident Noteholders***

Pursuant to Legislative Decree 21st November, 1997, No. 461, capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected, on any sale or transfer for consideration of the Notes or redemption thereof are subject to a 26 per cent capital gain tax, which applies under the "tax declaration regime", the *risparmio amministrato* tax regime or the *risparmio gestito* tax regime according to the same rules described above under the caption "*Notes representing derivative financial instruments or bundles of derivative financial instruments – Italian resident Noteholders*".

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity may be exempt from Italian capital gain taxes, including the substitute tax, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017.

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

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## LUXEMBOURG TAXATION

*The following is a general description of certain Luxembourg tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. The following is based upon the law as in effect on the date of this Base Prospectus. Prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes. Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi) as well as personal income tax (impôt sur le revenu) generally. Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income taxes, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.*

*A Noteholder may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.*

### **Taxation of the Noteholders**

#### **Withholding tax**

##### **(i) Non-resident Noteholders**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident Noteholders, nor on accrued but unpaid interest in respect of the Notes which are not profit participating, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident Noteholders.

##### **(ii) Resident Noteholders**

#### **RELIBI**

Under Luxembourg general tax laws currently in force and subject to the Luxembourg law of 23 December 2005, as amended (the “**RELIBI Law**”), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident Noteholders, nor on accrued but unpaid interest in respect of Notes which are not profit participating, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Pursuant to the RELIBI Law, a 20 per cent withholding tax is levied on payments of interest or similar income made or ascribed by Luxembourg paying agents to (or for the benefit of) Luxembourg resident individuals. This withholding tax also applies on accrued interest received upon sale, disposal, redemption or repurchase of the Notes. Such withholding tax is 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 who does not hold the Notes as business assets.

Responsibility for the withholding of tax in application of the above-mentioned RELIBI Laws is assumed by the Luxembourg paying agent within the meaning of the RELIBI Law.

#### **Income Taxation**

##### **(i) Non-resident Noteholders**

A non-resident Noteholder, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realised by such non-resident Noteholder on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate Noteholder or an individual Noteholder acting in the course of the management of professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realised upon the sale or disposal, in any form whatsoever of the Notes.

### **(ii) Resident Noteholders**

Noteholders who are resident of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

#### **Luxembourg resident corporate Noteholder**

A corporate Noteholder must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A Luxembourg Noteholder that is governed by the law of 11 May 2007 on family estate companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 23 July 2016 on reserved alternative investment funds and which does not fall under the special tax regime set out in article 48 thereof will not be subject to any Luxembourg income tax in respect of interest received or accrued, any redemption premium or issue discount on the Notes, or on gains realised on the sale or disposal, in any form whatsoever, of Notes.

#### **Luxembourg resident individual Noteholder**

An individual Noteholder, who acts in the course of the management of his private wealth and who is a resident of Luxembourg for tax purposes, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, except if (i) withholding tax has been levied on such payments in accordance with the RELIBI Laws, or (ii) the individual Noteholder has opted for the application of a 20 per cent withholding tax in full discharge of income tax in accordance with the RELIBI Law, which applies if a payment of interest has been made or ascribed by a paying agent established in an EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than an EU Member State). The option for the 20 per cent final withholding tax must cover all interest payments made by paying agents to the beneficial owner during the entire civil year. However, if the final 20 per cent tax applies in the presence of a foreign paying agent, responsibility for the declaration and the payment of the final 20 per cent is not to be assumed by the foreign paying agent but by the beneficial owner himself/herself.

Under Luxembourg domestic tax law, gains realised by an individual Noteholder, who acts in the course of the management of his private wealth and who is a resident of Luxembourg for tax purposes, on the sale or disposal, in any form whatsoever, of Notes are not subject to Luxembourg income tax, provided this sale or disposal took place six months after the acquisition of the Notes. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the RELIBI Law.

An individual Noteholder acting in the course of the management of professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the RELIBI Law will be credited against his/her final tax liability.

### **(iii) Net Wealth tax**

A corporate Noteholder, whether it is a resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which such Notes are attributable, is subject to Luxembourg net wealth tax on such Notes, except if the Noteholder is governed by the law of 11 May 2007 on family estate companies, as amended, by the laws of 17 December 2010 on undertakings for collective investment, as amended, by the Law of 13 February 2007 on specialised investment funds, as amended, by the law of 23 July 2016 on reserved alternative investment funds, or is a securitisation company governed by the law of 22 March 2004 on

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securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended<sup>30</sup>.

An individual Noteholder, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg net wealth tax on Notes.

#### **(iv) Other Taxes**

In principle, neither the issuance nor the transfer, repurchase or redemption of Notes will give rise to any Luxembourg registration tax or similar taxes.

However, a fixed or ad valorem registration duty may be due upon the registration of the Notes in Luxembourg in the case where the Notes are physically attached to a public deed or to any other document subject to mandatory registration, as well as in the case of a registration of the Notes on a voluntary basis.

Under present Luxembourg tax law, in the case where a Noteholder is a resident for tax purposes of Luxembourg at the time of his death, the Notes are included in his taxable estate.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

#### **(v) Foreign Account Tax Compliance Act (“FATCA”)**

Luxembourg entered into a Model 1 Intergovernmental Agreement (“IGA”) with the United States on 28 March 2014. Accordingly, each Luxembourg Financial Institution, as defined in the IGA, will be required to comply with FATCA under national legislation implementing such Model 1 IGA with the United States. The Luxembourg IGA was implemented with the Luxembourg Law of 24 July 2015.

**FATCA is particularly complex and its application to Luxembourg Financial Institution, the Notes and the Noteholders is subject to change. Each Noteholder should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each Noteholder in its particular circumstance.**

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<sup>30</sup> Please however note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

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**SPANISH TAXATION**

*The information provided below does not purport to be a complete description of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect. Furthermore, it is not a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not describe the tax consequences for certain categories of taxpayers including, but not limited to entities falling under the attribution of the income regime, financial institutions, Collective Investment Institutions or Cooperatives, which may be subject to specific rules. Prospective investors who are in any doubt as to their position should consult with their own professional advisors.*

*The description set out below is based upon Spanish state law in force and is subject to any changes in the laws of Spain that may take effect after such date. This description does not take into account any regional or local legislation that could be of application.*

This information has been prepared in accordance with the following Spanish tax legislation:

- (i) for individuals resident for tax purposes in Spain which are subject to Personal Income Tax, Law 35/2006, of 28 November 2006, on Personal Income Tax and partial amendment of Corporate Income Tax Law, Non-Residents Income Tax Law and Wealth Tax Law, as amended (the “**PIT Law**”); Royal Decree 439/2007, of 30 March 2007, promulgating the Personal Income Tax Regulations, as amended; Law 19/1991, of 6 June 1991, on Wealth Tax, as amended (the “**Wealth Tax Law**”); and Law 29/1987, of 18 December 1987, on Inheritance and Gift Tax, as amended (the “**Inheritance and Gift Tax Law**”);
- (ii) for legal entities resident for tax purposes in Spain which are subject to Corporate Income Tax, Law 27/2014, of 27 November 2014, on Corporate Income Tax, as amended (the “**CIT Law**”); and Royal Decree 634/2015, of 10 July 2015, promulgating the Corporate Income Tax Regulations (the “**CIT Regulations**”); and
- (iii) for individuals and entities who are not resident for tax purposes in Spain, Royal Legislative Decree 5/2004, of 5 March 2004, promulgating the Consolidated Text of the Non-Residents Income Tax Law, as amended (the “**NRIT Law**”); Royal Decree 1776/2004, of 30 July 2004, promulgating the Non-Residents Income Tax Regulations, as amended (the “**NRIT Regulations**”); the Wealth Tax Law; and the Inheritance and Gift Tax Law.

**I. Taxes on Income and Capital Gains**

- (i) **Individuals with tax residency in Spain subject to Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)**

Interest from the Notes obtained by individuals subject to Spanish Personal Income Tax, and also income from the transfer, reimbursement, redemption, exchange or conversion of the Notes would be considered a return on investment obtained from the transfer of funds to third parties according to Article 25.2 of the PIT Law. Such income would be included in the savings taxable base and subject to the rules foreseen in that respect in the PIT Law.

Income included in the savings taxable base is currently taxed (i) at a rate of 19 per cent. up to the first €6,000, (ii) at a rate of 21 per cent. on the following €44,000 and, (iii) at a rate of 23 per cent. on any excess over €50,000.

Any income derived from the Notes would be subject to withholding tax, currently at the rate of 19 per cent., on account of the Personal Income Tax of the holder.

On the basis that the Issuer is not resident in Spain for tax purposes and does not operate in Spain through a permanent establishment, branch or agency, all payments of principal and interest in respect of the Notes can be made free of any withholding or deduction for or on account of any taxes in Spain.

Under certain conditions, withholding taxes may apply if the Notes are deposited with a Spanish resident entity acting as depositary or custodian or such Spanish resident entity is in charge of the collection of the income from the Notes, or in charge of the redemption of the Notes, or receives from the holder the order to transfer the Notes, as the case may be.

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When income obtained under the Notes has already been taxed abroad, the taxpayer shall be entitled to a tax credit against the Spanish Personal Income Tax liability for the lowest amount of the following: (i) the amount effectively paid abroad; and (ii) the amount resulting from applying the average tax rate to the taxable base effectively taxed abroad.

(ii) ***Legal Entities with tax residency in Spain subject to Corporate Income Tax (Impuesto sobre Sociedades)***

The tax regime for Spanish-resident entities holders of the Notes is included in the CIT Law and the CIT Regulations.

According to article 10.3 of the CIT Law, the taxable income derived from the interest generated under the Notes and also from the transfer, reimbursement, redemption, exchange or conversion of the Notes will be calculated in accordance with the accounting treatment of such income by the relevant entity and generally taxed at the standard rate of 25 per cent. following the applicable rules for this tax.

Any income derived from the Notes would be subject to withholding tax of 19 per cent. on account of the Corporate Income Tax of the holder.

On the basis that the Issuer is not resident in Spain for tax purposes and does not operate in Spain through a permanent establishment, branch or agency, all payments of principal and interest in respect of the Notes can be made free of any withholding or deduction for or on account of any taxes in Spain.

Under certain conditions, withholding taxes may apply if the Notes are deposited with a Spanish resident entity acting as depositary or custodian or such Spanish resident entity is in charge of the collection of the income from the Notes, or in charge of the redemption of the Notes, or receives from the holder the order to transfer the Notes, as the case may be.

In any case, income derived from the Notes obtained by Corporate Income Tax taxpayers will not be subject to withholding tax on account of Corporate Income Tax, in accordance with the provisions of Article 61.s) of the CIT Regulations provided that the Notes are listed on an organised market of an OECD country.

When income obtained under the Notes has already been taxed abroad, the taxpayer shall be entitled to a tax credit against the Corporate Income Tax liability for the lowest amount of the following: (i) the amount effectively paid abroad; and (ii) the amount that should have been paid in Spain in the case that such income had been obtained in Spain.

(iii) ***Individuals and Legal Entities not resident for tax purposes in Spain and subject to Non-Residents Income Tax (Impuesto sobre la Renta de no Residentes)***

Interest generated by the Notes or from the transfer, reimbursement, redemption, exchange or conversion of the Notes obtained by individuals and legal entities not resident for tax purposes in Spain will be taxed pursuant to the NRIT Law.

*Income obtained through a permanent establishment*

If the Notes form part of the assets of a permanent establishment in Spain of a non-Spanish resident person or entity, income from the Notes will be taxed under the same rules as those previously set out for legal entities subject to Corporate Income Tax.

*Income obtained without a permanent establishment*

Income obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a permanent establishment in Spain would not be considered as Spanish-source income and, therefore, would not be subject to taxation and withholding tax in Spain under the NRIT Law.

**II. Wealth Tax (Impuesto sobre el Patrimonio)**

Only individuals who are holders of the Notes would be subject to Wealth Tax. Legal entities are not taxable persons under Spanish Wealth Tax.

(i) ***Individuals with tax residency in Spain***

Individuals with tax residency in Spain are subject to Wealth Tax on year 2017 to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant

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legislation in an autonomous region (*Comunidad Autónoma*). Therefore, they should take into account the value of the Notes which they hold as at 31 December 2017, the applicable rates ranging between 0.2 per cent. and 2.5 per cent, although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

In principle, Spanish Wealth Tax is scheduled to be removed from 1 January 2018 onwards.

(ii) ***Individuals with no tax residency in Spain***

Non-Spanish residents would not be subject to the Wealth Tax on the holding of the Notes, provided that the Notes are not located in Spain and the rights deriving from them cannot be exercised within the Spanish territory.

**III. Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

(i) ***Individuals with tax residency in Spain***

Individuals resident in Spain for tax purposes who acquire ownership or other rights over the Notes by inheritance, gift or legacy will be subject to the Inheritance and Gift Tax in accordance with the applicable Spanish regional or State rules (subject to any regional tax exemptions being available to them). The applicable effective tax rates currently range between 7.65 per cent. and 81.6 per cent., subject to any specific regional rules, depending on relevant factors.

(ii) ***Legal Entities with tax residency in Spain***

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax, but income obtained will be subject to the Corporate Income Tax.

(iii) ***Individuals and Legal Entities not resident for tax purposes in Spain***

Non-Spanish resident individuals and non-Spanish legal entities without a permanent establishment in Spain that acquire ownership or other rights over the Notes by inheritance, gift or legacy, will not be subject to Inheritance and Gift Tax provided that the Notes are not located in Spain and the rights deriving from them cannot be exercised within the Spanish territory.

Non-Resident entities with a permanent establishment within the Spanish territory which acquire the ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax, but income obtained will be subject to the Non-Residents Income Tax, subject to the application of any relevant double taxation treaty.

**IV. Value Added Tax, Transfer Tax and Stamp Duty**

The issuance, acquisition and transfer of the Notes is not taxable under Transfer Tax and Stamp Duty Tax, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, nor will it be taxable under the Value Added Tax, in accordance with Law 37/1992, of 28 December, regulating such tax.

**V. Disclosure obligations in connection with assets held abroad by Spanish tax resident natural and legal persons and permanent establishments in Spain of a non-Spanish tax resident person or entity (Form 720)**

According to Law 7/2012, of 29 October, Spanish tax resident natural or legal persons and permanent establishments in Spain of a non-Spanish tax resident person or entity holding certain categories of assets abroad (including inter alia all types of debt securities) may be potentially liable to report them to the Spanish tax authorities on a yearly basis (filing in respect of Notes held as of 31 December 2017 will be due by 31 March 2018) in certain circumstances. Accordingly, any Spanish resident individual and corporate investors and permanent establishments in Spain of a non-Spanish tax resident person or entity using a non-Spanish resident custodian to hold the Notes may be potentially liable to comply with such reporting obligations in respect of the Notes, if certain conditions are met. Failure to meet this reporting obligation may trigger significant tax penalties and other tax implications.

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## THE NETHERLANDS TAXATION

*The following general description of certain Dutch taxation matters is based on the laws and practice in force as of the date of this 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 general description 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 general description it is assumed that no individual or 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 Morgan Stanley and that no connected person (verbonden persoon) to the holder of a Note has or will have a substantial interest in Morgan Stanley.*

*Generally speaking, a substantial interest in a company arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5 per cent or more of the total issued capital of the company or 5 per cent or more of the issued capital of a certain class of shares of the company (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit-sharing rights in a company.*

*For the purpose of this general description, 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 general description 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.*

*For the purposes of the Netherlands tax consequences described herein, it is assumed that Morgan Stanley is neither a resident of the Netherlands nor deemed to be a resident of the Netherlands for Netherlands tax purposes.*

*Where the general description refers to “The Netherlands” or “Dutch” it refers only to the European part of the Kingdom of the Netherlands.*

*This summary does not address the Netherlands tax consequences for holders of Notes that are a resident or deemed to be resident in Bonaire, Sint-Eustatius or Saba.*

***Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of a Note.***

### 1. WITHHOLDING TAX

All payments under the Notes may be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, **provided that** (i) the Notes have a maturity – legally or *de facto* - of not more than 50 years, and (ii) the Notes will not represent, be linked to (the performance of) or be convertible (in part or in whole) into, (rights to purchase) (a) shares, (b) profit certificates (*winstbewijzen*), and/or (c) debt instruments having a maturity – legally or *de facto* – of more than 50 years, issued by Morgan Stanley or any other entity related to Morgan Stanley.

### 2. 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 the redemption, settlement or disposal of a Note at the prevailing statutory rates.

##### *Resident individuals*

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An individual holding a Note who is, or is deemed to be, 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:

- (i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or
- (ii) 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 condition (ii) above applies, an individual that holds the Notes, must determine taxable income with regard to the Notes on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a percentage of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The deemed return percentage to be applied to the yield basis increases progressively depending on the amount of the yield basis. The deemed return on income from savings and investments is taxed at a rate of 30 per cent.

#### Non-residents of the Netherlands

If a person is neither a resident of the Netherlands nor is deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes, such person is not liable to Netherlands income tax in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

- (i) the person is not an individual and such person (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is, other than by way of securities, entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25 per cent.

- (ii) the person is an individual and such individual (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities in the Netherlands which include activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is, other than by way of securities, entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at progressive rates up to a maximum rate of 52 per cent. Income derived from a share in the profits of an enterprise as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands").

### 3. GIFT AND INHERITANCE TAXES

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:

- (i) the holder of a Note is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions; or

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- (ii) 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.

4. **VALUE ADDED TAX**

Generally, there is no Dutch value added tax payable by a holder of a Note in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes, or the transfer of the Notes.

5. **OTHER TAXES AND DUTIES**

There is no Dutch registration tax, stamp duty or any other similar tax or duty payable in the Netherlands by a holder of a Note in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgement in the courts of the Netherlands) of the Notes or the performance of the Morgan Stanley's obligations under the Notes.

6. **RESIDENCE**

A holder of a Note will not be and will not be 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.

**PROPOSED FINANCIAL TRANSACTION TAX**

On 14 February 2013, the European Commission published a proposal (the “**Commission's Proposal**”) for a directive for a common financial transactions tax (the “**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

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

Under the Commission's Proposal the 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 the 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.

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

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**SUBSCRIPTION AND SALE**

The Issuer is 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 purchase the Notes. The Issuer will have the sole right to accept offers to purchase Notes and may reject any offer in whole or in part. The Distribution Agent will have the right to reject any offer to purchase Notes solicited by it in whole or in part. The Issuer may pay the Distribution Agent, in connection with sales of the Notes resulting from a solicitation the Distribution Agent made or an offer to 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 its own account.

The Issuer 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 the Distribution Agent determines.

The arrangements for the offer and sale of the Notes from time to time are set out in the Regulation S Distribution Agreement dated on or about 19 April 2017 (as modified and restated from time to time, the “**Distribution Agreement**”) among Morgan Stanley and the Distribution Agent. Pursuant to the Distribution Agreement, Morgan Stanley and the Distribution Agent have agreed to indemnify each other against certain liabilities, or to contribute payments made in respect thereof. Morgan Stanley has 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 Notes generally or in relation to a particular Series of Notes) in an accession letter provided by each such additional Distribution Agent to Morgan Stanley.

In order to facilitate the offering of the Notes, the Distribution Agent may 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 over allot in connection with any offering of the Notes, creating a short position in the Notes for their own accounts. In addition, to cover overallocments 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. Finally, in any offering of the Notes through a syndicate of underwriters, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Notes in the offering if the syndicate repurchases previously distributed Notes in transactions to cover syndicate short positions, in stabilisation transactions or otherwise. 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 or the securities laws of any state or other jurisdiction of the United States. The Notes may not be offered, sold, pledged, assigned, delivered or otherwise transferred, exercised or redeemed, at any time, 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 (“**Regulation S**”). Each 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 or other jurisdiction in the United States, and the Notes are not being offered, sold or delivered 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; (2) has represented, as a condition to acquiring any interest in the Notes, that neither it nor any persons on whose behalf or for whose account or benefit the Notes are being acquired is a U.S. Person, that it is not located in the United States, and was not solicited to 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 or to, or for the account or benefit of, 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 Agents have represented and agreed that they have 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 Agents have represented and agreed that neither

they, their affiliates (if any) nor any person acting on behalf of any of them has engaged or will engage in any directed selling efforts with respect to Notes, and they have all complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this paragraph have the meanings given to them in Regulation S.

An offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act.

***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 Distribution Agreement 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 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 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 (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

***U.K.***

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 Distribution Agreement will be required to represent and agree, with, the Issuer that:

- (a) ***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

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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;

- (b) **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; and
- (c) **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 U.K.

### **France**

The Distribution Agent has represented and agreed that:

- (a) it has only made and will only make an offer of Notes to the public in France following the notification of the approval of this Base Prospectus to the *Autorité des marchés financiers* (the “AMF”) by the CSSF and in the period beginning on the date of publication of the Final Terms relating to the offer of Notes and ending at the latest on the date which is 12 months after the date of the approval of this Base Prospectus by CSSF, 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
- (b) it has not offered or sold and will not offer or sell, directly or indirectly, Notes 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 that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French Code *monétaire et financier*.”

### **Ireland**

In relation to each Tranche of Notes, the Distribution Agent subscribing for or purchasing such Notes has represented to, warranted and agreed with, or will represent to, warrant and agree with, the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity than with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 nos. 1 to 3 (as amended) (MiFID Regulations), including, without limitation, Regulations 7 and 152 thereof or any codes of conduct used in correction therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Act 2014, the Irish Central Bank Acts 1942 – 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1998;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued under Section 1363 of the Companies Act 2014;
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended), the European Union (Market Abuse) Regulations 2016 and any rules issued under Section 1370 of the Companies Act 2014; and
- (e) any issue of the Notes with a legal maturity of less than one year will be carried out in strict compliance with the Central Bank of Ireland's implementation notice for credit institutions

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BSD C 01/02 of 12 November 2002 (as may be amended, replaced or up-dated) and issued pursuant to Section 8(2) of the Irish Central Bank Act, 1971 (as amended).

***Republic of Italy***

Unless it is specified in the relevant Final Terms that a Non-exempt Offer may be made in Italy, the offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, the Distribution Agent has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, the Distribution Agent has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus and any other document relating to the Notes in the Republic of Italy except:

- (1) to “qualified investors”, as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “**Decree No. 58**”) and defined in Articles 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**Regulation No. 11971**”); or
- (2) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy must:

- (a) be made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended (the **Banking Act**), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

*Provisions relating to the secondary market in Italy*

Please note that in accordance with Article 100-bis of Decree No. 58, where no exemption from the rules on public offerings applies under (1) and (2) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Decree No. 58 and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

***Spain***

Neither the Notes nor the Prospectus have been or will be approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Notes may not be offered, sold, re-sold or distributed in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of article 35 of Royal Legislative Decree 4/2015 of 23 October, approving the consolidated text of the Securities Market Law (the **Securities Market Law**), as developed by Royal Decree 1310/2005, of 4 November (*Real Decreto 1310/2005, de 4 de noviembre*) and supplemental rules enacted thereunder or in substitution thereof from time to time. The Notes may only be offered and sold in Spain by institutions authorised to provide investment services in Spain under the Securities Market Law (and related legislation) and Royal Decree 217/2008 of 15 February on the Legal Regime Applicable to Investment Services Companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*).

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***The Netherlands***

For selling restrictions in respect of The Netherlands, see “**European Economic Area**” above and in addition:

***Specific Dutch selling restriction for exempt offers:*** The Distribution Agent has represented and agreed and each further Distribution Agent appointed under the Distribution Agreement 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:

- 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 “**FMSA**”) and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or
- standard exemption logo and wording are disclosed as required by article 5:20(5) of the FMSA; or
- such offer is otherwise made in circumstances in which article 5:20(5) of the FMSA is not applicable,

**provided that** no such offer of Notes shall require 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.

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 “European Economic Area”.

***Regulatory capacity to offer Notes in The Netherlands:*** The Distribution Agent, and each further Distribution Agent appointed under the Distribution Agreement, 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 Issuer that it has not offered or sold and will not offer or sell any of the Notes of the 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.

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**NO OWNERSHIP BY U.S. PERSONS**

The Notes may not be legally or beneficially owned by U.S. Persons at any time. The term “**U.S. Person**” will have the meaning ascribed to it in Regulation S under the Securities Act.

Each purchaser of Notes, by accepting delivery of this Base Prospectus or the Notes, will be deemed to have represented, agreed and acknowledged that:

- (a) it is, or at the time such Notes are purchased will be, the beneficial owner of such Notes and it is not, and is not acting for the account or benefit of, a U.S. Person and it is located outside the United States and was not solicited to purchase the such Notes while present in the United States;
- (b) such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred, exercised or redeemed except to a person that is not a U.S. Person (within the meaning of Regulation S) in an “offshore transaction” in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with all applicable securities laws of any state of the United States and any other applicable jurisdiction and it will provide notice of the foregoing transfer restriction to any subsequent transferee;
- (c) such Notes will bear a legend to the following effect:

“THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

ANY INTEREST IN THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED, ASSIGNED, DELIVERED OR OTHERWISE TRANSFERRED, EXERCISED OR REDEEMED 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).

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 ON BEHALF OF, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH U.S. PERSON.”

and

- (d) the Issuer, the Registrar, the Distribution Agents and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

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**IMPORTANT LEGAL INFORMATION**

1. ***Offering through Distribution Agent***

The Issuer is offering the Notes on a continuing basis through Morgan Stanley & Co. International plc (the “**Distribution Agent**”), which has agreed to use reasonable efforts to solicit offers to purchase the Notes. The Issuer 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. The Issuer or the Distribution Agent may reject any offer to purchase Notes, in whole or in part. See section entitled “*Subscription and Sale*” above.

2. ***Credit Ratings***

Notes may or may not be rated. Any credit rating applied for in relation to an issue of Notes will be specified in the applicable Final Terms. Whether or not such credit ratings applied for will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”) will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Economic Area (“**EEA**”) and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation, or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. This Base Prospectus includes details of the long-term and short-term credit ratings assigned to Morgan Stanley by DBRS, Inc. (“**DBRS**”), Fitch Ratings, Inc. (“**Fitch**”), Moody's Investors Service, Inc. (“**Moody's**”), Ratings and Investment Information, Inc. (“**R&I**”) and Standard & Poor's Financial Services LLC through its business unit S & P Global Ratings (“**S&P**”).

DBRS is not established in the European Economic Area (“**EEA**”) and has not applied for registration under the CRA Regulation. The ratings it has assigned to Morgan Stanley have been endorsed by DBRS Ratings Limited in accordance with the CRA Regulation. DBRS Ratings Limited, is established in the EEA and registered under the CRA Regulation. As such, DBRS Ratings Limited is included on the list of Credit Rating Agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website in accordance with the CRA Regulation. ESMA has indicated that ratings issued in the USA which have been endorsed by DBRS Ratings Limited may be used in the EU by market participants.

Fitch is not established in the EEA and has not applied for registration under the CRA Regulation. The rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited in accordance with the CRA Regulation. Fitch Ratings Limited is established in the EEA and registered under the CRA Regulation. As such, Fitch Rating Limited is included in the list of Credit Rating Agencies published by ESMA on its website in accordance with the CRA Regulation. ESMA has indicated that ratings issued in the USA but endorsed by Fitch Ratings Limited may be used in the EU by market participants.

Moody's is not established in the EEA and has not applied for registration under the CRA Regulation. The rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Ltd. in accordance with the CRA Regulation. Moody's Investors Service Ltd. is established in the EEA and registered under the CRA Regulation. As such, Moody's Investors Service Ltd. is included in the list of Credit Rating Agencies published by ESMA on its website in accordance with the CRA Regulation. ESMA has indicated that ratings issued in the USA but endorsed by Moody's Investors Service Ltd. may be used in the EU by market participants.

R&I is not established in the EEA and is not registered under the CRA Regulation in the EU. R&I is therefore not included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

S&P is not established in the EEA and has not applied for registration under the CRA Regulation. The rating it has assigned to Morgan Stanley is, with effect from 9 April 2012, endorsed by Standard and Poor's Credit Market Services Europe Limited in accordance with the CRA Regulation. Standard and Poor's Credit Market Services Europe Limited is established in the EEA and registered under the CRA Regulation. As such, Standard and Poor's Credit Market Services Europe Limited is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation. ESMA has indicated that ratings issued in the USA but endorsed by Standard and Poor's Credit Market Services Europe Limited may be used in the EU by market participants.

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 Dominion Bond Rating Service Limited. (“**DBRS**”), (ii) F1 and A, with a stable outlook, by Fitch Ratings Ltd. (“**Fitch**”), (iii) P-2 and A3, with a stable outlook, by Moody's Investors Service, Inc. (“**Moody's**”), (iv) a-1 and A-, with a stable outlook, by Ratings and Investment Information, Inc. (“**R&I**”) and (v) A-2 and BBB+ with a stable outlook, by Standard & Poor's Financial Services LLC through its business unit S & P Global Ratings (“**S&P**”).

### *Explanation of Ratings*

**DBRS:** For short-term ratings DBRS has a sliding scale from R-1 (highest credit quality) to R-5 (highly speculative). The modifier (middle) indicates that the obligation ranks in the middle end of the R-1 category. For long-term credit ratings DBRS has a sliding scale ranging from AAA (highest credit quality) to C (very highly speculative). The modifier (high) indicates that the obligation ranks in the higher end of the A category.<sup>31</sup>

**Fitch:** For short-term ratings a rating of F1 indicates the strongest intrinsic capacity for timely payment of financial commitments. For long-term credit ratings a rating of A denotes expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless be more vulnerable to adverse business conditions than is the case for higher ratings.<sup>32</sup>

**Moody's:** For short-term ratings Issuers rated P-2 are deemed to have a strong ability to repay short-term debt obligations. For long-term ratings, obligations rated A are judged to be upper-medium grade and are subject to low credit risk. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification. The modifier 3 indicates a ranking in the lower end of that generic rating category.<sup>33</sup>

**R&I:** For short-term ratings a rating of a-1 indicates that the certainty of the fulfilment of a short-term obligation is high. For long-term ratings a rating of A indicates high creditworthiness. The modifier (-) indicates that the obligation ranks in the lower end of the A category.<sup>34</sup>

**S&P:** For short-term ratings a rating of A-2 indicates satisfactory capacity to meet financial commitments. However the Issuer is more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category. For long-term ratings a rating of BBB indicates adequate capacity to meet financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.<sup>35</sup>

### 3. ***Responsibility Statements***

Morgan Stanley accepts responsibility for information contained in the Base Prospectus. To the best of the knowledge and belief of Morgan Stanley (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.

<sup>31</sup> Information found at <http://www.dbrs.com/>

<sup>32</sup> Information found at <https://www.fitchratings.com/site/home>

<sup>33</sup> Information found at <https://www.moody's.com/>

<sup>34</sup> Information found at <https://www.r-i.co.jp/eng/>

<sup>35</sup> Information found at [https://www.standardandpoors.com/en\\_US/web/guest/home](https://www.standardandpoors.com/en_US/web/guest/home)

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In respect of a Non-exempt Offer, the above paragraph is subject to the conditions and disclaimer of responsibility in certain circumstances as provided in “*Consent to the use of the Base Prospectus*” above.

4. ***Supplement***

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the applicable Final Terms.

5. ***No information or representatives outside offer***

No person has been authorised by Morgan Stanley 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. 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 supplemented or that there has been no adverse change in the financial situation of any of Morgan Stanley since the date hereof or, as the case may be, the date upon which this Base Prospectus has been most recently 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 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).

6. ***No or limited secondary market***

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. If Morgan Stanley & Co. International plc or other affiliate does make a market for the Notes, it may cease to do so at any time.

7. ***Offering and distribution restrictions and disclaimers***

Subject to the restrictions set out in this Base Prospectus, the categories of potential investors to which the Notes are offered are retail and institutional investors.

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 to inform themselves about and to observe those restrictions.

Neither this Base Prospectus nor any Final Terms constitutes 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 or the Distribution Agent that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of Morgan Stanley 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. For a description of certain restrictions on offer, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*” above.

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**GENERAL INFORMATION**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate code for each issue allocated by Euroclear and Clearstream, Luxembourg will be contained in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than two business days after the date of the transaction.

The price and amount of Notes to be issued under the Program pursuant to this Base Prospectus will be determined by the Issuer and any Distribution Agent at the time of the issue in accordance with prevailing market conditions.

In respect of any Fixed Rate Notes, the yield is calculated at the Issue Date on the basis of the Issue Price for such Notes and will be specified in the applicable Final Terms. It is not an indication of future yield.

***Documents available***

This Base Prospectus and any supplement thereto will be published on the websites of (a) the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and (b) Morgan Stanley & Co. International plc ([www.morganstanleyiq.eu](http://www.morganstanleyiq.eu)).

For so long as this Base Prospectus remains in effect or Notes 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 The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL and also at the principal executive offices of Morgan Stanley:

- (a) copies of the Distribution Agreement, the Issue and Paying Agency Agreement and all of Morgan Stanley's future Annual, Quarterly and Current Reports;
- (b) the Certificate of Incorporation and Amended and Restated By-laws of Morgan Stanley;
- (c) 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;
- (d) Annual Report of Morgan Stanley on Form 10-K for the year ended 31 December 2016, Morgan Stanley Current Reports on Form 8-K filed 11 January 2017, 17 January 2017, 31 January 2017, 2 March 2017 and Morgan Stanley Proxy Statement dated 7 April 2017;
- (e) a copy of this Base Prospectus and any document incorporated by reference herein;
- (f) any supplement to this Base Prospectus; and
- (g) 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.

Investors should consult Morgan Stanley should they require a copy of the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) which are referred to in the Conditions of the Notes.

***Authorization***

The Program was authorised by Morgan Stanley pursuant to resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 25 September 1998, as amended and updated pursuant to resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 17 June 2013, 14 December 2004, 20 September 2005, 12 December 2006, 19 June 2007, 17 September 2007 and 16 June 2008.

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***No material adverse change in prospects and no significant change in the financial or trading position***

There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2016, the date of the last published annual audited financial statements of Morgan Stanley.

There has been no significant change in the financial or trading position of Morgan Stanley since 31 December 2016, the date of the latest published annual audited financial statements of Morgan Stanley.

***Legal and arbitration proceedings***

Save as disclosed in:

- (a) the section entitled "Legal Proceedings" in Part I – Item 3 at pages 23-28 and in the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Guarantees and Contingencies" in "Notes to Consolidated Financial Statements" in Part II – Item 8 at pages 156-160 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2016 (the "**Form 10-K**"); and
- (b) the section entitled "Legal Proceedings and Contingencies" at Part 7 of the section entitled "Description of Morgan Stanley" at pages 39-53 of the Registration Document dated 10 June 2016 (as supplemented by the First Registration Document Supplement dated 19 October 2016 and the Second Registration Document Supplement dated 14 March 2017);

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

***Clearing Systems***

The address of Clearstream, Luxembourg is 42, avenue J F Kennedy, L-1855, Luxembourg.

The address if Euroclear is 1, Boulevard du Roi Albert II, B – 1210 Brussels, Belgium.

## Index of Defined Terms

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**PRINCIPAL EXECUTIVE OFFICE 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.

**FISCAL AGENT**

The Bank of New York Mellon  
One Canada Square  
London E14 5AL  
U.K.

**REGISTRAR and TRANSFER AGENT**

The Bank of New York Mellon SA/NV, Luxembourg Branch  
Vertigo Building – Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg  
Grand Duchy of Luxembourg

**DISTRIBUTION AGENT**

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

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