EXECUTION VERSION

BASE PROSPECTUS

MORGAN STANLEY B.V.

as issuer
(incorporated with limited liability in The Netherlands)

Morgan Stanley

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

Up to U.S.$20,000,000,000
Program for the
Issuance of Notes, Certificates and Warrants

On 7 April 2006 Morgan Stanley B.V. ("**MSBV**" or the "**Issuer**") established a program for the issuance of Notes and Certificates (the "**Program**"). This Base Prospectus (the "**Base Prospectus**") supersedes the Base Prospectus dated 7 April 2010 describing the Program. The publication of this Base Prospectus does not affect any securities issued under the Program before the date of this Base Prospectus. Under the Program the Issuer may offer from time to time notes, certificates and warrants (the "**Notes**", the "**Certificates**" and the "**Warrants**" and, together the "**Securities**") in bearer form (the "**Bearer Securities**") or in registered form (the "**Registered Securities**"), subject to all applicable legal and regulatory requirements. The Securities will be issued from time to time in series (each, a "**Series**"), denominated in the same currency and having the same maturity date or expiration date and, if applicable, distribution amounts and distribution payment dates. Each Series may be issued in one or more tranches (each, a "**Tranche**") on different issue dates. Details applicable to each Tranche will be specified in the relevant Final Terms (as defined below). References herein to "this Base Prospectus" shall, where applicable, be deemed to be references to this Base Prospectus as supplemented or amended from time to time. To the extent not set forth in this Base Prospectus, the specific terms of any Security will be included in the appropriate Final Terms.

The payment of all amounts due in respect of Securities issued by the Issuer will, unless specified otherwise in the appropriate Final Terms, be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Morgan Stanley (the "**Guarantor**") pursuant to a guarantee dated as of 18 November 2010.

The Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International plc, Morgan Stanley & Co. Incorporated and MSDW Equity Financing Services (Luxembourg) S.a.r.l. (the "**Distribution Agents**"), who have agreed to use reasonable efforts to solicit offers to purchase the Securities. The Issuer may also sell Securities to the Distribution Agents as principal for their own accounts at a price to be agreed upon at the time of sale. The Distribution Agents may resell any Securities they purchase as principal at prevailing market prices, or at other prices, as they determine. The Issuer or the Distribution Agents may reject any offer to purchase Securities, in whole or in part. See "Subscription and Sale and Transfer Restrictions" beginning on page 170 of Part C (*Securities Note*) to this Base Prospectus.

Securities of each Tranche of each Series to be issued as Bearer Securities will be represented on issue by a temporary global security in bearer form (each a "**Temporary Global Security**") or by a permanent global security in bearer form (each a "**Permanent Global Security**"), without coupons, which may be deposited on the issue date of the relevant Series with a common depositary on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme*

("**Clearstream, Luxembourg**"). Interests in a Temporary Global Security will be exchangeable for interests in a Permanent Global Security after the date falling 40 days after the completion of the distribution of such Tranche upon certification as to non-U.S. beneficial ownership. Temporary Global Securities and Permanent Global Securities are together referred to herein as "**bearer Global Securities**". The provisions governing the exchange of interests in bearer Global Securities for definitive bearer Securities are described in "Form of the Bearer Securities".

Securities of each Tranche of each Series to be issued as Registered Securities and which are sold to a person that is not a U.S. person (within the meaning of Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")), in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Securities**") will be represented by interests in a permanent global registered security (each an "**Unrestricted Global Security**"), without coupons, which will be registered in the name of a nominee for, and shall be deposited on its issue date with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg. Securities of each Tranche of each Series to be issued as Registered Securities and sold in reliance on Rule 144A ("**Rule 144A**") under the Securities Act ("**Restricted Securities**") to "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A which are also "qualified purchasers" ("**QPs**") as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, and the rules thereunder (the "**Investment Company Act**") (such persons are hereinafter referred to as "**QIB/QPs**") will be represented by (i) one or more global registered securities (each a "**Restricted Global Security**" and together with any Unrestricted Global Security, "**registered Global Securities**"), without coupons, which will be deposited with (1) a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**") or (2) a common depository acting on behalf of Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system on its issue date or (ii) individual registered instruments ("**Individual Registered Instruments**") as identified in the relevant Final Terms. Beneficial interests in registered Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Clearstream, Luxembourg and Euroclear and their participants. Individual Registered Instruments will not be eligible for trading on the facilities of DTC, Euroclear or Clearstream, Luxembourg. The provisions governing the exchange of interests in registered Global Securities for Individual Registered Instruments are described in "Form of Registered Securities". Bearer Global Securities and registered Global Securities are together referred to herein as "**Global Securities**".

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive 2003/71/EC (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Securities which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

Application has been made to the Irish Stock Exchange for the Securities issued under the Program to be admitted to the Official List and to trading on its regulated market. Such market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. However, there is no guarantee that admission to trading on the regulated market of the Irish Stock Exchange will be granted in respect of Securities issued under the Program. Unlisted Securities may be issued pursuant to the Program and the Program provides that Securities may be listed on such other stock exchange(s) as may be specified in the relevant Final Terms. The relevant Final Terms in respect of the issue of any Securities will specify whether or not such Securities will be listed on and admitted to trading on the regulated market of the Irish Stock Exchange (or any other stock exchange). Other secured obligations entered into under the Program cannot be listed on and admitted to trading on the regulated market of the Irish Stock Exchange.

This document in relation to the Securities to be issued during the period of 12 months from the date of this Base Prospectus has been filed with and approved by the Central Bank of Ireland in its capacity as competent authority in Ireland for the purposes of the Prospectus Directive. Copies of each set of Final Terms will be available at the specified office set out below of the Fiscal Agent (as defined herein) and each of the Paying Agents.

This Base Prospectus comprises, (a) Part A (*Summary*), (b) Part B (*Registration Document*), and (c) Part C (*Securities Note*)) to this Base Prospectus.

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 meanings may be ascribed to them under applicable law.

The Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and construed in accordance with, English law.

Investing in the Securities involves risks. See "Risk Factors" beginning on page 14 of Part B (*Registration Document*) to this Base Prospectus and on page 60 of Part C (*Securities Note*) to this Base Prospectus.

Any person (an **Investor) intending to acquire or acquiring any securities from any person (**an **Offeror) should be aware that, in the context of an offer to the public as defined in the Prospectus Directive, the Issuer may be responsible to the Investor for the Base Prospectus under the Prospectus Directive only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Base Prospectus for the purposes of the Prospectus Directive in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Base Prospectus and/or who is responsible for its contents it should take legal advice.**

THE SECURITIES AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY INCLUDE BEARER SECURITIES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. NEITHER THE ISSUER NOR THE GUARANTOR IS REGISTERED, OR WILL REGISTER, UNDER THE INVESTMENT COMPANY ACT. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER SECURITIES, DELIVERED, WITHIN THE UNITED STATES OR ITS POSSESSIONS OR TO, OR FOR THE ACCOUNT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) OR UNITED STATES PERSONS (AS DEFINED FOR U.S. FEDERAL INCOME TAX PURPOSES).

THIS BASE PROSPECTUS HAS BEEN PREPARED BY THE ISSUER AND THE GUARANTOR FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE SECURITIES OUTSIDE THE UNITED STATES TO A PERSON THAT IS NOT A U.S. PERSON IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES TO QIB/QPs PURSUANT TO RULE 144A, AND FOR THE LISTING OF THE SECURITIES ON THE IRISH STOCK EXCHANGE. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SECURITIES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER

RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE SECURITIES AND DISTRIBUTION OF THIS BASE PROSPECTUS, SEE "SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS".

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF ANY SECURITIES PURSUANT TO THIS PROGRAM OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

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

NOTICE TO NEW HAMPSHIRE RESIDENTS:

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

None of the Issuer, Morgan Stanley & Co. International plc, Morgan Stanley & Co. Incorporated or MSDW Equity Financing Services (Luxembourg) S.a.r.l., as Distribution Agents for the Securities, has or will take any action in any country or jurisdiction that would permit a public offering of the Securities or possession or distribution of any offering material in relation to a public offering in any country or jurisdiction where action for that purpose is required. 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 Securities or has in the investor's possession or distributes this Base Prospectus or any accompanying Final Terms.

MORGAN STANLEY

18 November 2010

Each of the Issuer and the Guarantor accepts responsibility for information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus (including each document incorporated by reference herein) is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Securities are the persons named in the applicable Final Terms as the relevant Distribution Agents, if any, and the persons named in or identifiable following the applicable Final Terms as the Financial Intermediaries, if any.

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.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY SECURITIES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE SECURITIES TO AN INVESTOR BY AN OFFEROR WILL BE MADE IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE DISTRIBUTION AGENTS IN CONNECTION WITH THE OFFER OR SALE OF THE SECURITIES) AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a *Relevant Member State*) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Securities. Accordingly any person making or intending to make an offer in that Relevant Member State of Securities which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Securities may only do so (i) in circumstances in which no obligation arises for the Issuer, the Guarantor or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer 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 and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by applicable Final Terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or Final Terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Distribution Agent have authorised, nor do they authorise, the making of any 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.

To permit compliance with Rule 144A in connection with any resales or other transfers of Securities that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 18 November 2010 (the **Deed Poll) to furnish, upon the request of a holder of such Securities or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (**the **Exchange Act), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.**

The Issuer is a private limited company with limited liability incorporated under the laws of The Netherlands. Except for Joe Solan, a director of the Issuer, none of the directors and executive officers of the Issuer are residents of the United States, and all or a substantial portion of the assets of the Issuer and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

Investors should be aware that neither the Issuer nor the Guarantor is regulated by the Central Bank of Ireland and that any investment will not have the status of a bank deposit and is therefore not within the scope of the deposit protection scheme operated by the Central Bank of Ireland. All references in this Base Prospectus to "Sterling" and "£" are to the lawful currency of the United Kingdom, all references to "U.S. dollars," "USD" and "$" are to the lawful currency of the United States of America all references to "Hong Kong Dollars" and "HKD" are to the lawful currency of Hong Kong, all references to "Japanese Yen", "JPY" 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 "Danish Krone", "DKr" and "DKK" are to the lawful currency of the Kingdom of Denmark, all references to "Swedish Krona", "SKr" and "SEK" are to the lawful currency of the Kingdom of Sweden, all references to "Norwegian Krone", "NKr" and "NOK" are to the lawful currency of the Kingdom of Norway, and all references to "euro", "€" and "EUR" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended (the "EC Treaty").

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PART A: SUMMARY

MORGAN STANLEY B.V.

as issuer

(*incorporated with limited liability in The Netherlands*)

Morgan Stanley

as guarantor

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

Up to U.S.$20,000,000,000
Program for the
Issuance of Notes, Certificates and Warrants

*This summary has been prepared in accordance with Article 5(2) of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read as an introduction to the Registration Document and Securities Note prepared by the Issuer (each, together with this summary, the "**Base Prospectus**") relating to the Securities referred to below. Any decision to invest in any Securities should be based on a consideration of the Base Prospectus as a whole, including the documents incorporated by reference. Following implementation of the relevant provisions of the Prospectus Directive in a Member State of the European Economic Area, no civil liability will attach to the Issuer or the Guarantor (as applicable) solely on the basis of the summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus. Where a claim relating to the information contained in the Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

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

Essential characteristics and risks associated with the Guarantor and the Issuer

*Morgan Stanley (the "**Guarantor**")*

The auditors of Morgan Stanley for the periods 1 December 2004 to 30 November 2005, 1 December 2005 to 30 November 2006, 1 December 2006 to 30 November 2007, 1 December 2007 to 30 November 2008, the transition one month period in December 2008 and 1 January 2009 to 31 December 2009 are Deloitte & Touche LLP, an independent registered public accounting firm.

Morgan Stanley was originally incorporated for an unlimited term under the laws of the State of Delaware on 1 October 1981 under registered number 0923632, and its predecessor companies date back to 1924.

On 31 May 1997, Morgan Stanley Group, Inc. was merged with and into Dean Witter Discover & Co. ("**Dean Witter Discover**") in a merger of equals. At that time, Dean Witter Discover changed its corporate name to Morgan Stanley, Dean Witter, Discover & Co. ("**MSDWD**"). On 24 March 1998 MSDWD changed its corporate name to Morgan Stanley Dean Witter & Co., and to Morgan Stanley on 20 June 2002.

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

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

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

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

The Directors of Morgan Stanley as of the date of this Base Prospectus are the following: John J. Mack, James P. Gorman, Roy J. Bostock, Erskine B. Bowles, Howard J. Davies, C. Robert Kidder, Donald T. Nicolaisen, Charles H. Noski, Hutham S. Olayan, Charles E. Phillips, Jr., O. Griffith Sexton, Dr. Laura D'Andrea Tyson, Nobuyuki Hirano and James H. Hance Jr.

As at 31 December 2009, Morgan Stanley had 61,388 employees worldwide.

The authorised share capital of Morgan Stanley as at 31 December 2009 comprised 3,500,000,000 ordinary shares of nominal value U.S.$0.01 and 30,000,000 preferred stock of nominal value U.S.$ 0.01.

The issued, non-assessable and fully paid up share capital of Morgan Stanley as at 31 December 2009 comprised 1,487,850,163 ordinary shares of nominal value U.S.$0.01.

For the year ended 31 December 2009, total assets of Morgan Stanley amounted to U.S.$771,462 million and total liabilities and equity amounted to U.S.$771,462 million. For the fiscal year ended 30 November 2008, total assets of Morgan Stanley amounted to U.S.$659,035 million and total liabilities and equity amounted to U.S.$659,035 million.

*MSBV (the "**Issuer**")*

The Issuer was incorporated as a private company with limited liability (*een besloten vennootschap met beperkte aansprakelijkheid*) under the laws of The Netherlands on 6 September 2001 for an unlimited duration. The Issuer is registered at the commercial register of the Chamber of Commerce and Industries (*Kamer van Koophandel*) for Amsterdam, The Netherlands under number 34161590. It has its corporate seat at Amsterdam, The Netherlands and its offices are located at Locatellikade 1, 1076 AZ Amsterdam, The Netherlands. Telephone number +31 20 57 55 600.

The Issuer's objects and purposes are set out in Article 3 of its Articles of Association and enable it to, *inter alia*, issue notes, warrants and other securities. All material assets of the Issuer are obligations of (or securities issued by) one or more Morgan Stanley group companies. The Issuer's auditors are Deloitte Accountants B.V. (members of the Royal Netherlands Institute of Register accountants).The Issuer has no subsidiaries and is ultimately controlled by Morgan Stanley.

The directors of the Issuer are A. Lee, P. Banks, , Adam J. S. Crawford, J.A. Solan, H. Herrmann and TMF Management B.V. The Issuer has no employees.

The authorised share capital of the Issuer comprises 400,000 ordinary shares of nominal value EUR100. The issued, allotted and fully paid up share capital of the Issuer comprises 150,180 ordinary shares of nominal value EUR100.

The net revenue for the financial years ended November 2008 and 2007 was EUR5,170,000 and EUR2,573,000 respectively, representing issuance fees received on the issuance of financial instruments less guarantee fees payable. The profit or loss before tax for the financial years ended 2008 and 2007 was a profit of EUR6,237,000 and EUR2,962,000 respectively.

The current assets of the Issuer fell from EUR10,182,479,000 in 2007 to EUR2,153,167,000 in 2008 with a total amount owing to creditors falling from EUR10,177,111,000 in 2007 to EUR2,128,151,000 in 2008. The principle reason for the increase in debt was an increase in client demand for financial instruments.

All material assets of the Issuer are obligations of (or securities issued by) one or more Morgan Stanley group companies. The obligations of the Issuer pursuant to such transactions are substantiallyguaranteed by Morgan Stanley. If any of these Morgan Stanley group companies incur losses with respect to any of their activities (irrespective of whether those activities relate to the Issuer or not) their ability to fulfil their obligations to the Issuer could be impaired, thereby exposing holders of securities issued by the Issuer to a risk of loss.

The articles of association of the Issuer have been last amended on 5 January 2009 whereby the financial year end has been amended from 30 November to 31 December to equal a calendar year.

Essential characteristics and risks associated with the Securities

The Issuer may offer Securities from time to time. An application has been made for Securities issued under the Program to be admitted to listing on the Irish Stock Exchange and for the Securities to be admitted to trading on the Irish Stock Exchange's regulated market for the period of 12 months following the date of this Base Prospectus.

The Securities have not been and will not be registered under the United States Securities Act 1933, as amended, or the securities laws of any state in the United States, and Securities in bearer form are subject to US tax restrictions and transfer restrictions.

The payment of all amounts due in respect of Securities issued by the Issuer will, unless specified otherwise in the Final Terms, be unconditionally and irrevocably guaranteed by Morgan Stanley.

The Issuer is offering the Securities on a continuing basis through the Distribution Agents, who have agreed to use reasonable efforts to solicit offers to purchase the Securities. The Issuer may also sell Securities to the Distribution Agents as principal for their own accounts at a price to be agreed upon at the time of sale. The Distribution Agents may resell any Securities they purchase as principal at prevailing market prices, or at other prices, as they determine. The Issuer or the Distribution Agents may reject any offer to purchase Securities, in whole or in part.

The Issuer will issue Securities either in bearer form or in registered form, either of which may be in definitive form or global form. Securities in definitive bearer form will be serially numbered. Securities in registered form, while in global form will be represented by a global registered certificate and in limited circumstances, by individual registered instruments, with such individual registered instruments being issued in respect of each Securityholder's entire holding of Securities in registered form. Securities may be denominated or payable in any currency, be issued at any price and have any maturity date or expiration date (as applicable), in each case subject to all applicable consents being obtained and compliance with all applicable legal and regulatory requirements.

Securities may be exercised at such cash settlement amount or mature at such final redemption amount (in the case of Notes) (detailed in a formula or otherwise) as may be specified in the applicable Final Terms.

Early termination will be permitted in a number of circumstances including illegality, tax, additional disruption events, extraordinary events relating to the underlying and other reasons specified in the applicable Final Terms in accordance with the "Terms and Conditions of the Securities". If so specified in the applicable Final Terms, investors in Notes will have the right to elect to terminate their Notes early in accordance with the terms set out in the applicable Final Terms and the "Terms and Conditions of the Securities".

Securities may provide for distributions to be paid, the amount and the date of payment of which will be specified in the applicable Final Terms.

Any Notes, Certificates or Warrants may be issued with a nominal amount. For Securities issued with a nominal amount, the nominal amount will be at least EUR 1,000 per Security, save that in respect of any Series of Securities, Restricted Securities shall be in minimum nominal amount of U.S.$100,000 and higher integral multiples of U.S.$1,000 thereof. It is anticipated that Securities in a nominal amount of up to U.S.$20,000,000,000 may be issued. The Securities will be governed by, and construed in accordance with, the English law.

The net proceeds from the sale of Securities offered by the Securities Note will be used by the Issuer for general corporate purposes, in connection with hedging its obligations under the Securities, or both.

Certain documents relating to the Securities will be available, during usual business hours on any week day, for inspection in physical or electronic form at Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, England, at Deutsche Bank Trust Company Americas, 17th Floor, 60 Wall Street, New York, New York 10005, USA, at Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland and also at the principal executive offices of Morgan Stanley and the registered offices of the Issuer.

The Issuer may issue Securities with distribution amounts and cash settlement amounts (in the case of Certificates and Warrants) or distribution amounts and final redemption amounts (in the case of Notes) determined by reference to single securities, single indices, baskets of securities or indices or other assets or instruments. Any such Securities may entail significant risks not associated with a similar investment in debt securities, including a return that may be significantly less than the return available on an investment in debt securities. In some cases such Securities may also carry the risk of a total or partial loss of the amount invested.

PART B: REGISTRATION DOCUMENT

Morgan Stanley

as guarantor

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

MORGAN STANLEY B.V.

as issuer

(incorporated with limited liability in The Netherlands)

SECTION 1 - GENERAL

This Part B has been prepared for the purpose of providing the disclosure information with regard to Morgan Stanley ("**Morgan Stanley**"), and Morgan Stanley B.V. ("**MSBV**", the "**Issuer**") required by Directive 2003/71/EC (the "**Prospectus Directive**") to be included in the Registration Document element of the base prospectus of which this Part B forms part (the "**Registration Document**" which term means this Part B as amended or restated and includes all documents incorporated by reference herein).

No person has been authorised by either Morgan Stanley or the Issuer to give any information or to make any representation not contained or incorporated by reference in this Registration Document, and, if given or made, that information or representation should not be relied upon as having been authorised by Morgan Stanley or the Issuer. Neither the delivery of this Registration Document nor the offering, sale or delivery of any securities will, in any circumstances, create any implication that the information contained in this Registration Document is true subsequent to the date hereof or the date upon which this Registration Document has been most recently amended or restated or that there has been no adverse change in the financial situation of any of Morgan Stanley or the Issuer since the date hereof or, as the case may be, the date upon which this Registration Document has been most recently amended or restated or the balance sheet date of the most recent financial statements which have been incorporated into this Registration Document by reference by way of a supplement to this Registration Document, 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 and the Issuer when evaluating any securities or an investment therein (such financial statements shall not form a part of this Registration Document unless they have been expressly incorporated herein by way of a supplement to this Registration Document).

Each of Morgan Stanley and the Issuer has confirmed that to the best of their knowledge and belief and having taken all reasonable care to ensure that such is the case, this Registration Document (including each document incorporated by reference herein) is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Registration Document the omission of which would make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. Each of Morgan Stanley and the Issuer has further confirmed that this Registration Document (including each document incorporated by reference herein) contains all such information as may be required by all applicable laws, rules and regulations.

The distribution of this Registration Document and the offering, sale and delivery of securities in certain jurisdictions may be restricted by law. Persons into whose possession this Registration Document comes are required by Morgan Stanley and the Issuer to inform themselves about and to observe those restrictions.

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

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

The investor should rely only on the information contained or incorporated by reference in this Registration Document. Neither Morgan Stanley nor the Issuer has authorised anyone else to provide the investor with different or additional information.

RISK FACTORS RELATING TO THE ISSUER AND THE GUARANTOR

Guarantor Risk Factors

Factors that may affect the Guarantor's ability to fulfil its obligations under Securities issued under the Programme

Liquidity and Funding Risk

Liquidity and funding risk refers to the risk that Morgan Stanley will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity and funding risk also encompasses the ability of Morgan Stanley to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern.

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

Liquidity is essential to Morgan Stanley's businesses. Morgan Stanley's liquidity could be substantially affected negatively by an inability to raise funding in the long-term or short-term debt capital markets or the equity capital markets or Morgan Stanley's inability to access the secured lending markets. Factors that Morgan Stanley cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, could impair its ability to raise funding. In addition, Morgan Stanley's ability to raise funding could be impaired if lenders develop a negative perception of its long-term or short-term financial prospects. Such negative perceptions could be developed if Morgan Stanley incurs large trading losses, it is downgraded or put on (or remains on) negative watch by the rating agencies, it suffers a decline in the level of its business activity, regulatory authorities take significant action against it, or it discovers significant employee misconduct or illegal activity, among other reasons. If Morgan Stanley is unable to raise funding using the methods described above, it would likely need to finance or liquidate unencumbered assets, such as its investment and trading portfolios, to meet maturing liabilities. Morgan Stanley may be unable to sell some of its assets, or it may have to sell assets at a discount from market value, either of which could adversely affect its results of operations and cash flows.

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

The cost and availability of unsecured financing generally are dependent on Morgan Stanley's short-term and long-term credit ratings. Factors that are important to the determination of Morgan Stanley's credit ratings include the level and quality of its earnings, as well as its capital adequacy, liquidity, risk appetite and management, asset quality and business mix.

Morgan Stanley's debt ratings also can have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is critical, such as OTC derivative transactions, including credit derivatives and interest rate swaps. In connection with certain OTC trading agreements and certain other agreements associated with the Institutional Securities business segment, Morgan Stanley may be required to provide additional collateral to certain counterparties in the event of a credit ratings downgrade.

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

Morgan Stanley depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations. Regulatory and other legal restrictions may limit its ability to transfer funds freely, either to or from its subsidiaries. In particular, many of its subsidiaries, including its broker-dealer subsidiaries, are subject to laws, regulations and self regulatory organisation rules that authorize regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfers altogether in certain circumstances. These laws, regulations and rules may hinder Morgan Stanley's ability to access funds that it may need to make payments on its obligations. Furthermore, as a bank holding company, Morgan Stanley may become subject to a prohibition or to limitations on its ability to pay dividends. The Office of the Comptroller of the Currency ("**OCC**"), the Board of Governors of the Federal Reserve System ("**Fed**") and the Federal Deposit Insurance Corporation ("**FDIC**") have the authority, and under certain circumstances the duty, to prohibit or to limit the payment of dividends by the banking organizations they supervise, including Morgan Stanley and its bank holding company subsidiaries.

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

Morgan Stanley's ability to raise funding in the long-term or short-term debt capital markets or the equity markets, or to access secured lending markets, has in the past been, and could in the future be, adversely affected by conditions in the U.S. and international markets and economy. Global market and economic conditions have been particularly disrupted and volatile during the past two years, with volatility reaching unprecedented levels in the Fall of 2008 and into 2009. In particular, Morgan Stanley's cost and availability of funding have been, and may in the future be, adversely affected by illiquid credit markets and wider credit spreads. Renewed turbulence in the U.S. and international markets and economy could adversely affect Morgan Stanley's liquidity and financial condition and the willingness of certain counterparties and customers to do business with Morgan Stanley.

Market Risk

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

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

The amount, duration and range of Morgan Stanley's market risk exposures have been increasing over the past several years, and may continue to do so. Morgan Stanley's results of operations may be materially affected by market fluctuations due to economic and other factors. Results of operations in the past have been, and in the future may continue to be, materially affected by many factors of a global nature, including political, economic and market conditions; the availability and cost of capital; the liquidity of global markets; the level and volatility of equity prices, commodity prices and interest rates; currency values and other market indices; technological changes and events; the availability and cost of credit; inflation; natural disasters; acts of war or terrorism; investor sentiment and confidence in the financial markets; or a combination of these or other factors. In addition, legislative, legal and regulatory developments related to Morgan Stanley's businesses potentially could increase costs, thereby affecting results of operations. These factors also may have an impact on its ability to achieve its strategic objectives.

The results of Morgan Stanley's Institutional Securities business segment, particularly results relating to its involvement in primary and secondary markets for all types of financial products, are subject to substantial fluctuations due to a variety of factors, such as those enumerated above that Morgan Stanley cannot control or predict with great certainty. These fluctuations impact results by causing variations in new business flows and in the fair value of securities and other financial products. Fluctuations also occur due to the level of global market activity, which, among other things, affects the size, number and timing of investment banking client assignments and transactions and the realization of returns from Morgan Stanley's principal investments. During periods of unfavorable market or economic conditions, the level of individual investor participation in the global markets, as well as the level of client assets, may also decrease, which would negatively impact the results of its Global Wealth Management Group business segment. In addition, fluctuations in global market activity could impact the flow of investment capital into or from assets under management or supervision and the way customers allocate capital among money market, equity, fixed income or other investment alternatives, which could negatively impact its Asset Management business segment.

Morgan Stanley may experience further writedowns of its financial instruments and other losses related to volatile and illiquid market conditions

Market volatility, illiquid market conditions and disruptions in the credit markets have made it extremely difficult to value certain of Morgan Stanley's securities. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these securities in future periods. In addition, at the time of any sales and settlements of these securities, the price Morgan Stanley ultimately realises will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could require Morgan Stanley to take further writedowns in the value of its securities portfolio, which may have an adverse effect on its results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale, such as crowded trades. Morgan Stanley's risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. Severe market events have historically been difficult to predict, however, and Morgan Stanley could realize significant losses if unprecedented extreme market events were to occur, such as conditions in the global financial markets and global economy that prevailed from 2008 to 2009.

Holding large and concentrated positions may expose Morgan Stanley to losses

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

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

Morgan Stanley finances and acquires principal positions in a number of real estate and real estate-related products for its own account, for investment vehicles managed by affiliates in which it also may have a significant investment, for separate accounts managed by affiliates and for major participants in the commercial and residential real estate markets, Morgan Stanley also originates loans secured by commercial and residential properties. Further, Morgan Stanley securitizes and

trades in a wide range of commercial and residential real estate and real estate-related whole loans, mortgages and other real estate and commercial assets and products, including residential and commercial mortgage-backed securities. These businesses have been, and may continue to be, adversely affected by the downturn in the real estate sector.

Credit Risk

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

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

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

Morgan Stanley also incurs "individual consumer" credit risk in the Global Wealth Management Group business segment lending to individual investors, including margin and non-purpose loans collateralized by securities, and residential mortgage loans.

The global economic downturn continues to impact Morgan Stanley's "single-name" credit risk exposure. While Morgan Stanley believes current valuations and reserves adequately address Morgan Stanley's perceived levels of risk, there is a possibility that continued difficult economic conditions may further negatively impact Morgan Stanley's clients and Morgan Stanley's current credit exposures. In addition, as a clearing member firm, Morgan Stanley finances its customer positions and Morgan Stanley could be held responsible for the defaults or misconduct of its customers. Although Morgan Stanley regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

Defaults by another large financial institution could adversely affect financial markets generally

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships between the institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which Morgan Stanley interacts on a daily basis, and therefore could adversely affect Morgan Stanley.

Operational Risk

Operational risk refers to the risk of financial or other loss, or damage to a firm's reputation, resulting from inadequate or failed internal processes, people, resources and systems or from other internal or external events (e.g., internal or external fraud, legal and compliance risks, damage to physical assets, etc.). Morgan Stanley may incur operational risk across its full scope of business activities, including revenue-generating activities (e.g., sales and trading) and support functions (e.g., information

technology and trade processing). Legal and compliance risk is included in the scope of operational risk and is discussed below under "Legal Risk".

Morgan Stanley is subject to operational risk that could adversely affect its businesses

Morgan Stanley's businesses are highly dependent on its ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In general, the transactions it processes are increasingly complex. Morgan Stanley performs the functions required to operate its different businesses either by itself or through agreements with third parties. Morgan Stanley relies on the ability of its employees, its internal systems and systems at technology centres operated by third parties to process a high volume of transactions.

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

Despite the business contingency plans Morgan Stanley has in place, its ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its business and the communities where it is located. This may include a disruption involving physical site access, terrorist activities, disease pandemics, electrical, communications or other services used by Morgan Stanley, its employees or third parties with whom Morgan Stanley conducts business.

Legal Risk

Legal and compliance risk includes the risk of exposure to fines, penalties, judgements, damages and/or settlements in connection with regulatory or legal actions as a result of non-compliance with applicable legal or regulatory requirements or litigation. Legal risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. In today's environment of rapid and possibly transformational regulatory change, Morgan Stanley also views regulatory change as a component of legal risk.

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

As a major financial services firm, Morgan Stanley is subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by regulators and exchanges in each of the major markets where it operates. Morgan Stanley also faces the risk of investigations and proceedings by governmental and self-regulatory agencies in all countries in which Morgan Stanley conducts its business. Interventions by authorities may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. In addition to the monetary consequences, these measures could, for example, impact Morgan Stanley's ability to engage in, or impose limitations on, certain of its businesses. The number of these investigations and proceedings, as well as the amount of penalties and fines sought, has increased substantially in recent years with regard to many firms in the financial services industry, including Morgan Stanley. Significant regulatory action against Morgan Stanley could materially adversely affect its business, financial condition or results of operations or cause Morgan Stanley significant reputational harm, which could seriously harm Morgan Stanley's business.

In response to the financial crisis, legislators and regulators, both in the U.S. and worldwide, are currently considering a wide range of proposals that, if enacted, could result in major changes to the way Morgan Stanley's global operations are regulated. Some of these major changes may take effect

as early as 2010, and could materially impact the profitability of Morgan Stanley's businesses, the value of assets Morgan Stanley holds, require changes to business practices or force Morgan Stanley to discontinue businesses, and expose Morgan Stanley to additional costs, taxes, liabilities and reputational risk.

Morgan Stanley is a bank holding company that has elected to be treated as a financial holding Company. As a financial holding company, Morgan Stanley is subject to the comprehensive, consolidated supervision and regulation of the Fed, including risk-based capital requirements and leverage limits. Reform proposals could result in Morgan Stanley becoming subject to stricter capital requirements and leverage limits, and could also affect the scope, coverage, or calculation of capital, all of which could adversely affect Morgan Stanley's ability to pay dividends, or could require Morgan Stanley to reduce business levels or to raise capital, including in ways that may adversely impact Morgan Stanley's shareholders or creditors. Regulatory reform proposals could also result in the imposition of additional restrictions on Morgan Stanley's activities if Morgan Stanley was to no longer meet certain capital requirements at the level of the financial holding company.

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

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

Substantial legal liability could materially adversely affect Morgan Stanley's business, financial condition or results of operations or cause it significant reputational harm, which could seriously harm Morgan Stanley's business.

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

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

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

In connection with the commodities activities in Morgan Stanley's Institutional Securities business segment, Morgan Stanley engages in the production, storage, transportation, marketing and trading of several commodities, including metals (base and precious), agricultural products, crude oil, oil products, natural gas, electric power, emission credits, coal, freight, liquefied natural gas and related products and indices. In addition, Morgan Stanley owns five electricity generating facilities in the U.S. and Europe; Morgan Stanley owns TransMontaigne Inc. and its subsidiaries, a group of

companies operating in the refined petroleum products marketing and distribution business; and Morgan Stanley has an interest in Heidmar Holdings LLC, which owns a group of companies that provide international marine transportation and U.S. marine logistics services. As a result of these activities, Morgan Stanley is subject to extensive and evolving energy, commodities, environmental, health and safety and other governmental laws and regulations. For example, liability may be incurred without regard to fault under certain environmental laws and regulations for the remediation of contaminated areas. Further, through these activities Morgan Stanley is exposed to regulatory, physical and certain indirect risks associated with climate change, Morgan Stanley's commodities business also exposes it to the risk of unforeseen and catastrophic events, including natural disasters, leaks, spills, explosions, release of toxic substances, fires, accidents on land and at sea, wars and terrorist attacks that could result in personal injuries, loss of life, property damage, and suspension of operations.

Although Morgan Stanley has attempted to mitigate its pollution and other environmental risks by, among other measures, adopting appropriate policies and procedures for power plant operations, monitoring the quality of petroleum storage facilities and transport vessels and implementing emergency response programs, these actions may not prove adequate to address every contingency. In addition, insurance covering some of these risks may not be available, and the proceeds, if any, from insurance recovery may not be adequate to cover liabilities with respect to particular incidents. As a result, Morgan Stanley's financial condition and results of operations may be adversely affected by these events.

Morgan Stanley also expects the other laws and regulations affecting its commodities business to increase in both scope and complexity. During the past several years, intensified scrutiny of certain energy markets by federal, state and local authorities in the U.S. and abroad and the public has resulted in increased regulatory and legal enforcement, litigation and remedial proceedings involving companies engaged in the activities in which Morgan Stanley is engaged. For example, the U.S. and the EU have increased their focus on the energy markets which has resulted in increased regulation of companies participating in the energy markets, including those engaged in power generation and liquid hydrocarbons trading. Regulatory reforms currently underway are likely to include significant regulation of OTC derivatives markets, which could include mandated exchange trading and clearing, position limits, margin, capital and registration requirements. Morgan Stanley may incur substantial costs or loss of revenue in complying with current or future laws and regulations and its overall businesses and reputation may be adversely affected by the current legal environment. In addition, failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties.

A failure to deal with conflicts of interest appropriately could adversely affect Morgan Stanley's businesses.

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

Morgan Stanley's regulators have the ability to scrutinize Morgan Stanley's activities for potential conflicts of interest, including through detailed examinations of specific transactions. In addition, Morgan Stanley's status as a bank holding company supervised by the Fed subjects Morgan Stanley to direct Fed scrutiny with respect to transactions between Morgan Stanley's domestic subsidiary banks and their affiliates.

Competitive Environment

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

The financial services industry, and all of Morgan Stanley's businesses, are intensely competitive, and Morgan Stanley expects them to remain so. Morgan Stanley competes with commercial banks, insurance companies, sponsors of mutual funds, hedge funds, energy companies and other companies offering financial services in the U.S., globally and through the internet. Morgan Stanley competes on the basis of several factors, including transaction execution, capital or access to capital, products and services, innovation, reputation, risk appetite and price. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have been acquired by or merged into other firms or have declared bankruptcy. These developments could result in Morgan Stanley's competitors gaining greater capital and other resources, such as a broader range of products and services and geographic diversity. Morgan Stanley may experience pricing pressures as a result of these factors and as some of its competitors seek to increase market share by reducing prices.

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

Morgan Stanley's people are its most important resource and competition for qualified employees is intense. In order to attract and retain qualified employees, Morgan Stanley must compensate such employees at market levels. Typically, those levels have caused employee compensation to be Morgan Stanley's greatest expense as compensation is highly variable and changes based on business and individual performance and market conditions. If Morgan Stanley is unable to continue to attract and retain qualified employees, or do so at rates necessary to maintain its competitive position, or if compensation costs required to attract and retain employees become more expensive, Morgan Stanley's performance, including its competitive position, could be materially adversely affected. The financial industry may experience more stringent regulation of employee compensation, or employee compensation may be made subject to special taxation, as has been proposed in the U.K. and France, which could have an adverse effect on Morgan Stanley's ability to hire or retain the most qualified employees.

Automated trading markets may adversely affect Morgan Stanley's business and may increase competition

Morgan Stanley has experienced intense price competition in some of its businesses in recent years. In particular, the ability to execute securities trades electronically on exchanges and through other automated trading markets has increased the pressure on trading commissions. The trend toward direct access to automated, electronic stock markets will likely continue. It is possible that Morgan Stanley will experience competitive pressures in these and other areas in the future as some of its competitors may seek to obtain market share by reducing prices.

International Risk

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

Morgan Stanley is subject to political, economic, legal, operational, franchise and other risks that are inherent in operating in many countries, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability. In many countries, the laws and regulations applicable to the securities and financial services industries are uncertain and evolving, and it may be difficult for Morgan Stanley to determine the exact requirements of local laws in every market. Morgan Stanley's inability to remain in compliance with local laws in a particular market could have a significant and negative effect not only on Morgan Stanley's businesses in that market but also on Morgan Stanley's reputation generally. Morgan Stanley is also subject to the enhanced risk that transactions it structures might not be legally enforceable in all cases.

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

The emergence of a pandemic or other widespread health emergency, or concerns over the possibility of such an emergency, could create economic and financial disruptions in emerging markets and other areas throughout the world, and could lead to operational difficulties (including travel limitations) that could impair Morgan Stanley's ability to manage its businesses around the world.

As a U.S. company, Morgan Stanley is required to comply with the economic sanctions and embargo programs administered by the Treasury’s Office of Foreign Assets Control ("OFAC") and similar multi-national bodies and governmental agencies worldwide and the U.S. Foreign Corrupt Practices Act ("FCPA"). A violation of a sanction or embargo program or of the FCPA could subject Morgan Stanley, and individual employees, to a regulatory enforcement action as well as significant civil and criminal penalties.

Acquisition Risk

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

In connection with past or future acquisitions, combinations, joint ventures or strategic alliances, Morgan Stanley faces numerous risks and uncertainties combining or integrating the relevant businesses and systems, including the need to combine accounting and data processing systems and management controls and to integrate relationships with clients and business partners. In the case of joint ventures and minority stakes, Morgan Stanley is subject to additional risks and uncertainties because it may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under Morgan Stanley's control. In addition, conflicts or disagreements between Morgan Stanley and its joint venture partners may negatively impact the benefits to be achieved by the joint venture. There is no assurance that any of Morgan Stanley's recent acquisitions will be successfully integrated or yield all of the positive benefits anticipated. If Morgan Stanley is not able to integrate successfully its past and future acquisitions, there is a risk that Morgan

Stanley's results of operations, financial condition and cash flows may be materially and adversely affected.

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

Risk Management

Morgan Stanley's hedging strategies and other risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk

Morgan Stanley has devoted significant resources to develop its risk management policies and procedures and expects to continue to do so in the future. Nonetheless, Morgan Stanley's hedging strategies and other risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of Morgan Stanley's methods of managing risk are based upon the use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate (e.g. recent events in the U.S. subprime residential mortgage market). Management of market, credit, liquidity, operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

Risks relating to the Issuer

Factors that may affect the Issuer's ability to fulfil its obligations under Securities issued under the Programme

All material assets of the Issuer are obligations of (or securities issued by) one or more Morgan Stanley group companies. The obligations of the Issuer pursuant to such transactions are substantiallyguaranteed by Morgan Stanley. If any of these Morgan Stanley group companies incur losses with respect to any of their activities (irrespective of whether those activities relate to the Issuer or not) their ability to fulfil their obligations to the Issuer could be impaired, thereby exposing holders of securities issued by the Issuer to a risk of loss.

Risks relating to insolvency proceedings in the Netherlands

On the assumption that insolvency proceedings would be opened in the Netherlands in relation to Morgan Stanley B.V, the validity or enforceability of any documents or any legal act (*rechtshandeling*) forming part thereof or contemplated thereby are subject to and limited by the protection afforded by the Netherlands law to creditors whose interests have been adversely affected pursuant to the rules of the Netherlands law relating to (x) unlawful acts (*onrechtmatige daden*) based on Section 6:162 et seq. of the Netherlands Civil Code (*Burgerlijk Wetboek*) and (y) fraudulent conveyance or preference (*actio pauliana*) within the meaning of Section 3:45 of the Netherlands Civil Code (*Burgerlijk Wetboek*) and/or Section 42 et seq. of the Netherlands Bankruptcy Act (*Faillissementswet*).

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 ("SEC"). The investor may read and copy any of these documents at the SEC's public reference room, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, the SEC maintains a website that contains annual, quarterly and current reports, proxy statements and other information that Morgan Stanley files electronically. The address of the SEC's website is http://www.sec.gov. The information contained on this website, and any information available at the SEC's public reference room, shall not form part of this Registration Document, unless such information has been expressly incorporated herein by way of a supplement to this Registration Document.

Morgan Stanley's common stock, par value U.S.$0.01 per share, is listed on the New York Stock Exchange, Inc. under the symbol "MS." The investor may inspect reports, proxy statements and other information concerning Morgan Stanley and its consolidated subsidiaries in physical or electronic form at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 (such reports, proxy statements and other information shall not form a part of this Registration Document unless they have been expressly incorporated herein by way of a supplement to this Registration Document).

INCORPORATION BY REFERENCE

The following documents which have been filed with the Irish Stock Exchange shall be deemed to be incorporated in, and to form part of, this Registration Document:

(i) Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 30 June 2010 dated 6 August 2010 (as set out at http://www.sec.gov);

(ii) Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2009 (as set out at http://www.sec.gov);

(iii) Morgan Stanley's Annual Report on Form 10-K for the fiscal year ended 30 November 2008 (as set out at http://www.sec.gov);

(iv) Morgan Stanley's Current Reports on Form 8-K dated 28 May 2010, 30 March, 2010, 20 January 2010, 25 December 2009 and 24 August 2009; (as set out at http://www.sec.gov);

(v) the Issuer's Annual Report for year ended 31 December 2009;

(vi) the Issuer's Annual Report for year ended 30 November 2008; and

(vii) the Issuer's Interim Financial Report as of 30 June 2010,

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

The information about Morgan Stanley and the Issuer incorporated by reference in this Registration Document (the "**Incorporated Information**") is considered to be part of this Registration Document. Because future filings of Morgan Stanley with the SEC and future financial statements published by the Issuer are made from time to time, those future filings or financial statements, as the case may be, may modify or supersede some of the information included or incorporated by reference in this Registration Document. This means that investors should look at all other documents filed by Morgan Stanley with the SEC pursuant to sections 13(a), 13(c), 14 and 15(d) of the United States Securities Exchange Act of 1934 after the date of this Registration Document and all of the financial statements of the Issuer to determine if any of the statements in this Registration Document or in any document previously incorporated by reference have been modified or superseded.

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

SECTION 2 - DESCRIPTION OF MORGAN STANLEY

The following description contains general information on Morgan Stanley ("**Morgan Stanley**", or the "**Guarantor**").

Auditors

The auditors of Morgan Stanley for the periods 1 December 2004 to 30 November 2005, 1 December 2005 to 30 November 2006, 1 December 2006 to 30 November 2007, 1 December 2007 to 30 November 2008, the one month transition period in December 2008 and 1 January 2009 to 31 December 2009 were Deloitte & Touche LLP, Two World Financial Center, New York, New York 10281, USA, an independent registered public accounting firm (the "**Auditors**").

The Auditors have audited the consolidated statements of financial condition of Morgan Stanley and subsidiaries as of 31 December 2009 and 30 November 2008, and the consolidated statement of income, comprehensive income, cash flows, and the changes in total equity for the calendar year December 31, 2009, the one month ended December 31, 2008 and fiscal years ended November 30, 2008 and 2007 and Morgan Stanley's internal control over financial reporting as of 31 December 2009, and have issued reports thereon dated 26 February 2010 (such report on the consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph, concerning the adoption of Financial Accounting Standards Board ("FASB") accounting guidance that addresses noncontrolling interests in consolidated financial statements, and an explanatory paragraph concerning the adoption of FASB accounting guidance that addresses the computation of Earnings Per Share under the two-class method for share-based payment transactions that are participating securities and an explanatory paragraph concerning Morgan Stanley changing its fiscal year end from November 30 to December 31, and, an explanatory paragraph concerning the adoption of FASB accounting guidance that addresses accounting uncertainties in income tax) ; such consolidated financial statements and reports are included in the 2009 Annual Report on Form 10-K.

The Auditors are registered with the Public Company Accounting Oversight Board (United States).

Change in Fiscal Year End

On 16 December 2008, the Board of Directors of Morgan Stanley approved a change in Morgan Stanley's fiscal year end from 30 November to 31 December of each year. This change to the calendar year reporting cycle began 1 January 2009. As a result of the change, Morgan Stanley had a one month transition reporting period in December 2008. Financial information concerning Morgan Stanley for the one month ended December 31, 2008 is included in Morgan Stanley's Annual Report on Form 10-K for the calendar year ending 31 December 2009.

Risk Factors

Information about risk factors relating to Morgan Stanley is contained in "Risk Factors Relating to the Guarantor and the Issuer" in this Registration Document.

1. INFORMATION ABOUT MORGAN STANLEY

1.1 History and development of Morgan Stanley

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

Morgan Stanley was originally incorporated for an unlimited term under the laws of the State of Delaware on 1 October 1981 under registered number 0923632, and its predecessor companies date

back to 1924. On 31 May 1997, Morgan Stanley Group, Inc. was merged with and into Dean Witter Discover & Co. ("**Dean Witter Discover**") in a merger of equals. At that time, Dean Witter Discover changed its corporate name to Morgan Stanley, Dean Witter, Discover & Co. ("**MSDWD**"). On 24 March 1998, MSDWD changed its corporate name to Morgan Stanley Dean Witter & Co, and to Morgan Stanley on 20 June 2002.

1.1.2 Registered office

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

1.1.3 Legal and commercial name of Morgan Stanley

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

1.1.4 Legislation and Consolidated Supervision

Morgan Stanley is subject both to the laws of the United States of America and to the General Corporation Law of the State of Delaware ("**DGCL**"). United States federal laws affect many aspects of corporate affairs in the United States and concern such diverse matters as antitrust, bankruptcy, labor-management relations, the sale of securities and taxation. Certain United States federal securities laws are administered by the SEC and generally prohibit the sale of securities by fraudulent means and require most corporations that have issued securities, which are publicly held, such as Morgan Stanley, to make periodic financial and other reports to the SEC and to shareholders.

In the United States, business corporations are generally incorporated under the laws of one of the states. Morgan Stanley is incorporated under the laws of the State of Delaware.

Morgan Stanley elected to be deemed a financial holding company under the Bank Holding Company Act (the "**BHC Act**") on 21 September 2008, as described in "Recent Events" below. As a financial holding company, Morgan Stanley is subject to the comprehensive, consolidated supervision and regulation of the Fed. This means that Morgan Stanley is, among other things, subject to the Fed's risk-based and leverage capital requirements and information reporting requirements for bank holding companies. The Fed has the authority to conduct on-site examination of Morgan Stanley and any of its affiliates, subject to coordinating with any state or federal functional regulator of any particular affiliate.

In addition to the Fed's consolidated supervision, certain of Morgan Stanley's subsidiaries are regulated directly by other regulators based upon the activities of those subsidiaries.

The Fed generally requires Morgan Stanley and its peer financial holding companies to maintain risk-based and leverage capital ratios substantially in excess of these minimum levels, depending upon general economic conditions and their particular condition, risk profile and growth plans.

U.S. banking regulators are in the process of incorporating the Basel II Accord ("Basel II") into the existing risk-based capital requirements. After a transitional period, core financial institutions, including Morgan Stanley, are required to implement advanced measurement techniques by employing internal estimates of certain key risk drivers to derive capital requirements. Prior to becoming a financial holding company, as part of its status until September 2008 as a consolidated supervised entity subject to the group-wide supervision and examination by the SEC, Morgan Stanley calculated its minimum capital requirements in accordance with Basel II as implemented by the SEC, Morgan Stanley's significant European regulated entities implemented Basel II Capital Standards on 1

January 2008. For 31 March 2009 and future dates, Morgan Stanley expects to calculate its capital ratios and risk weighted assets in accordance with the capital adequacy standards for bank holding companies adopted by the Fed. These standards are based upon a framework described in the "International Convergence of Capital Measurement", July 1988, as amended, also referred to as Basel I.

1.1.5 Recent events

Financial Holding Company.

Since September 2008, Morgan Stanley has operated as a financial holding company under the BHC Act.

U.S. Banking Institutions. Morgan Stanley Bank, N.A. ("MSBNA"), primarily a wholesale commercial bank, offers consumer lending and commercial lending services in addition to deposit products. As an FDIC-insured national bank, MSBNA is subject to supervision and regulation by the Office of the Comptroller of the Currency ("OCC").

Morgan Stanley Trust is a wholly owned subsidiary that conducts, through a subsidiary, certain mortgage lending activities primarily for customers of its affiliate retail broker Morgan Stanley Smith Barney LLC ("MSSB LLC"). Morgan Stanley Trust also conducts certain transfer agency, sub-accounting and other activities. It is an FDIC-insured federal savings bank whose activities are subject to comprehensive regulation and periodic examination by the Office of Thrift Supervision.

Morgan Stanley Trust National Association, a wholly owned subsidiary, is a non-depository national bank whose activities are limited to fiduciary and custody activities, primarily personal trust and prime brokerage custody services. It is subject to comprehensive regulation and periodic examination by the OCC. Morgan Stanley Trust National Association is not FDIC-insured.

Scope of Permitted Activities. As a financial holding company, Morgan Stanley is able to engage in any activity that is financial in nature or incidental to a financial activity. Unless otherwise required by the Fed, Morgan Stanley is permitted to commence any new financial activity, or acquire a company engaged in any financial activity, as long as it provides after–the–fact notice of such new activity or investment to the Fed. Morgan Stanley must obtain the prior approval of the Fed before acquiring more than five percent of any class of voting stock of a U.S. depository institution or bank holding company or commencing any activity that is complementary to a financial activity. Under some reform proposals, any non-banking acquisition of more than $25 billion in assets would require prior Fed approval, and regulators would be given new means to limit activities.

Morgan Stanley believes that most of the activities it conducted before becoming a financial holding company remain permissible. In addition, the BHC Act gives Morgan Stanley two years after becoming a financial holding company to conform its existing nonfinancial activities and investments to the requirements of the BHC Act with the possibility of three one-year extensions for a total grace period of up to five years. The BHC Act also grandfathers any "activities related to the trading, sale or investment in commodities and underlying physical properties," provided that Morgan Stanley conducted any of such activities as of September 30, 1997 and provided that certain other conditions that are within Morgan Stanley's reasonable control are satisfied. In addition, the BHC Act permits the Fed to determine by regulation or order that certain activities are complementary to a financial activity and do not pose a risk to safety and soundness.

It is possible that certain of Morgan Stanley's existing activities will not be deemed to be permissible financial activities, or incidental or complementary to such activities or otherwise grandfathered. If so, Morgan Stanley may be required to divest them before the end of the original two-year or subsequent

one-year grace periods discussed above. Morgan Stanley does not believe that any such required divestment will have a material adverse impact on its financial condition or results of operations.

Consolidated Supervision. As a financial holding company, Morgan Stanley is subject to the comprehensive, consolidated supervision and regulation of the Fed. This means that Morgan Stanley is, among other things, subject to the Fed's risk-based and leverage capital requirements and information reporting requirements for bank holding companies. The Fed has the authority to conduct on-site examinations of Morgan Stanley and any of its affiliates, subject to coordinating with any state or federal functional regulator of any particular affiliate.

In order to maintain Morgan Stanley's status as a financial holding company, its depository institution subsidiaries must remain well capitalized and well managed. Reform proposals would also base such financial holding company status on maintaining a well capitalized and well managed standard at the Morgan Stanley holding company level. If designated a systemically important firm, Morgan Stanley would be required, pursuant to such reform proposals, to remain well capitalized and well managed at all times. Under current regulations implemented by the Fed, if any depository institution controlled by a financial holding company no longer meets certain capital or management standards, the Fed may impose corrective capital and/or managerial requirements on the parent financial holding company and place limitations on its ability to make acquisitions or otherwise conduct the broader financial activities permissible for financial holding companies. In addition, as a last resort if the deficiencies persist, the Fed may order a financial holding company to cease the conduct of or to divest those businesses engaged in activities other than those permissible for bank holding companies that are not financial holding companies. The regulations also provide that if any depository institution controlled by a financial holding company fails to maintain a satisfactory rating under the Community Reinvestment Act of 1977, the Fed must prohibit the financial holding company and its subsidiaries from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies.

Capital Standards. The Basel Committee and the Fed are rethinking the scope, strength and nature of the capital requirements that should apply to global financial institutions like Morgan Stanley.

The Basel Committee has opened a broad-based consultation on capital, liquidity and leverage ratios that is expected to be complete by the end of 2010, with implementation for most measures by the end of 2012, and in some cases earlier. The results of this consultation, in the form eventually implemented into U.S. law by the Fed and other U.S. banking regulators, are expected, among other aspects, to increase requirements as to the quality of capital, with greater emphasis on common stock as the predominant form of capital, to enhance capital requirements for trading book exposures, securitizations and counterparty credit risk exposure, to institute capital conservation measures and liquidity coverage requirements, and to implement on a more global basis the leverage ratio concept, a version of which is currently applied only by U.S. regulators. The exact scope and scale of these capital changes are currently not known. Even under current standards, the Fed generally requires Morgan Stanley and its peer financial holding companies to maintain risk-based and leverage capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and their particular condition, risk profile and growth plans.

Current U.S. risk–based capital and leverage guidelines require Morgan Stanley's capital–to–assets ratios to meet certain minimum standards. Under the guidelines, banking organizations are required to maintain a total capital ratio (total capital to risk–weighted assets) of at least 10% and a Tier 1 capital ratio of at least 6% in order to qualify as well capitalized and for the holding company parent to be able to qualify as a financial holding company.

Morgan Stanley currently calculates its capital ratios and risk-weighted assets in accordance with the capital adequacy standards for financial holding companies adopted by the Fed, which are based upon

a framework described in the "International Convergence of Capital Measurement and Capital Standards," July 1988, as amended, also referred to as "Basel I." U.S. banking regulators are in the process of incorporating the Basel II Accord into the existing risk–based capital requirements and Morgan Stanley is working with its regulators accordingly to transition to these requirements.

The federal banking regulators also have established minimum leverage ratio guidelines. The Tier 1 leverage ratio is defined as Tier 1 capital divided by adjusted average total book assets (which reflects adjustments for disallowed goodwill, certain intangible assets and deferred tax assets). The adjusted average total assets are derived using weekly balances for each quarter. The minimum leverage ratio is 3% for bank holding companies that are considered "strong" under Fed guidelines or which have implemented the Fed's risk–based capital measure for market risk. Other bank holding companies must have a minimum leverage ratio of 4%.

Reform proposals affecting the scope, coverage, or calculation of capital, and increases in the amount of capital, including more restrictive leverage ratios, capital conservation measures and liquidity coverage requirements could adversely affect Morgan Stanley's ability to generate return on capital, to pay dividends, or could require Morgan Stanley to reduce business levels or to raise capital, including in ways that may adversely impact its shareholders or creditors.

See also "Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources—Regulatory Requirements" of the Annual Report on Form 10-K for the year ended 31 December 2009.

Dividends. In addition to certain dividend restrictions that apply by law to certain of Morgan Stanley's subsidiaries, as described below, the OCC, the Fed and the FDIC have authority to prohibit or to limit the payment of dividends by the banking organizations they supervise, including Morgan Stanley, Morgan Stanley Bank, N.A. and other Morgan Stanley depository institution subsidiaries, if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organization. It is Fed policy that bank holding companies should generally pay dividends on common stock only out of income available from the past year, and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. It is also Fed policy that bank holding companies should not maintain dividend levels that undermine the company's ability to be a source of strength to its banking subsidiaries.

Prompt Corrective Action. The Federal Deposit Insurance Corporation Improvement Act of 1991 provides a framework for regulation of depository institutions and their affiliates, including parent holding companies, by their federal banking regulators. Among other things, it requires the relevant federal banking regulator to take "prompt corrective action" with respect to a depository institution if that institution does not meet certain capital adequacy standards. Current regulations generally apply only to insured banks and thrifts such as Morgan Stanley Bank, N.A. or Morgan Stanley Trust, and not to their parent holding companies, such as Morgan Stanley. The Fed is, however, subject to limitations, authorized to take appropriate action at the holding company level. All pending proposals in the U.S. would broaden the Fed's or appropriate regulator's ability to take prompt corrective action against a systemically important financial institution.

Transactions with Affiliates. Morgan Stanley's domestic subsidiary banks are subject to Sections 23A and 23B of the Federal Reserve Act, which impose restrictions on any extensions of credit to, purchase of assets from, and certain other transactions with, any affiliates. These restrictions include limits on the total amount of credit exposure that they may have to any one affiliate and to all affiliates, as well as collateral requirements, and they require all such transactions to be made on market terms.

FDIC Regulation. An FDIC–insured depository institution is generally liable for any loss incurred or expected to be incurred by the FDIC in connection with the failure of an insured depository institution under common control by the same bank holding company. As FDIC-insured depository institutions, Morgan Stanley Bank, N.A. and Morgan Stanley Trust are exposed to each other's losses. In addition, both institutions are exposed to changes in the cost of FDIC insurance. In 2009, the FDIC levied a special assessment of 5% on each insured depository institution's assets, minus its Tier 1 capital, capped at 10% of its domestic deposits. In addition, the FDIC required insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC also adopted a uniform three-basis point increase in assessment rates effective on January 1, 2011. All measures were part of an effort to rebuild the Deposit Insurance Fund. In addition, by participating in the FDIC's Temporary Liquidity Guarantee Program, Morgan Stanley Bank, N.A. and Morgan Stanley Trust have temporarily become subject to an additional assessment on deposits in excess of $250,000 in certain transaction accounts. Some of the pending legislative proposals would further increase Morgan Stanley's FDIC assessments, which, if enacted, may materially affect Morgan Stanley's financial condition, results of operations and cash flows for a particular future period.

Anti-Money Laundering.

Morgan Stanley's Anti-Money Laundering ("AML") program is coordinated on an enterprise-wide basis. In the U.S., for example, the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001 (the "BSA/USA PATRIOT Act"), imposes significant obligations on financial institutions to detect and deter money laundering and terrorist financing activity, including requiring banks, bank holding company subsidiaries, broker-dealers, future commission merchants, and mutual funds to identify and verify customers that maintain accounts. The BSA/USA PATRIOT Act also mandates that financial institutions have policies, procedures and internal processes in place to monitor and report suspicious activity to appropriate law enforcement or regulatory authorities. Financial institutions subject to the BSA/USA PATRIOT Act also must designate a BSA/AML compliance officer, provide employees with training on money laundering prevention, and undergo an annual, independent audit to assess the effectiveness of its AML program. Outside the U.S., applicable laws, rules and regulations similarly subject designated types of financial institutions to AML program requirements. Morgan Stanley has implemented policies, procedures and internal controls that are designed to comply with AML program requirements. Morgan Stanley has also implemented policies, procedures, and internal controls that are designed to comply with the regulations and economic sanctions programs administered by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), which enforces economic and trade sanctions against targeted foreign countries, entities and individuals based on U.S. foreign policy and national security goals, and other multi-national organizations and governmental agencies worldwide.

Anti-Corruption.

Morgan Stanley is subject to the U.S. Foreign Corrupt Practices Act ("FCPA"), which prohibits offering, promising, giving, or authorizing others to give anything of value, directly or indirectly, to a non-U.S. government official in order to obtain or retain business or otherwise secure a business advantage. Morgan Stanley is also subject to applicable anti-corruption laws in the jurisdictions in which it operates. Morgan Stanley has implemented policies, procedures, and internal controls that are designed to comply with the FCPA and other applicable anti-corruption laws, rules, and regulations in the jurisdictions in which it operates.

Protection of Client Information.

Many aspects of Morgan Stanley's business are subject to legal requirements concerning the use and protection of certain customer information, including those adopted pursuant to the Gramm-Leach-

Bliley Act and the Fair and Accurate Credit Transactions Act of 2003 in the U.S., the European Union Data Protection Directive in the EU and various laws in Asia, including the Japanese Personal Information (Protection) Law, the Hong Kong Personal Data (Protection) Ordinance and the Australian Privacy Act. Morgan Stanley has adopted measures designed to comply with these and related applicable requirements in all relevant jurisdictions.

Research.

Both U.S. and non-U.S. regulators continue to focus on research conflicts of interest. Research-related regulations have been implemented in many jurisdictions. New and revised requirements resulting from these regulations and the global research settlement with U.S. federal and state regulators (to which Morgan Stanley is a party) have necessitated the development or enhancement of corresponding policies and procedures.

Institutional Securities and Global Wealth Management Group.

Broker-Dealer Regulation. Morgan Stanley's primary U.S. broker-dealer subsidiaries, MS&Co. and MSSB LLC, are registered broker-dealers with the SEC and in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, and are members of various self-regulatory organizations, including the Financial Industry Regulatory Authority, Inc. ("FINRA") and securities exchanges, including the NYSE. In addition, MS&Co. and MSSB LLC are registered investment advisers with the SEC. Broker-dealers are subject to laws and regulations covering all aspects of the securities business, including sales and trading practices, securities offerings, publication of research reports, use of customers' funds and securities, capital structure, record-keeping and retention and the conduct of their directors, officers, representatives and other associated persons. Broker-dealers are also regulated by securities administrators in those states where they do business. Violations of the laws and regulations governing a broker-dealer's actions could result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of such broker-dealer or its officers or employees, or other similar consequences by both federal and state securities administrators.

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

As registered U.S. broker-dealers, certain subsidiaries of Morgan Stanley are subject to the SEC's net capital rule and the net capital requirements of various exchanges and other regulatory authorities. Many non-U.S. regulatory authorities and exchanges also have rules relating to capital and, in some case, liquidity requirements that apply to Morgan Stanley's non-U.S. broker-dealer subsidiaries. These rules are generally designed to measure general financial integrity and/or liquidity and require that at least a minimum amount of net and/or more liquid assets be maintained by the subsidiary. See also "Consolidated Supervision" and "Capital Standards" above. Rules of FINRA and other self-regulatory organizations also impose limitations and requirements on the transfer of member organizations' assets.

Compliance with regulatory capital liquidity requirements may limit Morgan Stanley's operations requiring the intensive use of capital. Such requirements restrict Morgan Stanley's ability to withdraw capital from its broker-dealer subsidiaries, which in turn may limit its ability to pay dividends, repay debt or redeem or purchase shares of its own outstanding stock. Any change in such rules or the imposition of new rules affecting the scope, coverage, calculation or amount of capital liquidity requirements, or a significant operating loss or any unusually large charge against capital, could

adversely affect Morgan Stanley's ability to pay dividends or to expand or maintain present business levels. In addition, such rules may require Morgan Stanley to make substantial capital liquidity infusions into one or more of its broker-dealer subsidiaries in order for such subsidiaries to comply with such rules.

MS&Co. and MSSB LLC are members of the Securities Investor Protection Corporation ("SIPC"), which provides protection for customers of broker-dealers against losses in the event of the liquidation of a broker-dealer. SIPC protects customers' securities accounts held by a member broker-dealer up to $500,000 for each eligible customer, subject to a limitation of $100,000 for claims for cash balances. To supplement this SIPC coverage, MS&Co. has purchased additional protection for the benefit of its customers in the form of an annual policy issued by certain underwriters and various insurance companies that provides protection for all clients up to the remaining net equity securities balance in their accounts, subject to the firmwide cap of $1 billion.

Regulation of Certain Commodities Activities. The commodities activities in the Institutional Securities business segment are subject to extensive and evolving energy, commodities, environmental, health and safety and other governmental laws and regulations in the U.S. and abroad. Intensified scrutiny of certain energy markets by U.S. federal, state and local authorities in the U.S. and abroad and by the public has resulted in increased regulatory and legal enforcement and remedial proceedings involving energy companies, including those engaged in power generation and liquid hydrocarbons trading.

Terminal facilities and other assets relating to Morgan Stanley's commodities activities are also subject to environmental laws both in the U.S. and abroad. In addition, pipeline, transport and terminal operations are subject to state laws in connection with the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by us or locations to which we have sent wastes for disposal.

Additional Regulation of U.S. Entities. As registered futures commission merchants, MS&Co. and MSSB LLC are subject to net capital requirements of, and their activities are regulated by, the Commodity Futures Trading Commission (the "CFTC") and various commodity futures exchanges. Morgan Stanley's futures and options-on-futures businesses are also regulated by the National Futures Association (the "NFA"), a registered futures association, of which MS&Co. and certain of its affiliates are members. These regulatory requirements differ for clearing and non-clearing firms, and they address obligations related to, among other things, the registration of the futures commission merchant and certain of its associated persons, membership with the NFA, the segregation of customer funds and the holding apart of a secured amount, the receipt of an acknowledgement of certain written risk disclosure statements, the receipt of trading authorizations, the furnishing of daily confirmations and monthly statements, recordkeeping and reporting obligations, the supervision of accounts, and antifraud prohibitions. Among other things, the NFA has rules covering a wide variety of areas such as advertising, telephone solicitations, risk disclosure, discretionary trading, disclosure of fees, minimum capital requirements, reporting and proficiency testing. MS&Co. and MSSB LLC have affiliates that are registered as commodity trading advisers ("CTAs") and/or commodity pool operators ("CPOs"), or are operating under certain exemptions from such registration pursuant to CFTC Rules and other guidance. Under CFTC and NFA Rules, CTAs that manage accounts must distribute disclosure documents, and maintain specified records relating to their activities and clients. Under CFTC and NFA rules, CPOs have certain responsibilities with respect to each pool they operate. For each pool, a CPO must prepare and distribute a disclosure document; distribute periodic account statements; prepare and distribute audited annual financial reports; and keep specified records concerning the participants, transactions, and operations of each pool, as well as records regarding transactions of the CPO and its principals. Violations of the rules of the CFTC, the NFA or the commodity exchanges could result in remedial actions including fines, registration restrictions or terminations, trading prohibitions or revocations of commodity exchange memberships.

Non-U.S. Regulation. Morgan Stanley's businesses are also regulated extensively by non-U.S. regulators, including governments, securities exchanges, commodity exchanges, self-regulatory organizations, central banks and regulatory bodies, especially in those jurisdictions in which Morgan Stanley maintains an office. Certain Morgan Stanley subsidiaries are regulated as broker-dealers under the laws of the jurisdictions in which they operate. Subsidiaries engaged in banking and trust activities outside the U.S. are regulated by various government agencies in the particular jurisdiction where they are chartered, incorporated and/or conduct their business activity. For instance, the Financial Services Authority and several U.K. securities and futures exchanges, including the London Stock Exchange and Euronext.liffe, regulate Morgan Stanley's activities in the U.K.; the Deutsche Bôrse AG and the Bundesanstalt für Finanzdienstleistungsaufsicht (the Federal Financial Supervisory Authority) regulate its activities in the Federal Republic of Germany; Eidgenôssische Finanzmarktaufsicht regulates its activities in Switzerland; the Financial Services Agency, the Bank of Japan, the Japanese Securities Dealers Association and several Japanese securities and futures exchanges, including the Tokyo Stock Exchange, the Osaka Securities Exchange and the Tokyo International Financial Futures Exchange, regulate its activities in Japan; the Hong Kong Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited regulate its operations in Hong Kong; and the Monetary Authority of Singapore and the Singapore Exchange Limited regulate its business in Singapore.

Asset Management.

Many of the subsidiaries engaged in Morgan Stanley's asset management activities are registered as investment advisers with the SEC and, in certain states, some employees or representatives of subsidiaries are registered as investment adviser representatives. Many aspects of Morgan Stanley's asset management activities are subject to federal and state laws and regulations primarily intended to benefit the investor or client. These laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict Morgan Stanley from carrying on its asset management activities in the event that it fails to comply with such laws and regulations. Sanctions that may be imposed for such failure include the suspension of individual employees, limitations on Morgan Stanley engaging in various asset management activities for specified periods of time or specified types of clients, the revocation of registrations, other censures and fines.

Morgan Stanley's Asset Management business is also regulated outside the U.S. For example, the Financial Services Authority regulates Morgan Stanley's business in the U.K.; the Financial Services Agency regulates Morgan Stanley's business in Japan; the Securities and Exchange Board of India regulates Morgan Stanley's business in India; and the Monetary Authority of Singapore regulates Morgan Stanley's business in Singapore.

MUFG Joint Venture.

On March 30, 2010, Morgan Stanley and Mitsubishi UFJ Financial Group, Inc. ("MUFG") entered into definitive agreements formalising their previously announced intention to form a joint venture in Japan of their respective investment banking and securities businesses. MUFG and Morgan Stanley will integrate their respective Japanese securities companies by forming two joint venture companies. MUFG will contribute the wholesale and retail securities businesses conducted in Japan by its subsidiary Mitsubishi UFJ Securities Co., Ltd. into one of the joint venture entities which will be named Mitsubishi UFJ Morgan Stanley Securities, Co., Ltd. ("MUMSS"). Morgan Stanley will contribute the investment banking operations conducted in Japan by its subsidiary, Morgan Stanley Japan Securities Co., Ltd. ("MSJS"), into MUMSS and will contribute the sales and trading and capital markets business conducted in Japan by MSJS into a second joint venture entity which will be called Morgan Stanley MUFG Securities, Co., Ltd. ("MSMS" and, together with MUMSS, the "Joint Venture"). Following the respective contributions to the Joint Venture and a cash payment of 26

billion yen from MUFG to Morgan Stanley at closing of the transaction (subject to certain post-closing cash adjustments), Morgan Stanley will own a 40% economic interest in the Joint Venture and MUFG will own a 60% economic interest in the Joint Venture. Morgan Stanley will hold a 40% voting interest and MUFG will hold a 60% voting interest in MUMSS, while Morgan Stanley will hold a 51% voting interest and MUFG will have a 49% voting interest in MSMS. The transaction is expected to close on May 1, 2010, subject to customary closing conditions.

2. OVERVIEW OF THE ACTIVITIES

2.1 Principal Activities

Morgan Stanley, a financial holding company, is a global financial services firm that maintains significant market positions in each of its business segments - Institutional Securities, Global Wealth Management Group and Asset Management. Morgan Stanley, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. A summary of the activities of each of the business segments is as follows:

Institutional Securities includes capital raising; financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; corporate lending; sales, trading, financing and market-making activities in equity and fixed income securities and related products, including foreign exchange and commodities; and investment activities.

Global Wealth Management Group, which includes Morgan Stanley's 51% interest in MSSB LLC, provides brokerage and investment advisory services to individual investors and small-to-medium sized businesses and institutions covering various investment alternatives; financial and wealth planning services; annuity and other insurance products; credit and other lending products; cash management services; retirement services; and trust and fiduciary services.

Asset Management provides global asset management products and services in equity, fixed income, alternative investments, which includes hedge funds and funds of funds, and merchant banking, which includes real estate, private equity and infrastructure, to institutional and retail clients through proprietary and third-party distribution channels. Asset Management also engages in investment activities.

Discounted Operations

Retail Asset Management. On October 19, 2009, as part of a restructuring of its Asset Management business segment, Morgan Stanley entered into a definitive agreement to sell substantially all of Retail Asset Management, including Van Kampen Investments, Inc. (“Van Kampen”) to Invesco Ltd (“Invesco”). This transaction allows Morgan Stanley’s Asset Management business segment to focus on its institutional client base, including corporations, pension plans, large intermediaries, foundations and endowments, sovereign wealth funds and central banks, among others.

Under the terms of the definitive agreement, Invesco will purchase substantially all of Retail Asset Management, operating under both the Morgan Stanley and Van Kampen brands, in a stock and cash transaction. Morgan Stanley will receive a 9.4% minority interest in Invesco. The transaction, which has been approved by the Boards of Directors of both companies, is expected to close in mid-2010, subject to customary regulatory, client and fund shareholder approvals. The results of Retail Asset Management are reported as discontinued operations for all periods presented.

MSCI. In May 2009, Morgan Stanley divested all of its remaining ownership interest in MSCI Inc. (“MSCI”). The results of MSCI are reported as discontinued operations for all periods presented.

Crescent. Discontinued operations in 2009, fiscal 2008 and the one month ended December 31, 2008 include operating results and gains (losses) related to the disposition of Crescent, a former real estate subsidiary of Morgan Stanley. Morgan Stanley completed the disposition of Crescent in the fourth quarter of 2009, whereby Morgan Stanley transferred its ownership interest in Crescent to Crescent's primary creditor in exchange for full release of liability on the related loans. The results of Crescent were formerly included in the Asset Management business segment.

Discover. On June 30, 2007, Morgan Stanley completed the spin-off (the "Discover Spin-off") of its business segment Discover Financial Services ("DFS") to its shareholders. The results of DFS are reported as discontinued operations for all periods presented through the date of the Discover Spin-off. The fiscal 2008 amount related to costs associated with a legal settlement between DFS, VISA and MasterCard.

Quilter Holdings Ltd. The results of Quilter Holdings Ltd. ("Quilter"), Global Wealth Management Group's former mass affluent business in the United Kingdom ("U.K."), are also reported as discontinued operations for all periods presented through its sale to Citigroup Inc. ("Citi") on February 28, 2007. Citi subsequently contributed Quilter to the MSSB LLC joint venture. The results of MSSB LLC are included within the Global Wealth Management Group business segment's income from continuing operations effective May 31, 2009.

2.2 **Principal Markets**

During 2009, global market and economic conditions improved, and global capital markets recovered from the severe downturn that occurred during the fall of 2008.

In the U.S., economic conditions improved, liquidity began to return to the fixed income markets, the initial public offering market reopened and the securitization market began to reopen, while the real estate markets continued to be adversely impacted. Major U.S. equity market indices ended 2009 higher as compared with the beginning of the year, primarily due to better than expected corporate earnings and investor confidence in an economic recovery. Government spending increased, while consumer spending, household balance sheets and business spending remained challenged. The unemployment rate increased to 10.0% at December 31, 2009 from 7.4% at December 31, 2008. The Federal Open Market Committee ("FOMC") kept its interest rates at historically low levels, and at December 31, 2009, the federal funds target rate was between zero and 0.25%, and the discount rate was 0.50%. During 2009, the interest rate on required reserve balances and on excess balances (balances held to satisfy reserve requirements and balances held in excess of required reserve requirements) was 0.25%. During 2009, the FOMC pursued a quantitative easing policy in which the FOMC purchased securities with the objective of improving conditions within the credit markets by increasing the money supply. In February 2010, the FOMC raised the discount rate by 0.25% to 0.75%.

In Europe, major European equity market indices ended 2009 higher as compared with the beginning of the year. Economic conditions, however, continued to be challenged by adverse economic developments that began in the Fall of 2008. The euro area unemployment rate increased to 10.0% at December 31, 2009 from 8.2% at December 2008. During the first half of 2009, the European Central Bank ("ECB") lowered its benchmark interest rate by 1.50% to a record low of 1.00%, and during the second half of 2009, the ECB left its benchmark interest rate unchanged. During the first half of 2009, the Bank of England ("BOE") lowered its benchmark interest rate by 1.50% to 0.50%, and during the second half of 2009, the BOE left its benchmark interest rate unchanged. During 2009, the BOE pursued a quantitative easing policy in which the BOE purchased securities, including U.K. Government Gilts, with the objective of increasing the money supply.

In Asia, economic conditions continued to be challenged by adverse economic developments that began in the Fall of 2008, including a decline in exports in both China and Japan. Despite lower exports, China's economy continued to benefit from government spending for capital projects. Equity markets in both China and Japan ended 2009 higher, as compared with the beginning of the year. The Bank of Japan ("BOJ") pursued a quantitative easing policy in which the BOJ would purchase securities with the objective of increasing liquidity and reducing the reliance on short-term liquidity by providing longer term liquidity via Japanese government bond purchases.

3. ORGANISATIONAL STRUCTURE

Morgan Stanley is a holding company that provides, through its subsidiaries and affiliates, its products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals, through its subsidiaries and affiliates.

Morgan Stanley's significant regulated U.S. and international subsidiaries include Morgan Stanley & Co. Incorporated, Morgan Stanley Smith Barney LLC, Morgan Stanley & Co. International plc, Morgan Stanley Japan Securities Co., Ltd., Morgan Stanley Bank, N.A. and Morgan Stanley Investment Advisors Inc.

For further information see section "Overview of the activities" above.

4. TREND INFORMATION

Save as disclosed in the documents incorporated by reference in this Base Prospectus, and for (i) the information contained in the section entitled "Legal Proceedings" on page 27 of the Annual Report of Morgan Stanley on Form 10-K for the year ended 31 December 2009, (ii) the information contained in the paragraph entitled "Item 8.01 Other Events" on page 2 of the Current Report on Form 8-K dated 22 May 2009 and (iii) the information contained in the paragraph entitled "Item 8.01 Other Events" on page 1 of the Current Report on Form 8-K dated 24 August 2009, there has been no material adverse change in the prospects of Morgan Stanley and its consolidated subsidiaries since 31 December 2009.

5. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

5.1 Board of directors

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

Name	Function within Morgan Stanley	Principal Outside Activity
John J. Mack	Chairman of the Board	Member of the Board of Trustees at Duke University. Chairman of the Board of Trustees of New York – Presbyterian hospital and the university hospital of both Columbia and Cornell, Director of IMG and Catalyst.
James P. Gorman	President and Chief Executive Officer	Trustee of the Columbia Business School and The

Name	Function within Morgan Stanley	Principal Outside Activity
		Spence School of New York City, Co-Chairman of the Business Committee of the Metropolitan Museum of Art.
Roy J. Bostock	Director	Chairman of The Partnership for a Drug-Free America. Member of the board of directors of Delta Airlines Inc. and Yahoo! Inc.
Erskine B. Bowles	Director	Director of Cousins Properties Incorporated. Senior adviser of Carousel Capital LLC, a private investment firm, President of the University of North Carolina.
Howard J. Davies	Director	Director of the London School of Economics and Political Science and Paternoster plc.
C. Robert Kidder	Director	Director of Schering-Plough Corporation. Chairman & CEO of 3 Stone Advisors LLC. Chairman of the Board of Chrysler Group LLC.
Donald T. Nicolaisen	Director	Director of MGIC Investment Corporation, Verizon Communications Inc, and Zurich Financial Services.
Charles H. Noski	Director	Director of Microsoft Corporation and Air Products and Chemicals, Inc. and Automatic Data Processing Inc.
Hutham S. Olayan	Director	President, Chief Executive Officer and Director of Olayan America Corporation. Director at the Peter G Peterson Institute for International Economics.
Charles E. Phillips, Jr.	Director	President and Director of Oracle Corporation and Director of Viacom, Inc. Board member of Jazz at Lincoln Center in New York City and New York law school.
O. Griffith Sexton	Director	Adjunct Professor of Finance at

Name	Function within Morgan Stanley	Principal Outside Activity
		Columbia Business School; Visiting Lecturer of Princeton University; Director of Investor AB and Hamilton Lane.
Dr. Laura D'Andrea Tyson	Director	Professor, Walter A. Haas School of Business, University of California at Berkeley. S.K. and Angela Chan Professor of Global Management. Director of C.B. Richard Ellis Group, Inc., Eastman Kodak Company and AT&T, Inc.
Nobuyuki Hirano	Director	Deputy President and Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Managing Officer of Mitsubishi UFJ Financial Group, Inc.
James H. Hance Jr.	Director	Senior Advisor at The Carlyle Group. Chairman of Sprint Nextel Corporation, Director of Cousins Properties Incorporated, Duke Energy Corporation and Rayonier Inc.

During fiscal year 2009, Morgan Stanley's subsidiaries extended credit in the ordinary course of business to certain of Morgan Stanley's directors, officers and employees and members of their immediate families. These extensions of credit may have been in connection with margin loans, mortgage loans, credit card transactions, revolving lines of credit and other extensions of credit by Morgan Stanley's subsidiaries. The extensions of credit were made on substantially the same terms and conditions, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with other persons. The extensions would not involve more than the normal risk of collectability or present other unfavorable features. Directors, officers and employees and members of their immediate families who wish to purchase securities and derivative and financial products and financial services may do so through Morgan Stanley's subsidiaries. These subsidiaries may offer them discounts on their standard commission rates or fees. These subsidiaries also, from time to time and in the ordinary course of their business, enter into transactions on a principal basis involving the purchase or sale of securities and derivative products in which Morgan Stanley's directors, officers and employees and members of their immediate families have an interest. These purchases and sales may be made at a discount from the dealer mark-up or mark-down, as the case may be, charged to non-affiliated third parties. In addition, Morgan Stanley may, pursuant to stock repurchase authorizations in effect from time to time, repurchase or acquire shares of Morgan Stanley's common stock in the open market or in privately negotiated transactions, which may include transactions with directors, officers and employees. These transactions are in the ordinary course of business and at prevailing market prices.

5.2 Conflicts of interest

Each of FMR LLC ("**FMR**"), Mitsubishi UFJ Financial Group, Inc. ("**MUFG**") and State Street Bank and Trust Company ("**State Street**") beneficially own 5% or more of the outstanding shares of Morgan Stanley common stock as reported under "Principal Shareholders" herein. On October 13, 2008, Morgan Stanley issued to MUFG 7,839,209 shares of Series B Non-Cumulative Non-Voting Perpetual Convertible Preferred Stock and 1,160,791 shares of Series C Non-Cumulative Non-Voting Perpetual Preferred Stock for an aggregate purchase price of $9 billion (see "Principal Shareholders"). In connection with such issuance, Morgan Stanley and MUFG announced a global strategic alliance and have identified areas of potential collaboration for such alliance, including corporate and investment banking, certain areas of retail banking and asset management, and lending activities such as corporate and project related loans. During fiscal 2009, Morgan Stanley engaged in transactions in the ordinary course of business with each of FMR, MUFG and State Street and certain of their respective affiliates. Such transactions were on substantially the same terms as those prevailing at the time for comparable transactions with unrelated third parties. Morgan Stanley may also engage in transactions, including entering into financial services transactions (e.g., trading in securities, commodities or derivatives) with, and perform investment banking, financial advisory, brokerage, investment management and other services for, entities for which our directors and members of their immediate families serve as executive officers, and may make loans or commitments to extend loans to such entities. The transactions are conducted, services are performed, and loans and commitments are made in the ordinary course of business and on substantially the same terms and conditions, including interest rate and collateral, that prevail at the time for comparable transactions with other persons. The loans and commitments do not involve more than the normal risk of collectability or present other unfavourable features.

6. BOARD PRACTICES

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

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

The Lead Director is C. Robert Kidder

The Board's standing committees include the following:

Committee	Current Members	Primary Responsibilities
Audit	Charles H. Noski (Chair) Howard J. Davies James H. Hance, Jr Donald T. Nicolaisen O. Griffith Sexton	Oversees the integrity of Morgan Stanley's consolidated financial statements, system of internal controls, risk management and compliance with legal and regulatory requirements. Selects, determines the compensation of, evaluates and, when appropriate,

Committee	Current Members	Primary Responsibilities
		replaces the independent auditor, and pre-approves audit and permitted non-audit services.
		Oversees the qualifications and independence of the independent auditor and performance of Morgan Stanley's internal and independent auditors. After review, recommends to the Board the acceptance and inclusion of the annual audited consolidated financial statements in Morgan Stanley's Annual Report on Form 10-K.
Compensation, Management, Development and Succession	Erskine B. Bowles (Chair) Donald T. Nicolaisen Hutham S. Olayan C. Robert Kidder	Annually reviews and approves the corporate goals and objectives relevant to the compensation of the Chairman and CEO and evaluates his performance in light of these goals and objectives. Determines the compensation of Morgan Stanley's executive officers and such other officers as deemed appropriate.
		Administers Morgan Stanley's equity-based compensation plans. Oversees plans for management development and succession. Reviews and discusses the Compensation Discussion and Analysis with management and recommends to the Board its inclusion in the proxy statement. Ensures compliance with applicable aspects of the Emergency Economic Stabilization Act of 2008 with respect to the CMDS Committee's responsibilities related to executive compensation and provides the certification required under the Act.

Committee	Current Members	Primary Responsibilities
Nominating and Governance	Dr. Laura D'Andrea Tyson (Chair) Roy J. Bostock Hutham S. Olayan Charles E. Philips, Jr.	Identifies and recommends candidates for election to the Board. Recommends director compensation and benefits. Reviews annually our corporate governance policies. Reviews and approves related person transactions in accordance with Morgan Stanley's Related Person Transaction Policy. Recommends director compensation and benefits. Reviews annually Morgan Stanley's corporate governance policies.
Risk Committee	Howard J. Davies (Chair) Roy J. Bostock, James H. Hance, Jr. Nobuyuki Hirano	Oversees Morgan Stanley's risk governance structure, risk management and risk assessment guidelines and policies regarding market, credit and liquidity and funding risk, risk tolerance and the performance of the Chief Risk Officer.

7. MAJOR SHAREHOLDERS

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

	Shares of Common Stock Beneficially Owned	
Name and Address	**Number**	**Percent**
Mitsubishi UFJ Financial Group, Inc.[(1)] 7-1, Marunouchi 2-chome Chiyoda-ku, Tokyo 100-8330, Japan	310,464,033	22.86%
State Street Bank and Trust Company (State Street)[(2)] 225 Franklin Street, Boston, MA 02110	144,429,478	13.4%
FMR LLC 82 Devonshire Street, Boston, MA 02109	54,349,804	5.188%

(1) Based on the capitalisation of Morgan Stanley as of 30 November 2008 and the initial conversion rate of 39.604 shares of common stock per share of Series B Preferred Stock. MUFG filed a Schedule 13D Information Statement on 23 October 2008, as amended on 30 October 2008, disclosing that (i) MUFG acquired 7,839,209 shares of Series B Preferred Stock on 13 October 2008, which may be converted into 310,464,033 shares of common stock at the initial conversion rate, and (ii) based on the number of shares of our common stock outstanding as of 30 September 2008, MUFG beneficially owned approximately 22.62% of the outstanding shares of our common stock, assuming full conversion of the Series B Preferred Stock held by MUFG at the initial conversion rate and no conversion of any other securities not beneficially owned by MUFG that are convertible or exchangeable into shares of our common stock.

(2) Based on a review of the Schedule 13G Information Statement filed on 17 February 2009 by State Street, acting in various fiduciary capacities. The Schedule 13G discloses that State Street had sole voting power as to 43,798,959 shares, shared voting power as to 100,438,041 shares and shared dispositive power as to 144,429,478 shares; that shares held by State Street on behalf of the Trust and a Company-sponsored equity-based compensation program amounted to 9.3% of our common stock as of 31 December 2008; and that State Street disclaimed beneficial ownership of all shares reported therein.

(3) Based on a review of the Schedule 13G Information Statement filed on February 17, 2009 by FMR LLC, Edward C. Johnson 3d and Fidelity Management & Research Company (Fidelity), a wholly-owned subsidiary of FMR LLC. Certain of the shares listed above are beneficially owned by FMR LLC subsidiaries and related entities. The Schedule 13G discloses that members of the Johnson family may be deemed to form a controlling group with respect to FMR LLC and that FMR LLC, Edward C. Johnson 3d and Fidelity, and their respective affiliates, have had sole voting power as to 2,387,235 shares and sole dispositive power as to 54,349,804 shares.

8. FINANCIAL INFORMATION

8.1 Selected Financial Information

This section incorporates by reference the historical financial information contained in the Annual Reports on Form 10-K for the fiscal year ended 30 November 2008 and the year ended 31 December 2009, including consolidated statements of financial condition, the consolidated statements of income, consolidated statements of cash flow and notes to the consolidated financial statements.

Financial Information	
Consolidated Statements of Financial Condition	Pages 113-114 of the Annual Report on Form 10-K for the year ended 31 December 2009
Consolidated Statements of Income	Page 115 of the Annual Report on Form 10-K for the year ended 31 December 2009
Consolidated Statements of Cash Flow	Page 117 of the Annual Report on Form 10-K for the year ended 31 December 2009
Notes to the Consolidated Financial Statements	Page 120-229 of the Annual Report on Form 10-K for the year ended 31 December 2009

The Annual Report on Form 10-K for the year ended 31 December 2009 was filed with the SEC on 26 February 2010.

No profit forecast, profit estimate or principal future investment has been announced by Morgan Stanley as of the date of this Registration Document.

8.2 Legal Proceedings

Attached is Item 3 of the Morgan Stanley Annual Report on Form 10-K for the year ended 31 December 2009.

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

Morgan Stanley is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding Morgan Stanley's business, including, among other matters, accounting and operated matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

Morgan Stanley contests liability and/or the amount of damages as appropriate in each pending matter. In view of the inherent difficult of predicting the outcome of such matters, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, Morgan Stanley cannot predict with certainty the loss or range of loss, if any, related to such matters, how or if such matters will be resolved, when they will ultimately be resolved, or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, Morgan Stanley believes, based on current knowledge and after consultation with counsel, that the outcome of such pending matters will not have a material adverse effect on the consolidated financial condition of Morgan Stanley, although the outcome of such matters could be material to Morgan Stanley's operating results and cash flows for a particular future period, depending on, among other things, the level of Morgan Stanley's revenues or income for such period.

Residential Mortgage-related Matters

Regulatory and Governmental Matters. Morgan Stanley is responding to subpoenas and requests for information from certain regulatory and governmental entities concerning the origination, purchase, securitisation and servicing of subprime and non-subprime residential mortgages and related issues including collateralised debt obligations and credit default swaps backed by or referencing mortgage pass through certificates.

Class Actions. Beginning in December 2007, several purported class action complaints were filed in the U.S. District Court for the Southern District of New York (the “SDNY”) asserting claims on behalf of participants in Morgan Stanley’s 401(k) plan and employee stock ownership plan against Morgan Stanley and other parties, including certain present and former directors and officers, under the Employee Retirement Income Security Act of 1974 (“ERISA”). In February 2008, these actions were consolidated in a single proceeding, which is styled *In re Morgan Stanley ERISA Litigation*. The consolidated complaint relates in large part to Morgan Stanley’s subprime and other mortgage related losses, but also includes allegations regarding Morgan Stanley’s disclosures, internal controls, accounting and other matters. The consolidated complaint alleges, among other things, that Morgan Stanley’s stock was not a prudent investment and that risks associated with its stock and its financial

condition were not adequately disclosed. On December 9, 2009, the court denied defendants' motion to dismiss the consolidated complaint.

On February 12, 2008, a plaintiff filed a purported class action, which was amended on November 24, 2008, naming Morgan Stanley and certain present and former senior executives as defendants and asserting claims for violations of the securities laws. The amended complaint, which is styled *Joel Stratte-McClure, et al. v. Morgan Stanley, et al.*, is currently pending in the SDNY. Subject to certain exclusions, the amended complaint purports to assert claims on behalf of a purported class of persons and entities who purchased shares of Morgan Stanley's common stock during the period June 20, 2007 to December 19, 2007 and who suffered damages as a result of such purchases. The allegations in the amended complaint relate in large part to Morgan Stanley's subprime and other mortgage related losses, but also include allegations regarding Morgan Stanley's disclosures, internal controls, accounting and other matters. On April 27, 2009, Morgan Stanley filed a motion to dismiss the amended complaint.

On May 7, 2009, Morgan Stanley was named as a defendant in a purported class action lawsuit brought under Sections 11 and 12 of the Securities Act of 1933, as amended (the "Securities Act"), alleging, among other things, that the registration statements and offering documents related to the offerings of approximately $17 billion of mortgage pass through certificates in 2006 and 2007 contained false and misleading information concerning the pools of residential loans that backed these securitizations. The plaintiffs are seeking, among other relief, class certification, unspecified compensatory and rescissionary damages, costs, interest and fees. This case, which was consolidated with an earlier lawsuit and is currently styled *In re Morgan Stanley Mortgage Pass-Through Certificate Litig*, is pending in the SDNY. On September 15, 2009, the lead plaintiff filed a consolidated amended complaint which defendants have moved to dismiss.

Beginning in 2007, Morgan Stanley was named as a defendant in several putative class action lawsuits brought under Sections 11 and 12 of the Securities Act, related to its role as a member of the syndicates that underwrote offerings of securities and mortgage pass through certificates for certain non-Morgan Stanley related entities that have been exposed to subprime and other mortgage-related losses. The plaintiffs in these actions allege, among other things, that the registration statements and offering documents for the offerings at issue contained various material misstatements or omissions related to the extent to which the issuers were exposed to subprime and other mortgage-related risks and other matters and seek various forms of relief including class certification, unspecified compensatory and rescissionary damages, costs, interest and fees. Morgan Stanley's exposure to potential losses in these cases may be impacted by various factors including, among other things, the financial condition of the entities that issued the securities and mortgage pass through certificates at issue, the principal amount of the offerings underwritten by Morgan Stanley, the financial condition of co-defendants and the willingness and ability of the issuers to indemnify the underwriter defendants. Some of these cases relate to issuers that have filed for bankruptcy, including *In Re Washington Mutual, Inc. Securities Litigation, In re: Lehman Brothers Equity/Debt Securities Litigation and In re IndyMac Mortgage-Backed Securities Litigation. In Re Washington Mutual, Inc. Securities Litigation* is pending in the United States District Court for the Western District of Washington and relates to several offerings of debt and equity securities issued by Washington Mutual, Inc. during 2006 and 2007. Morgan Stanley underwrote approximately $1.6 billion of the principal amount of the offerings at issue. On October 27, 2009, the court granted in part and denied in part defendants' motion to dismiss the amended complaint. *In re: Lehman Brothers Equity/Debt Securities Litigation* is pending in the SDNY and relates to several offerings of debt and equity securities issued by Lehman Brothers Holdings Inc. during 2007 and 2008. Morgan Stanley underwrote over $200 million of the principal amount of the offerings at issue. Morgan Stanley and other defendants have moved to dismiss these claims. *In re IndyMac Mortgage-Backed Securities Litigation* is pending in the SDNY and relates to the offerings of mortgage pass through certificates issued by seven trusts sponsored by affiliates of IndyMac Bancorp during 2006 and 2007. Morgan Stanley underwrote over $2.4 billion of the principal amount of the offerings at issue. Morgan Stanley and other defendants have moved to dismiss these claims.

Shareholder Derivate Matter. A shareholder derivative lawsuit was filed in the SDNY during November 2007 asserting claims related in large part to losses caused by certain subprime-related trading positions and related matters. The complaint in that lawsuit, which is styled *Steve Staehr, Derivatively on Behalf of Morgan Stanley v. John J. Mack, et al.*, was served on Morgan Stanley on 15 February 2008. On 16 July 2008, the plaintiff filed an amended complaint, which defendants have moved to dismiss. The complaint seeks, among other relief, unspecified compensatory damages, restitution and institution of certain corporate governance reforms.

Auction Rate Securities Matters

On 27 August 2008, a shareholder derivative complaint, which was styled *Louisiana Municipal Police Employees Retirement System v. Mack, et al.*, was filed in the SDNY. On 12 September 2008, a second complaint, which is styled *Thomas v Mack, et al.*, was filed in the SDNY. The complaints were substantially similar and named as defendants the members of Morgan Stanley's Board of Directors as well as certain current and former officers. Morgan Stanley, on whose behalf the suits are purportedly brought, is named as a nominal defendant in each action. The complaints raise claims of breach of fiduciary duty, abuse of control, gross mismanagement and violation of Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934, as amended, related to Morgan Stanley's sale of auction rate securities ("**ARS**") over the period from 20 June 2007 to the present. Among other things, the complaints alleged that, over the relevant period, Morgan Stanley's public filings and statements were materially false and misleading in that they failed to disclose the illiquid nature of its ARS inventories and that Morgan Stanley's practices in the sale of ARS exposed it to significant liability for settlements and judgments. The complaints also alleged that during the relevant period certain defendants sold Morgan Stanley's stock while in possession of material non-public information. The complaints sought, among other things, unspecified compensatory damages, restitution from the defendants with respect to compensation, benefits and profits obtained and the institution of certain reforms to Morgan Stanley's internal control functions. On 24 November 2008, the SDNY ordered the consolidation of the two actions. On 2 February 2009, plaintiffs filed a consolidated amended complaint, styled as *In Re Morgan Stanley & Co. Inc. Auction Rate Securities Derivative Litigation*. On 23 June, 2009, the SDNY granted defendants' motion to dismiss the consolidated complaint for failure by plaintiffs to make a pre-litigation demand on Morgan Stanley's Board of Directors. In addition, the SDNY set a schedule for plaintiffs to make such a demand, for the Board of Directors to respond thereto, and for further proceedings before the SDNY, which may include a motion for leave to file an amended complaint.

Executive Compensation-Related Matter

A shareholder derivative lawsuit was filed in the Supreme Court of the State of New York, County of New York, on 11 February, 2010 asserting claims for waste, breach of the duty of loyalty and unjust enrichment related to Morgan Stanley's executive compensation for the fiscal years ended 30 November, 2006 and 2007 and the calendar year ended 31 December, 2009. The complaint, which is styled *Security and Fire Professionals of America Retirement Fund, et al. v. John J. Mack, et. al.*, names as defendants Morgan Stanley's Board of Directors and certain present and former officers and directors. Morgan Stanley, on whose behalf the lawsuit is purportedly being brought, is named as a nominal defendant. The complaint alleges, among other things, that the total amount of the executive compensation paid for these years was disproportionately large in relation to Morgan Stanley's performance. The complaint seeks, among other relief, unspecified compensatory damages, restitution and disgorgement of compensation, benefits and profits, and institution of certain corporate governance reforms.

China Matter

As disclosed in February 2009, Morgan Stanley uncovered actions initiated by an employee based in China in an overseas real estate subsidiary that appear to have violated the Foreign Corrupt Practices Act. Morgan Stanley terminated the employee, reported the activity to appropriate authorities and is cooperating with investigations by the United States Department of Justice and the SEC.

8.3 Significant changes in the financial position of Morgan Stanley

There has been no significant change in the financial or trading position of Morgan Stanley and its consolidated subsidiaries from the date of the Quarterly Report on Form 10-Q for the quarter ended 30 June 2010.

9. ADDITIONAL INFORMATION

9.1 Share capital

The authorised share capital of Morgan Stanley at 31 December 2009 comprised 3,500,000,000 ordinary shares of nominal value U.S.$0.01 and 30,000,000 preferred stock of nominal value U.S.$0.01.

The issued, non-assessable and fully paid up share capital of Morgan Stanley at 31 December 2009 comprised 1,487,850,163 ordinary shares of nominal value U.S.$0.01.

9.2 Certificate of Incorporation

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

9.3 Selected Financial Information

Economic Capital

Morgan Stanley's economic capital framework estimates the amount of equity capital required to support the businesses over a wide range of market environments while simultaneously satisfying regulatory, rating agency and investor requirements. The framework continued to evolve over time in response to changes in the business and regulatory environment and to incorporate enhancements in modelling techniques.

Economic capital is assigned to each business segment and sub-allocated to product lines. Each business segment is capitalised as if it were an independent operating entity. This process is intended to align equity capital with the risks in each business in order to allow senior management to evaluate returns on a risk-adjusted basis (such as return on equity and shareholder value added).

Economic capital is based on regulatory capital plus additional capital for stress losses. Morgan Stanley assesses stress loss capital across various dimensions of market, credit, business and operational risks. Economic capital requirements are met by regulatory Tier 1 capital. For a further discussion of Morgan Stanley's Tier 1 capital see the section entitled "Regulatory Requirements"

included in the Annual Report on Form 10-K for the year ended 31 December 2009. The difference between Morgan Stanley's Tier 1 capital and aggregate economic capital requirements denotes Morgan Stanley's unallocated capital position.

Morgan Stanley uses economic capital to allocate Tier 1 capital and common equity to its business segments. The following table presents Morgan Stanley's allocated average Tier 1 capital ("economic capital") and average common equity for 2009 and fiscal 2008:

	2009		**Fiscal 2008**	
	Average Tier 1 capital	**Average common equity**	**Average Tier 1 capital**	**Average common equity**
	(dollars in billions)			
Institutional Securities	$23.6	$18.1	$25.8	$22.9
Global Wealth Management Group	2.7	4.6	1.7	1.5
Asset Management	2.5	2.2	3.0	3.0
Unallocated capital	18.3	8.1	6.6	4.9
Total from continuing operations	47.1	33.0	31.7	32.3
Discontinued operations	0.7	1.1	0.8	1.3
Total	$47.8	$34.1	$37.9	$33.6

Average Tier 1 capital and common equity allocated to the Institutional Securities business segment decreased compared with fiscal 2008 driven by reductions in market and operational risk exposures. In addition, common equity allocated to the Institutional Securities business segment further decreased due to tightening of Morgan Stanley's own credit spreads. Average Tier 1 capital and common equity allocated to the Global Wealth Management Group business segment increased from fiscal 2008 driven by higher operational risk associated with the addition of Smith Barney's business activities in connection with the MSSB LLC transaction. Average common equity increases were also driven by the MSSB LLC-related goodwill and intangibles. Average Tier 1 capital and common equity allocated to Asset Management decreased from fiscal 2008, primarily due to sales of the segment's investments.

Morgan Stanley generally uses available unallocated capital for prospective regulatory requirements, organic growth, acquisitions and other capital needs while maintaining adequate capital ratios.

Overview of 2009 Financial Results compared with Fiscal 2008

Morgan Stanley recorded net income of $1,346 million in 2009, a 21% decrease from $1,707 million in fiscal year 2008. Net revenues (total revenues less interest expense) increased 6% to $23,358 million in 2009. Non-interest expenses increased 7% to $22,501 million from the prior year, primarily due to higher compensation costs, partly offset by lower non-compensation costs. Compensation and benefits expense increased 21%, primarily reflecting the consolidation of MSSB LLC. Diluted earnings per share were $(0.77) compared with $1.39 in fiscal year 2008. The return on average common equity from continuing operations for fiscal 2008 was 3.2% compared with 6.5% in fiscal 2007.

Morgan Stanley’s effective income tax rate from continuing operations was a benefit of 39% in 2009. Morgan Stanley recognized a tax benefit of $331 million in 2009, resulting from the cost of anticipated repatriation of non-U.S. earnings at lower than previously estimated tax rates. Excluding

this benefit, the annual effective tax rate in 2009 would have been a benefit of 1%. The annual effective tax rate in 2009 is reflective of the geographic mix of earnings and includes tax benefits associated with the anticipated use of domestic tax credits and the utilization of state net operating losses.

The results for fiscal 2008 included a pre-tax gain of $687 million related to the sale of MSWM S.V., the Spanish onshore mass affluent wealth management business.

Morgan Stanley's effective income tax rate from continuing operations was a benefit of 2% in fiscal 2008. The annual effective tax rate in fiscal 2008 is reflective of the geographic mix of earnings and includes tax benefits associated with domestic tax credits and tax-exempt income and tax charges associated with nondeductible goodwill impairment charges.

10. RELEVANT AGREEMENTS

There is no relevant agreement, entered into by Morgan Stanley outside the scope of its business, likely to determine for the members of the group obligations or rights that may have a significant impact on Morgan Stanley's ability to fulfil the obligation under the financial instruments to be issued towards the relevant holders.

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

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

SECTION 3 - DESCRIPTION OF THE ISSUER

History and Development

Morgan Stanley B.V. was incorporated as a private company with limited liability (*een besloten vennootschap met beperkte aansprakelijkheid*) under the laws of The Netherlands on 6 September 2001 for an unlimited duration. The Issuer is registered at the commercial register of the Chamber of Commerce and Industries (*Kamer van Koophandel*) for Amsterdam under number 34161590. It has its corporate seat at Amsterdam, The Netherlands and its offices are located at Locatellikade 1, 1076 AZ Amsterdam, The Netherlands. Telephone number +31 20 57 55 600.

Legislation

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

Investments

All material assets of the Issuer are obligations of (or securities issued by) one or more Morgan Stanley group companies. The Issuer has not made any principal investments since the date of the last published financial statements.

Principal Activities

The Issuer's objects and purposes are, inter alia, to issue notes, warrants and other securities.

Principal Markets

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

Organisational Structure

The Issuer has no subsidiaries. It is ultimately controlled by Morgan Stanley.

Trend Information

The Issuer intends to continue issuing securities and entering hedges in respect of such issues of securities. There has been no significant change in the financial or trading position, nor any material adverse change in the financial position or the prospects, of the Issuer since 31 December 2009.

Management

The current directors of the Issuer, their offices, if any, within the Issuer, and their principal outside activity, if any, are listed below. The business address of each director is Locatellikade 1, 1076 AZ Amsterdam, The Netherlands.

Name	*Title*	*Principal Outside Activity*
J. A. Solan	Director	Executive Director of Morgan Stanley
Adam J.S. Crawford	Director	Executive Director of Morgan Stanley
TMF Management B.V.	Director	Dutch corporate service provider
H. Herrmann	Director	Executive Director, Morgan Stanley
P. Banks	Director	Executive Director of Morgan Stanley
A. Lee	Director	Executive Director of Morgan Stanley

Directors of TMF Management B.V.

M.C. van der Sluijs-Plantz	Managing Director	Employee of TMF Nederland B.V.
J.R. de Vos van Steenwijk	Managing Director	Employee of TMF Nederland B.V.
T.J. Van Rijn	Managing Director	Employee of TMF Nederland B.V.
R.W. de Koning	Managing Director	Employee of TMF Nederland B.V.

Save for the interests referred to above under the heading "Management", the Issuer is not aware of any existing or potential conflicts of interest between any duties owed to the Issuer by its management (as described above) and the private interests and/or other external duties owed by these individuals.

Board Practice

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

As of the date of this Registration Document, the Issuer does not have an audit committee. The accounts of the Issuer are approved by the Board of the Issuer.

Major Shareholders

The Issuer is ultimately controlled by Morgan Stanley. The Issuer is not aware of any control measures with respect to such shareholder control. All decisions to issue securities are taken by the Board and the Issuer earns a spread on all its issues of securities.

Share Capital

The authorised share capital of the Issuer comprises 400,000 ordinary shares of nominal value EUR100.

The issued, allotted and fully paid up share capital of the Issuer comprises 150,180 ordinary shares of nominal value EUR100.

Articles of Association

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

The articles of association of the Issuer have been last amended on 5 January 2009 whereby the financial year end has been amended from 30 November to 31 December to equal a calendar year.

Selected Financial Information

The net revenue for the financial years ended December 2009 and November 2008 was EUR 1,294,000 and EUR5,170,000 respectively, representing issuance fees received on the issuance of financial instruments less guarantee fees payable. The profit or loss before tax for the financial years ended 2009 and November 2008 was a profit of EUR2,045,000 and EUR6,237,000 respectively. During the periods, no dividends were paid. Morgan Stanley B.V.´s net revenue for the six month periods ended 30 June 2010 and 31 May 2009 was EUR885,000 and EUR 722,000 respectively, representing issuance fees received on the issuance of financial instruments less guarantee fees payable. The profit or loss before tax for the six months periods ended 30 June 2010 and 31 May 2009 was a profit of EUR1,097,000 and EUR1,357,000 respectively. During the periods, no dividends were paid.

The current assets of the Issuer grew from EUR2,153,167,000 in 2008 to EUR2,900,852,000 in 2009 with a total amount owing to creditors growing from EUR2,128,151,000 in 2008 to EUR2,874,297,000 in 2009. The principle reason for the increase in debt was an increase in client demand for financial instruments.

SECTION 4 - GENERAL INFORMATION

For so long as this Registration Document remains in effect or any securities issued by the Issuer remain outstanding, the following documents will be available from the date hereof in physical or electronic form, during usual business hours on any week day, for inspection at the offices of Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB being the Fiscal Agent, Deutsche Bank Trust Company Americas, 27th Floor, 60 Wall Street, New York, New York 10005 being the Registrar and Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland being the Irish Paying Agent and also at the principal executive offices of Morgan Stanley and the registered offices of the Issuer:

(i) the Deed of Incorporation of the Issuer;

(ii) the Certificate of Incorporation and Amended and Restated By-laws of Morgan Stanley;

(iii) 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;

(iv) the audited accounts of the Issuer for the financial years ended 30 November 2007, 30 November 2008 and the one-month transition period in December 2008 and the final year ended 31 December 2009;

(v) the Interim Financial Report of the Issuer as of 30 June 2010; and

(vi) a copy of this Registration Document and any document incorporated by reference herein.

Any statement contained in this Registration Document or in a document incorporated or deemed to be incorporated by reference in this Registration Document will be deemed to be modified or superseded for purposes of this Registration Document, to the extent that a statement contained in this Registration Document or in any subsequently filed document that also is or is deemed to be incorporated by reference in this Registration Document and in respect of which a supplement to this Registration Document 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 Registration Document.

Morgan Stanley

Except for the legal proceedings contained in the section "Legal Proceedings" on page 27 of the Morgan Stanley Annual Report on Form 10-K for the year ended 31 December 2009 there are no, nor have there been any, legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which Morgan Stanley is aware during the 12 month period before the date of this Registration Document) involving Morgan Stanley or any of its consolidated subsidiaries which may have or have had in the recent past, a significant effect on Morgan Stanley's consolidated financial position or profitability.

Other than as disclosed in the Incorporated Information and herein, there has been no significant change in the financial or trading position and there has been no material adverse change in the financial position or prospects of Morgan Stanley and its consolidated subsidiaries since 30 June 2010.

Deloitte & Touche LLP, an independent registered public accounting firm of Two World Financial Center, New York, NY 10281, USA have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) (i) the consolidated statements of financial

condition of Morgan Stanley as of 31 December 2009, the one-month transition period in December 2008 and 30 November 2008, and the consolidated statements of income, comprehensive income, cash flows and changes in total equity for the calendar year ended 31 December 2009, the one month ended 31 December 2008, and the fiscal years ended 30 November 2008 and 2007; and (ii) Morgan Stanley's internal control over financial reporting, each included in Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2009.

On 16 December 2008, the Board of Directors of Morgan Stanley approved a change in Morgan Stanley's fiscal year from 30 November to 31 December of each year, beginning 1 January 2009. As a result of the changes, Morgan Stanley had a one month transition reporting period in December 2008.

The Issuer

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

Other than as disclosed in the Issuer's audited annual report and accounts for year ended 31 December 2009 and the Issuer's Interim Financial Report as of 30 June 2010, there has been no significant change in the financial or trading position, nor any material adverse change in the financial position or prospects, of the Issuer since 30 June 2010.

Deloitte Accountants B.V., independent auditors and certified public accountants of Orlyplein 10, 1043 DP Amsterdam, The Netherlands, have audited the financial statements of the Issuer for the years ended 30 November 2006, 30 November 2007, 30 November 2008 and the year ended 31 December 2009 and an unqualified opinion has been reported thereon.

The Issuer changed its accounting reference date from 30 November to 31 December on 5 January 2009. Additional information in respect of Morgan Stanley B.V. as the Issuer for the six months to 30 June 2010 is contained in the Interim Financial Report of Morgan Stanley B.V. as of 30 June 2010, which is incorporated by reference herein.

PART C: SECURITIES NOTE

MORGAN STANLEY B.V.

as issuer

(incorporated with limited liability in The Netherlands)

Morgan Stanley

as guarantor

(incorporated under

the laws of the State of Delaware in the United States of America)

Up to U.S.$20,000,000,000

Program for the

Issuance of Notes, Certificates and Warrants

This Securities Note ("**Securities Note**"), as amended or restated, constitutes Part C of a Base Prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and should be read and construed in accordance with the summary dated 18 November 2010 (the "**Summary**") and the registration document dated 18 November 2010 (the "**Registration Document**"). Any Securities (as defined below) issued under the Program on or after the date of this Securities Note are issued subject to the provisions described herein. This does not affect any Securities already in issue.

This Part C has been prepared for the purpose of providing the disclosure information with regard to Securities to be issued by Morgan Stanley B.V. ("**MSBV**" or the "**Issuer**") required by Directive 2003/71/EC (the "**Prospectus Directive**") to be included in the Securities Note element of the base prospectus (the "**Base Prospectus**") of which this Part C forms part (which term means this Part C as amended or restated and includes all documents incorporated by reference herein).

The Final Terms applicable to a Series will specify whether or not Securities of such Series have been admitted to trading on the Irish Stock Exchange's regulated market and/or admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system.

The payment of all amounts due in respect of Securities issued by the Issuer will, unless specified otherwise in the Final Terms to this Securities Note be unconditionally and irrevocably guaranteed by Morgan Stanley (the "**Guarantor**") pursuant to a guarantee dated as of 18 November 2010.

The Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International plc, Morgan Stanley & Co. Incorporated and MSDW Equity Financing Services (Luxembourg) S.a.r.l. (the "**Distribution Agents**"), who have agreed to use reasonable efforts to solicit offers to purchase the Securities. The Issuer may also sell Securities to the Distribution Agents as principal for their own accounts at a price to be agreed upon at the time of sale. The Distribution Agents may resell any Securities they purchase as principal at prevailing market prices, or at other prices, as they determine. The Issuer or the Distribution Agents may reject any offer to purchase Securities, in whole or in part. See "Subscription and Sale and Transfer Restrictions" beginning on page 170.

The Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and construed in accordance with, English law.

Investing in the Securities involves risks. See "Risk Factors" beginning on page 60.

THE SECURITIES AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY INCLUDE BEARER SECURITIES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. NEITHER THE ISSUER NOR THE GUARANTOR IS REGISTERED, OR WILL REGISTER, UNDER THE INVESTMENT COMPANY ACT. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER SECURITIES, DELIVERED, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

None of the Issuer, Morgan Stanley & Co. International plc, Morgan Stanley & Co. Incorporated or MSDW Equity Financing Services (Luxembourg) S.a.r.l., as Distribution Agents for the Securities, has or will take any action in any country or jurisdiction that would permit a public offering of the Securities or possession or distribution of any offering material in relation to a public offering in any country or jurisdiction where action for that purpose is required. 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 Securities or has in the investor's possession or distributes this Securities Note or any accompanying Final Terms.

MORGAN STANLEY

18 November 2010

Each of the Issuer and the Guarantor accepts responsibility for information contained in this Securities Note. To the best of the knowledge and belief of each of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Securities Note (including each document incorporated by reference herein) is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorized by the Issuer or the Guarantor to give any information or to make any representation not contained or incorporated by reference in the Securities Note or any other document entered into in relation to the Program, and, if given or made, that information or representation should not be relied upon as having been authorized by the Issuer, the Guarantor or any of the Distribution Agents. Neither the delivery of this Securities Note or any Final Terms nor the offering, sale or delivery of any Securities will, in any circumstances, create any implication that the information contained in the Securities Note is true subsequent to the date hereof or the date upon which the Securities Note has been most recently amended or restated or that there has been no adverse change in the financial situation of the Issuer or the Guarantor since the date hereof or, as the case may be, the date upon which the Securities Note has been most recently amended or restated or the balance sheet date of the most recent financial statements which are deemed to be incorporated into the Registration Document by reference, or that any other information supplied in connection with the Program 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. The Distribution Agents expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Program. Investors should review, *inter alia*, the most recent financial statements of the Issuer and the Guarantor when evaluating the Securities or an investment therein (such financial statements shall not form a part of this Securities Note unless they have been expressly incorporated herein by way of a supplement to this Securities Note).

The Distribution Agents have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Distribution Agents as to the accuracy or completeness of this Securities Note or any document incorporated by reference herein or any further information supplied in connection with any Securities. The Distribution Agents accept no liability in relation to this Securities Note or any document incorporated by reference herein or their distribution or with regard to any other information supplied by or on behalf of the Issuer.

The Issuer has confirmed to the Distribution Agents that this Securities Note (including each document incorporated by reference herein) is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Securities Note the omission of which would, in the context of the Program or the issue of the Securities, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Distribution Agents that this Securities Note (including each document incorporated by reference herein together with the relevant Final Terms) contains all such information as may be required by all applicable laws, rules and regulations.

The distribution of this Securities Note and any Final Terms and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession the Securities Note or any Final Terms comes are required by the Issuer, the Guarantor and the Distribution Agents to inform themselves about and to observe any of those restrictions.

Neither this Securities Note 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 authorized or to any person to whom it is unlawful to make such an offer or solicitation.

For a description of certain restrictions on offers, sales and deliveries of Securities and on the distribution of the Securities Note or any Final Terms and other offering material relating to the Securities, see "Subscription and Sale and Transfer Restrictions" beginning on page 170.

This Securities Note should be read and construed with any amendment or supplement hereto (this document, as amended or restated, the **"Securities Note"), with the Summary, the Registration Document and with, in relation to any issue of Securities, the Final Terms (**each the **"Final Terms") relating thereto and with all documents incorporated by reference herein.**

Neither this Securities Note nor any Final Terms constitutes an offer of or an invitation to subscribe for or purchase any Securities and should not be considered as a recommendation by the Issuer, the Guarantor or the Distribution Agents that any recipient of the Securities Note or any Final Terms should subscribe for or purchase any Securities. Each recipient of the Securities Note or any Final Terms will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and, where applicable, the Guarantor and of the particular terms of any offered Securities.

None of the Distribution Agents or any of their affiliates assumes any obligation to purchase any Securities or to make a market in the Securities, and no assurances can be given that a liquid market for the Securities will exist.

All references in this Securities Note to "Sterling" and "£" are to the lawful currency of the United Kingdom, all references to "U.S. dollars," "USD" and "$" are to the lawful currency of the United States of America, all references to "Hong Kong dollars" and "HKD" are to the lawful currency of Hong Kong, all references to "Japanese Yen", "JPY" 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 "Danish Krone", "DKr" and "DKK" are to the lawful currency of the Kingdom of Denmark, all references to "Swedish Krona", "SKr" and "SEK" are to the lawful currency of the Kingdom of Sweden, all references to "Norwegian Krone", "NKr" and "NOK" are to the lawful currency of the Kingdom of Norway, and all references to "euro", "€" and "EUR" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended (the "EC Treaty").

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND, WHERE APPLICABLE, THE GUARANTOR AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF ANY SECURITIES PURSUANT TO THIS PROGRAM OR THE ACCURACY OR THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

In connection with the issue of any Tranche (as defined in "Key Features of the Securities"), the Distribution Agents or any other agent specified for that purpose in the applicable Final Terms

(if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment shall be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

RISK FACTORS RELATING TO THE SECURITIES

The Issuer and the Guarantor 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 Securities. These persons should consult their own legal and financial advisors concerning these matters. This section describes generally the most significant risks of investing in Securities linked to the single securities, single indices, baskets of securities or indices. Each investor should carefully consider whether the Securities, as described herein and in the applicable Final Terms, are suited to its particular circumstances before deciding to purchase any Securities.

Prospective investors should read the entire Base Prospectus (and where appropriate the Final Terms). Words and expressions defined elsewhere in this Base Prospectus have the same meanings in this section. Prospective investors should consider, among other things, the following:

Securities are linked to underlyings

The Issuer may issue Securities with cash settlement amounts and/or distribution amounts (in the case of Certificates and Warrants) or final redemption amounts and/or distribution amounts (in the case of Notes) determined by reference to single securities, single indices, baskets of securities or indices or other factors or assets (each, a "**Relevant Underlying**"). In addition, the Issuer may issue Securities with cash settlement amounts or final redemption amounts, as applicable, and/or distribution amounts payable in one or more currencies which may be different from the settlement currency of the Securities. Potential investors should be aware that:

(i) they may lose all or a substantial portion of their investment;

(ii) the market price of such Securities may be very volatile;

(iii) they may receive no distribution;

(iv) payment of cash settlement amounts or final redemption amounts (as applicable) and/or distribution amounts may occur at a different time or in a different currency than expected;

(v) a Relevant Underlying may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Underlying is applied to Securities in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Underlying on cash settlement amounts or final redemption amounts (as applicable) payable and/or on distribution amounts payable is likely to be magnified; and

(vii) the timing of changes in a Relevant Underlying may affect the actual yield to investors, even if the average level is consistent with their expectations.

Securities are not ordinary securities

The terms of Securities differ from those of ordinary securities because such securities may not pay interest and at expiration or maturity (as applicable) may return less than the amount invested or nothing. Prospective investors who consider purchasing such Securities should reach an investment decision only after carefully considering the suitability of the Securities in light of their particular circumstances.

The value of Securities may be influenced by unpredictable factors

The value of Securities may be influenced by several factors beyond the Issuer's and, where applicable, the Guarantor's control, including: (i) the market price or value of the applicable underlying security, index or basket of securities or indices, (ii) the volatility (frequency and magnitude of changes in price or value) of the underlying security, index or basket of securities or indices, (iii) the dividend rate on any underlying securities, (iv) geopolitical conditions and economic, financial and political, regulatory or judicial events that affect stock markets generally and which may affect the market price of the underlying security, index or basket of securities or indices, (v) interest and yield rates in the market, (vi) the time remaining to the expiration or maturity (as applicable) of such Securities, (vii) the Issuer's and, where applicable, the Guarantor's creditworthiness; and (vii) corporate actions in respect of the Securities.

Some or all of these factors will influence the price investors will receive if an investor sells its Securities prior to exercise, expiration, maturity or termination (as applicable) of the Securities. For example, investors may have to sell certain Securities at a substantial discount from the amount invested if the market price or value of the applicable underlying security, index or basket of securities or indices is at, below, or not sufficiently above the initial market price or value or if market interest rates rise.

It is not possible to predict the future performance of Relevant Underlyings based on their historical performance. The Issuer and the Guarantor cannot and do not guarantee any future value of a Relevant Underlying which would affect the amount that Securityholders are entitled to receive on exercise, maturity or termination (as applicable).

No affiliation with underlying companies

The underlying issuer for any single security or basket security or the publisher of an underlying index will not be an affiliate of Morgan Stanley or the Issuer, unless otherwise specified in the applicable Final Terms. Morgan Stanley or its subsidiaries may presently or from time to time engage in business with any underlying company including entering into loans with, or making equity investments in, the underlying company or its affiliates or subsidiaries or providing investment advisory services to the underlying company including merger and acquisition advisory services. Moreover, neither the Issuer nor the Guarantor has the ability to control or predict the actions of the underlying company, index publisher including any actions, or reconstitution of index components, of the type that would require the determination agent to adjust the payout to the investor at expiration or maturity. No underlying company index publisher for any issuance of Securities is involved in the offering of the Securities in any way or has any obligation to consider the investor's interest as an owner of the Securities in taking any corporate actions that might affect the value of the Securities. None of the money an investor pays for the Securities will go to the underlying company for such Securities.

Secondary trading of the Securities may be limited

There may be little or no secondary market for the Securities. Although the Issuer may apply to have certain issuances of Securities admitted to trading on the Irish Stock Exchange or admitted to listing, trading and/or quotation by any other competent 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 Securities easily. Morgan Stanley & Co. International plc currently intends to, and other affiliates of Morgan Stanley may from time to time, act as a market maker for the Securities, but they are not required to do so. If at any time Morgan Stanley & Co. International plc and other affiliates of the

Issuer were to cease acting as market makers, it is likely that there would be little or no secondary market for the Securities.

Investors have no shareholder rights; Investment in the Securities is not the same as an investment in the Relevant Underlying

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

The Securities do not constitute a purchase or other acquisition of any interest in any Relevant Underlying and do not confer any right to acquire from the Issuer (or require the Issuer to transfer or otherwise dispose of) any Relevant Underlying or any interest therein.

An investment in the Securities is only suitable for investors who:

(a) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Securities issued by the Issuer; and

(b) are capable of bearing the economic risk of investment in Securities issued by the Issuer until exercise, maturity or termination (as applicable) of the Securities.

Hedging Activity

Although Morgan Stanley & Co. International plc and other affiliates of the Issuer or the Guarantor may carry out activities that hedge the Issuer's risks related to the Securities there is no obligation to do so. Any hedging activity is a proprietary trading position and is not carried out on behalf or for the account of or as agent or fiduciary for any Securityholder(s) and the Securityholders will not have any direct economic or other interest in, or beneficial ownership of, any hedge positions.

Exchange rates and exchange controls may affect Securities' value or return

General exchange rate and exchange control risks. An investment in a Security denominated in, or the payment of which is linked to the value of, 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 neither the Issuer nor the Guarantor has any control. Investors should consult their financial and legal advisors as to any specific risks entailed by an investment in Securities that are denominated or payable in, or the payment of which is linked to the value of, 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 Securities 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 Security. Depreciation against the investor's home currency or the currency in which a Security is payable would result in a decrease in the effective yield of the Security and could result in an overall loss to an investor on the basis of the investor's home currency. In addition, depending on the specific terms of a currency-linked Security, changes in exchange rates relating to any of the relevant currencies could result in a decrease in its effective yield and in the investor's loss of all or a substantial portion of the value of that Security.

Neither the Issuer nor the Guarantor has any control over exchange rates. Currency exchange rates can either float or be fixed. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country's central bank, the imposition of regulatory controls or taxes, or changes in interest rate to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders.

As a consequence, these government actions could adversely affect yields or payouts in the investor's home currency for (i) Securities denominated or payable in currencies other than U.S. dollars and (ii) currency-linked Securities.

The Issuer will not make any adjustment or change in the terms of the Securities 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.

Alternative payment method used if payment currency becomes unavailable. If the applicable currency for any Security is not available because the euro has been substituted for that currency, the Issuer would make the payments in euro. Some Securities may specify a different form of payment if a non-U.S. payment currency is unavailable to the Issuer.

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

Currency exchange conversions may affect payments on some Securities

The applicable Final Terms may provide for (i) payments on a non-U.S. dollar denominated Security to be made in U.S. dollars or (ii) payments of cash settlement amounts, final redemption amounts, distributions or supplemental amounts (in each case, as applicable) on, U.S. dollar denominated Securities to be made in a currency other than U.S. dollars. In these cases, Morgan Stanley & Co. International plc, in its capacity as Determination Agent, or such other agent identified in the applicable Final Terms, will convert the applicable currency into U.S. dollars or U.S. dollars into the applicable currency. The investor will bear the costs of the conversion through deductions from those payments.

Exchange Rates May Affect the Value of a Judgment involving Non U.S. Dollar Securities

The Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and construed in accordance with, English law. Although an English court has the power to grant judgment in the currency in which a Security is denominated, it may decline to do

so in its discretion. If judgment were granted in a currency other than that in which a Security is denominated, the investor will bear the relevant currency risk.

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

Potential conflicts of interest between the investor and the determination agent

As determination agent for Securities linked to single securities, baskets of securities or indices or other underlying instruments, assets or obligations, Morgan Stanley & Co. International plc ("**MSIp**") will determine the payout to the investor at maturity or expiration (as applicable). MSIp and other affiliates may also carry out hedging activities related to the Securities including trading in the underlying securities, indices or other underlying instruments, assets or obligations related to the underlying securities or indices. MSIp and some of Morgan Stanley's other subsidiaries may also trade the applicable underlying securities, indices or other financial instruments related to the underlying securities or indices on a regular basis as part of their general broker-dealer and other businesses. Any of these activities could influence MSIp's determination of adjustments made to any Securities linked to single securities, baskets of securities or indices or other underlying instruments, assets or obligations and any such trading activity could potentially affect the price of the underlying securities, indices or other underlying instruments, assets or obligations and, accordingly, could affect the investor's payout on any Securities.

The Securities may be terminated prior to exercise, maturity or expiration

Unless in the case of any particular Tranche of Securities the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to make any withholding or deduction any 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 terminate all outstanding Securities in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Securities the relevant Final Terms specify that the Securities may be terminated at the Issuer's option in certain other circumstances the Issuer may choose to terminate the Securities at times when the investment environment is unfavourable. Early termination will also be permitted in a number of circumstances including illegality, tax, additional disruption events, extraordinary events relating to the underlying and other reasons specified in the applicable Final Terms in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the proceeds from termination in a comparable investment at an effective return as high as that of the relevant Securities.

In addition, an optional termination feature in any particular Tranche of Securities is likely to limit their market value. During any period when the Issuer may elect to terminate Securities, the market value of those Securities generally will not rise substantially above the price at which they can be terminated. This also may be true prior to any termination period.

Because the bearer Global Securities and Unrestricted Global Securities (as defined below) may be held by or on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Restricted Global Securities (as defined below) may be registered in the name of a nominee for The Depository Trust Company ("DTC") or a common depository acting on behalf of Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

Bearer Securities issued under the Program may be represented by one or more temporary global securities (each, a "**Temporary Global Security**") or permanent global securities (each, a "**Permanent Global Security**" and, together with a Temporary Global Security, the "**bearer Global Securities**"). Such bearer Global Securities will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant bearer Global Security, investors will not be entitled to receive definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the bearer Global Securities. While the Securities are represented by one or more bearer Global Securities, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

Registered Securities issued under the Program which are sold to a person that is not a U.S. person (within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") will be represented by interests in a permanent global registered security (each an "**Unrestricted Global Security**"). Such Unrestricted Global Securities will be registered in the name of a nominee for, and deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg.

Registered Securities issued under the Program which are sold in reliance on Rule 144A ("**Rule 144A**") under the Securities Act to "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A which are also "qualified purchasers" ("**QPs**") as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**") and the rules thereunder (such persons are hereinafter referred to as "**QIB/QPs**") will be represented by (i) one or more global registered securities (each a "**Restricted Global Security**" and together with any Unrestricted Global Security, "**registered Global Securities**" and, together with the bearer Global Securities, each a "**Global Security**"). Such Restricted Global Security will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**") or a common depository acting on behalf of Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system.

Interests in the registered Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg or DTC and its direct and indirect participants, including depositaries for Euroclear and Clearstream, Luxembourg, as the case may be. Individual Registered Instruments evidencing holdings of Registered Securities will only be available in certain limited circumstances.

While the Securities are represented by one or more Global Securities, the Issuer will discharge its payment obligations under the Securities by making payments to the common depositary for Euroclear and Clearstream, Luxembourg or the custodian for DTC, respectively, for distribution to their account holders. A holder of a beneficial interest in a Global Security must rely on the procedures of Euroclear and Clearstream, Luxembourg or DTC, as the case may be, to receive

payments under the relevant Securities. Neither the Issuer nor the Guarantor has responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities.

Holders of beneficial interests in the Global Securities will not have a direct right to vote in respect of the relevant Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg or DTC to appoint appropriate proxies.

Modification and waiver

The conditions of the Securities contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

Change of law

The conditions of the Securities are based on English law in effect as at the date of this Securities Note. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice in England after the date of this Securities Note.

AVAILABILITY OF SECURITIES NOTE

The Issuer will, at its registered office and at the specified offices of the Paying Agents and Transfer Agents, make available for inspection in physical or electronic form during normal office hours, free of charge, upon oral or written request, a copy of this Securities Note (or any document incorporated by reference in this Securities Note). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or Transfer Agent.

KEY FEATURES OF THE SECURITIES

The following summary describes the key features of the Securities that the Issuer is offering under the Program in general terms only. Investors should read the summary together with the more detailed information that is contained in this Base Prospectus and in the applicable Final Terms.

Issuer	Morgan Stanley B.V.
Guarantor	Morgan Stanley unless specified otherwise in the applicable Final Terms
Distribution Agents	Morgan Stanley & Co. International plc 25 Cabot Square, Canary Wharf, London E14 4QA, Morgan Stanley & Co. Incorporated 1585 Broadway New York 10036 and MSDW Equity Financing Services (Luxembourg) S.a.r.l. 8-10 rue Mathias Hardt, L-1717 Luxembourg
Fiscal Agent	Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N
Irish Paying Agent	Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland
US Paying Agent, Registrar and Transfer Agent	Deutsche Bank Trust Company Americas, 17th Floor, 60 Wall Street, New York, New York 10005
Determination Agent	If so specified in the applicable Final Terms, Morgan Stanley & Co. International plc, 20 Bank Street, Canary Wharf, London E14 4AD
Issuance in Series	Securities will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") issued on different issue dates. The Securities of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of any distribution amount may be different in respect of different Tranches and each Series may comprise Securities of different nominal amounts. The Securities of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Securities of different nominal amounts.
Forms of Securities	The Issuer will issue Securities in bearer form or in registered form as specified in the applicable Final Terms. Bearer Securities in definitive bearer form will be serially numbered.

Registered Securities will be represented by a global security and in limited circumstances by individual registered instruments with one instrument being issued in respect of each Securityholder's entire holding of Securities in registered form. See "Form of the Bearer Securities" and "Form of Registered Securities" below.

Bearer Securities issued with maturities of more than 183 days initially will be represented by a temporary global security, (if the United States Treasury Regulation §1.163-5(c)(2)(i)(C) does not apply) that the Issuer will deposit with a common depositary for Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system. Interests in each temporary global security will be exchangeable for interests in permanent global securities or for definitive bearer securities. If United States Treasury Regulation §1.163-5(c)(2)(i)(D) is specified in the relevant Final Terms as applicable, certification as to non-US beneficial ownership will be a condition precedent to any exchange of an interest in a temporary global security or receipt of any payment of a distribution amount in respect of a temporary global security.

Bearer Securities issued with maturities of 183 days or less initially will be represented by a permanent global security that the Issuer will deposit with a common depositary for Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system. Interests in each permanent global security will be exchangeable for definitive bearer securities in the limited circumstances specified in the relevant global securities in accordance with its terms. Definitive bearer securities will, if issued with distributions, have Coupons attached and, if appropriate, a Talon for further Coupons. Securities in bearer form may not be exchanged for Securities in registered form.

Registered Securities which are delivered outside any clearing system will be represented by individual registered instruments, one security being issued in respect of each Securityholder's entire holding of Registered Securities of one Series. Registered Securities that are registered in the name of a nominee for one or more clearing systems will be represented

by global securities. Securities in registered form may not be exchanged for Securities in bearer form.

Terms and Conditions .... A Final Terms will be prepared in respect of each Tranche of Securities (each, a "**Final Terms**"). The terms and conditions applicable to each Tranche issued will be those set out under the heading "Terms and Conditions of the Securities", as supplemented, modified or replaced, in each case, by the applicable Final Terms.

Specified Currency .... Securities 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 .... Securities will be direct and general obligations of the Issuer.

Guarantee .... The payment of all amounts due in respect of Securities issued by the Issuer will, unless specified otherwise in the applicable Final Terms be unconditionally and irrevocably guaranteed by Morgan Stanley pursuant to a guarantee dated as of 18 November 2010.

Issue Price .... Securities may be issued at any price, as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.

Exercise of Certificates and Warrants .... Certificates and Warrants may be exercisable on any day during a specified exercise period ("**American Style Securities**"), on a specified expiration date ("**European Style Securities**") or on specified dates during a specified exercise period ("**Bermudan Style Securities**"), as specified in the applicable Final Terms. If so specified in the applicable Final Terms, Securities may be deemed exercised on the expiration date thereof.

Settlement of Securities .... Upon exercise, Certificates and Warrants may entitle the Securityholder to receive from the Issuer a cash settlement amount as specified or calculated in accordance with the applicable Final Terms ("**Cash Settlement Amount**").

Unless previously redeemed or purchased and cancelled, Notes will be redeemed by the Issuer

at their Final Redemption Amount as specified or calculated in accordance with the applicable Final Terms (the "**Final Redemption Amount**").

Securityholders will not be entitled to receive physical delivery of securities in respect of any Securities.

Minimum Exercise Number or Maximum Exercise Number... Certificates and Warrants are exercisable in the minimum exercise number (or, if so specified, integral multiples of the specified permitted multiples) but subject to the maximum exercise number specified in the applicable Final Terms.

Early Termination... Early termination will be permitted for a number of circumstances including illegality, tax, additional disruption events, extraordinary events relating to the underlying and other reasons specified in the Final Terms in accordance with the "Terms and Conditions of the Securities".

If so specified in the applicable Final Terms, investors in Notes will have the right to elect to terminate their Notes early in accordance with the terms set out in the applicable Final Terms and the "Terms and Conditions of the Securities".

Distribution Amounts...................................... Securities may provide for distributions ("**Distribution Amounts**") to be paid. The payment of Distribution Amounts, if any, may be subject conditions specified in the applicable Final Terms.

Nominal Amounts.. Securities may be issued in such nominal amounts as may be specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements. For Securities issued in nominal amounts, such nominal amounts will be at least EUR 1,000 per Security, save that in respect of any Series of Registered Securities, Restricted Securities shall be in minimum nominal amounts of U.S.$100,000 and higher integral multiples of U.S.$1,000 thereof.

Taxation.. Except as otherwise set out in the relevant Final Terms, all payments by the Issuer and the Guarantor in respect of the Securities shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments

or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by (i) in the case of the Issuer, The Netherlands or (ii) in the case of the Guarantor, the United States of America or, in each case, any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. Neither the Issuer nor the Guarantor shall be required to make any additional payments on account of such withholding or deduction.

Use of Proceeds.. The net proceeds from the sale of Securities offered by this Securities Note will be used by the Issuer for general corporate purposes, in connection with hedging the Issuer's obligations under the Securities, or both.

Listing.. Applications have been made to admit the Securities offered under the Program by the Issuer to trading on the Irish Stock Exchange. The applicable Final Terms will specify whether an issue of Securities will be admitted to trading on the Irish Stock Exchange), admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system or will be unlisted, as the Issuer and any Distribution Agent may agree.

Clearing Systems... The Depository Trust Company ("**DTC**"), Euroclear and Clearstream, Luxembourg (in the case of Restricted Securities) and/or any other clearing system as may be specified in the applicable Final Terms, or Euroclear, and Clearstream, Luxembourg (in the case of Unrestricted Securities and Bearer Securities) and/or any other clearing system as may be specified in the applicable Final Terms.

Governing Law.. The Securities and any non-contractual obligations arising out of or in connection with the Securities) will be governed by, and construed in accordance with, English law.

Enforcement of Securities in Global Form...... In the case of Securities issued by the Issuer in global form (which expression includes global forms of Bearer Securities and Registered Securities), individual holders' rights will be governed by a deed of covenant entered into by the Issuer dated 18 November 2010 (the "**Deed of Covenant**"), copies of which will be available for inspection at the specified office of the Fiscal Agent, the Registrar, the Irish Paying Agent and

Transfer Agent.

Selling Restrictions .... For a description of certain restrictions on offers, sales and deliveries of the Securities and on the distribution of offering material in the United States and in certain other countries, see "Subscription and Sale and Transfer Restrictions".

Registered Securities .... Offers and sales of Registered Securities in accordance with Rule 144A under the Securities Act will be permitted, if specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory requirements of the United States of America.

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the terms and conditions which, as supplemented by the applicable Final Terms and if so specified in the applicable Final Terms will be endorsed on each Security in definitive form issued by Morgan Stanley B.V. under the Program. The terms and conditions applicable to any Security in global form will differ from those terms and conditions which would apply to the Securities were they in definitive form to the extent described under "Summary of Provisions Relating to the Securities while in Global Form" below.

1. INTRODUCTION

1.1 *Program*: Morgan Stanley B.V. (the "**Issuer**") maintains a Program (the "**Program**") for the issuance of notes, certificates and warrants which are expressed to be governed by, and construed in accordance with, English law ("**Notes**", "**Certificates**" and "**Warrants**" respectively, and together, the "**Securities**"). The payment obligations of the Issuer in respect of Securities issued by it under the Program are (unless otherwise specified in the applicable Final Terms) guaranteed by Morgan Stanley ("**Morgan Stanley**" and in its capacity as guarantor, the "**Guarantor**") under the terms of a guarantee dated 18 November 2010 (the "**Guarantee**").

1.2 *Final Terms*: Securities issued under the Program are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Securities. Each Tranche is the subject of a set of Final Terms ("**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Securities are the Conditions as supplemented by the applicable Final Terms. In the event of any inconsistency between the Conditions and the applicable Final Terms, the applicable Final Terms shall prevail.

1.3 *Issue and Paying Agency Agreement*: The Securities are the subject of an amended and restated issue and paying agency agreement dated 18 November 2010 (such agreement as from time to time supplemented, modified and/or restated, the "**Issue and Paying Agency Agreement**") between the Issuer, Morgan Stanley, Deutsche Bank AG, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent, as the case may be, appointed from time to time in connection with the Securities), Deutsche Bank Trust Company Americas as US paying agent, registrar and transfer agent (the "**US Paying Agent**", "**Registrar**" and "**Transfer Agent**", which expression includes any successor US paying agent, registrar or transfer agent, as the case may be, appointed from time to time in connection with the Securities), Deutsche International Corporate Services (Ireland) Limited as paying agent (the "**Irish Paying Agent**" and, together with the Fiscal Agent, the US Paying Agent and 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 Securities) and Morgan Stanley & Co. International plc, as determination agent (the "**Determination Agent**", which expression includes any successor determination agents appointed from time to time in connection with the Securities). The relevant "**Paying Agent**" shall be construed as (i) the Fiscal Agent or the Irish Paying Agent in respect of Unrestricted Securities or (ii) the US Paying Agent in respect of Restricted Securities.

1.4 Deed of Covenant and Deed Poll: The Securityholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Deed of Covenant (the **Deed of Covenant**) dated 18 November 2010 and the Deed Poll dated 18 November 2010, each of which is made by the Issuer.

1.5 *The Securities*: All subsequent references in the Conditions to "Securities" are to the Securities which are the subject of the applicable Final Terms. Copies of the applicable Final Terms are available for inspection by Securityholders during normal business hours at the Specified Office of each of the Paying Agents, the initial Specified Offices of which are set out below, in each case against such proof of Securityholder status as a Paying Agent may require.

1.6 *Summaries*: Certain provisions of the Conditions are summaries of the Issue and Paying Agency Agreement and are subject to its detailed provisions. The Securityholders (as defined below) and, in the case of Certificates, the holders of the related coupons for distributions, if any, (the "**Couponholders**" and the "**Coupons**", respectively) relating to Bearer Securities (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Issue and Paying Agency Agreement applicable to them.

1.7 Copies of the Issue and Paying Agency Agreement, the Deed of Covenant and the Deed Poll are available for inspection by Securityholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below, in each case against such proof of Securityholder status as a Paying Agent may require.

2. INTERPRETATION

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

"**Additional Outperformance**" means the product of the Additional Outperformance Weighting multiplied by the Daily Average Price multiplied by the Additional Outperformance Day Count Fraction;

"**Additional Outperformance Day Count Fraction**" means (i) the actual number of days during the Additional Outperformance Period specified in the applicable Final Terms or, if none is specified, the actual number of days during the period beginning on and including the Issue Date to but excluding the Final Valuation Date (the "**Additional Outperformance Period**"), (ii) divided by 360;

"**Additional Outperformance Weighting**" has the meaning given to it in the applicable Final Terms;

"**Affiliate**" means any entity which is (a) an entity controlled, directly or indirectly, by the Issuer, (b) an entity that controls, directly or indirectly, the Issuer or (b) an entity directly or indirectly under common control with the Issuer;

"**Averaging Date**" means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the applicable Final Terms, subject to provisions of Condition 9 (*Adjustment Provisions*);

"**Basket**" means:

(i) in respect of an Index Basket Security, a basket composed of each Index in the relative proportions specified in such Final Terms; and

(ii) in respect of a Share Basket Security, a basket composed of the Shares of each Share Issuer in the relative proportions or number of Shares of each Share Issuer;

"**Bearer Securities**" has the meaning given to it in Condition 3 (*Form, Title and Transfer*);

"**Break Fee**" has the meaning given to it in the applicable Final Terms;

"**Break Fee Date**" has the meaning given to it in the applicable Final Terms;

"**Business Day**" means any day, other than a Saturday or Sunday, (a) that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in each Financial Centre and (b) for Securities denominated in euro, a day that is also a TARGET Settlement Day;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the applicable Final Terms and, if so specified in the applicable Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "Following Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "Modified Following Business Day Convention" or "Modified Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "Nearest" means that the relevant date shall be the first preceding day that is a Business Day, if the relevant date would otherwise fall on a day other than a Sunday or a Monday, and will be the first following day that is a Business Day, if the relevant date would otherwise fall on a Sunday or a Monday;

(iv) "Preceding Business Day Convention" means that the relevant date shall be brought forward to the first preceding day that is a Business Day; and

(v) "N**o Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Cash Settlement Amount**" has the meaning given to it in the applicable Final Terms;

"**Cash Settlement Payment Date**" means, in respect of each Exercise Date, the date specified as such or otherwise determined as provided in the applicable Final Terms or, if such date is not a Business Day, the next succeeding Business Day;

"**Clearance System**" means such Clearance System specified in the applicable Final Terms in which Securities of the relevant Series are for the time being held;

"**Clearance System Business Day**" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions;

"**Commencement Date**" means the date specified as such in the applicable Final Terms, or, if such day is not an Exercise Business Day, the next Exercise Business Day;

"**Component**" means, in respect of an Index, any securities comprising such Index;

"**Coupon Sheet**" means, in respect of a Bearer Security, a coupon sheet relating to the Bearer Security;

"**Daily Average Price**" means an amount, as determined by the Determination Agent, equal to the average of the official closing prices of a Share on the Exchange at the Valuation Time on each Scheduled Trading Day during the Additional Outperformance Period which is not a Disrupted Day;

"Delivery Business Day" means, in respect of a Security, a day which is a Business Day and, if a Security is represented by a Global Security, a Clearance System Business Day;

"**Determination Agent**" means, in respect of any Series of Securities, Morgan Stanley & Co. International plc or such other determination agent as may be specified in the applicable Final Terms;

"**Distribution Amount**" means, in relation to a Security and if applicable a Distribution Period, the amount specified in or calculated as specified in the applicable Final Terms in respect of that Security if applicable for that Distribution Period;

"**Distribution Commencement Date**" means the Issue Date of the Securities or such other date as may be specified as the Distribution Commencement Date in the applicable Final Terms;

"**Distribution Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms;

"**Distribution Period**" means each period beginning on (and including), initially, the Distribution Commencement Date, and thereafter, any Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date;

"**Distribution Valuation Date**" has the meaning given in the applicable Final Terms, subject to the provisions of Condition 9 (*Adjustment Provisions*);

"**Early Termination Amount**" means, in the case of termination of the Securities, unless otherwise specified in the applicable Final Terms, an amount determined by the Determination Agent as representing the fair value of such Security on such day as is selected by the Determination Agent acting in good faith and in a commercially reasonable manner and without taking into account the creditworthiness of the Issuer and/or the Guarantor less the cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent acting in good faith and in a commercially reasonable manner;

"**EC Treaty**" means the Treaty on the Functioning of the European Union (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997), as further amended from time to time;

"**Eligible Dividend**" has the meaning given in the definition of "**Net Yield**";

"**Euro**", "**euro**", "**€**" and "**EUR**" each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty;

"**Exchange**" means (1) in respect of a Share relating to a Share Security or Share Basket Security or an Index relating to an Index Security or Index Basket Security other than a Multi-exchange Index, each exchange or quotation system specified as such for the relevant Share or Index in the applicable Final Terms, any successor to such exchange or quotation system or

any substitute exchange or quotation system to which trading in the relevant Share (in the case of a Share Security or Share Basket Security) or the securities comprised in the relevant Index (in the case of an Index Security or Index Basket Security) has temporarily relocated (provided that the Determination Agent has determined that there is comparable liquidity relative to such Share or, as the case may be, the securities comprised in such Index on such temporary substitute exchange or quotation system as on the original Exchange) or if none is specified, the principal exchange or quotation system for trading in such Share or Index, as determined by the Determination Agent, and (2) in respect of a Multi-exchange Index, and in respect of each Component, the principal stock exchange on which such Component is principally traded, as determined by the Determination Agent;

"**Ex-Dividend Date**" means, with respect to a relevant dividend or Extraordinary Dividend, the first date on which trading in the Shares on the Exchange is effected without the right to receive the relevant dividend, as determined by the Determination Agent;

"Exercise Business Day" means, in relation to the exercise of a Security, any day which is each of (i) a Business Day (ii) if the Security is represented by a Global Security a Clearance System Business Day and (iii) if the applicable Final Terms specify that Exercise Business Day is to include a Scheduled Trading Day and an Exchange Business Day, a day which is a Scheduled Trading Day and an Exchange Business Day;

"**Exercise Date**" means, in respect of any Security, the day on which such Security is deemed to have been exercised in accordance with Condition 6.3 (*Deemed Exercise*), if applicable, or on which an Exercise Notice relating to that Security is delivered in accordance with the provisions of Condition 7 (*Exercise Procedures*);

"**Exercise Notice**" means any notice in the form scheduled to the Issue and Paying Agency Agreement (or such other form as may from time to time be agreed by the Issuer and the relevant Paying Agent) which is delivered by a Securityholder in accordance with Condition 7 (*Exercise Procedures*);

"**Exercise Period**" means, unless otherwise specified in the applicable Final Terms, the period beginning on (and including) the Commencement Date and ending on (and including) the Expiration Date;

"**Exercise Receipt**" means a receipt issued by a Paying Agent, Registrar or Transfer Agent to a depositing Securityholder upon deposit of a Security with such Paying Agent, Registrar or Transfer Agent by any Securityholder wanting to exercise a Security;

"**Expiration Date**" means the date specified as such in the applicable Final Terms (or, if such date is not an Exercise Business Day, the next following Exercise Business Day;

"**Extraordinary Dividend**" means, an amount per Share, or portion thereof, specified in the applicable Final Terms or if none is specified, the dividend per share, or portion thereof, to be characterised as an extraordinary dividend as determined by the Determination Agent;

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

"**Final Redemption Amount**" has the meaning given to it in the applicable Final Terms;

"**Final Valuation Date**" means, unless otherwise specified in the applicable Final Terms, if one or more Valuation Date is specified in the Final Terms, the last of such Valuation Date(s) to occur;

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

"Global Security" means any Restricted Global Security, Unrestricted Global Security, Temporary Global Security or Permanent Global Security;

"**Hedging Realisation Price**" means, in respect of a Share, unless otherwise specified in the applicable Final Terms, the volume weighted average of the prices per Share on the Valuation Date or Averaging Date, as the case may be net of any applicable costs or taxes as determined by the Determination Agent which the Issuer or its agent, after using reasonable endeavours, obtains in any actual disposal or realisation of any hedge position entered into by the Issuer or its agent in respect of the Securities.

"**Index**" means, in respect of any Index Security or Index Basket Security and subject to Condition 9 (*Adjustment Provisions*), each index specified as such in the applicable Final Terms;

"**Index Basket Securities**" means Securities relating to a basket of Indices;

"**Index Securities**" means Securities relating to a single Index;

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

"**Individual Registered Instrument**" means an individual registered instrument representing a Securityholder's holding of a Registered Security, in or substantially in the form scheduled to the Issue and Paying Agency Agreement;

"**Issue Date**" has the meaning given in the applicable Final Terms;

"**Latest Exercise Time**" means 10:00 a.m. ((i) local time in the place where the Clearance System through which the relevant Security is exercised is located if the Security is represented by a Global Security or (ii) otherwise in the place of presentation of the Security), unless specified otherwise in the applicable Final Terms;

"**Maturity Date**" means the date specified as such or otherwise determined as provided in the applicable Final Terms or, if such date is not a Business Day, the next succeeding Business Day;

"**Maximum Exercise Amount**" has the meaning given in the applicable Final Terms;

"**Minimum Exercise Amount**" has the meaning given in the applicable Final Terms;

"**Multi-exchange Index**" means any Index specified as such in the applicable Final Terms;

"**Net Yield**" means an amount, as determined by the Determination Agent, equal to the sum of (i) the product of the Net Yield Weighting and the aggregate of all declared dividend payments (or any part thereof) (other than any Extraordinary Dividend) in respect of one Share for which the Ex-Dividend Date falls during the Reference Period (an "**Eligible Dividend**") and (ii) if "Extraordinary Dividend" is specified to be applicable in the applicable Final Terms the product of the Net Yield Weighting and the aggregate of all Extraordinary

Dividends (or any part hereof) in respect of one Share for which the Ex-Dividend Date falls during the Reference Period. If "**Relevant Deduction**" is specified to be applicable, the Net Yield shall equal to the amount determined in accordance with the immediately preceding sentence less the aggregate amount of any Relevant Deductions. Notwithstanding the above, if (a) the Determination Agent determines that at any time during the Reference Period the price of a Share has fallen to zero, or (b) prior to the Valuation Date the Share Issuer has failed to pay any Eligible Dividend or any Extraordinary Dividend (if applicable) for which the relevant payment date has passed, the Net Yield shall equal zero regardless of the declaration of an Eligible Dividend or an Extraordinary Dividend;

"**Net Yield Weighting**" has the meaning given to it in the applicable Final Terms;

"**Nominal Amount**" has the meaning given in the applicable Final Terms;

"**Optional Termination Amount (Call)**" means, unless otherwise specified in the applicable Final Terms, in respect of any Security to be terminated pursuant to Condition 6.12 (*Termination at the option of the Issuer*), an amount equal to a cash amount in the Specified Currency calculated in the same manner as the Cash Settlement Amount or Final Redemption Amount save that for this purpose the Cash Settlement Amount or Final Redemption Amount shall be calculated as if:

(i) the Valuation Date were the fifth Business Day (such date, the "**Optional Termination Valuation Date**") preceding the date specified by the Issuer as the Optional Termination Date (Call) in its notice pursuant to Condition 6.12 (*Termination at the option of the Issuer*) or, if such day is not a Scheduled Trading Day, the immediately following Scheduled Trading Day, subject to adjustment in accordance with Condition 9 (*Adjustment Provisions*); and

(ii) each of the Reference Period and, if applicable, the Additional Outperformance Period ended on (but excluded) the Optional Termination Valuation Date;

"**Optional Termination Amount (Put)**" means, unless otherwise specified in the applicable Final Terms, in respect of any Security to be terminated pursuant to Condition 6.14 (*Early redemption of Notes at the option of a Securityholder (**Investor Put Option**)*) an amount equal to a cash amount in the Specified Currency calculated in the same manner as the relevant Final Redemption Amount save that for this purpose the Final Redemption Amount shall be calculated as if:

(i) the Valuation Date were the fifth Business Day (such date, the "**Optional Termination Valuation Date**") preceding the date specified by the relevant Securityholder as the Optional Termination Date (Put) in its notice pursuant to Condition 6.14 (*Early redemption of Notes at the option of a Securityholder (**Investor Put Option**)*) or, if such day is not a Scheduled Trading Day, the immediately following Scheduled Trading Day, subject to adjustment in accordance with Condition 9 (*Adjustment Provisions*); and

(ii) each of the Reference Period and, if applicable, the Additional Outperformance Period ended on (but excluded) the Optional Termination Valuation Date;

"**Optional Termination Date (Call)**" means the date selected by the Issuer for the termination of the Securities where it elects to redeem the Securities pursuant to Condition 6.12 (*Termination at the option of the Issuer*) as specified in the notice

contemplated therein or, if later, the second Business Day following the Optional Termination Valuation Date;

"**Optional Termination Date (Put)**" means, subject to any conditions set out in the applicable Final Terms, the date selected by the Securityholder for the termination of the Securities where it elects to redeem the Securities pursuant to Condition 6.14 (*Early* r*edemption of Notes at the option of a Securityholder (**Investor Put Option**)*) as specified in the relevant Put Notice contemplated therein or, if later, the second Business Day following the Optional Termination Valuation Date;

"**Outperformance**" means (a) with respect to Eligible Dividends, the product of the Net Yield and the Outperformance Weighting, and (b) with respect to declared dividends (or part thereof) in respect of the Shares for which the Ex-Dividend Date falls outside the Reference Period, zero. Notwithstanding the above, if (a) the Determination Agent determines that at any time during the Reference Period the price of a Share has fallen to zero, or (b) prior to the Valuation Date the Share Issuer has failed to pay any Eligible Dividend for which the relevant payment date has passed, the Net Yield shall equal zero regardless of the declaration of an Eligible Dividend;

"**Outperformance Weighting**" has the meaning given to it in the applicable Final Terms;

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

"**Payment Business Day**" means a day which is:

(A) in the case of Securities in definitive form:

(i) if the currency of payment is euro, any day which is

(a) in the case of Bearer Securities a day on which banks in the relevant place of presentation are open for presentation and payment of bearer securities and for dealings in foreign currencies; and

(b) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each Financial Centre; or

(ii) if the currency of payment is not euro, any day which is

(a) in the case of Bearer Securities a day on which banks in the relevant place of presentation are open for presentation and payment of bearer securities and for dealings in foreign currencies; and

(b) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each Financial Centre; and

(B) in the case of a Security represented by a Global Security, (i) a day on which each Clearance System is open and (ii) in the case of payment by transfer to an account, any day which is (a) a day on which dealings in foreign currencies may be carried on in each Financial Centre; and (b) a day on which dealings in foreign currencies may

be carried on in the principal financial centre of the currency of payment or if the currency of payment is euro, any day which is a TARGET Settlement Day;

"Permanent Global Security" means a Permanent Global Security substantially in the form set out in the Issue and Paying Agency Agreement by which Bearer Securities offered and sold outside the United States to persons that are not U.S. persons (as defined in Regulation S) in reliance on Regulation S are represented;

"**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;

"**Potential Exercise Date**" means each date specified as such in the applicable Final Terms or, if such day is not an Exercise Business Day, the next Exercise Business Day;

"**Pricing Date**" has the meaning given to it in the applicable Final Terms;

"Put Notice" means any notice in the form (for the time being current) available from each Paying Agent or the Registrar or Transfer Agent (as applicable) which is delivered by a Securityholder in accordance with Condition 6.14 (*Early* redemption *of Notes at the option of a Securityholder (Investor Put Option)*);

"Put Receipt" means a receipt issued by a Paying Agent, Registrar or Transfer Agent (as applicable) to a depositing Securityholder upon deposit of a Note with such Paying Agent, Registrar or Transfer Agent (as applicable) by any Securityholder wanting to early redeem such Note in accordance with Condition 6.14 (*Early* redemption *of Notes at the option of a Securityholder (Investor Put Option)*);

"**QIB/QP**" means a "qualified institutional buyer" as defined in Rule 144A who is also a "qualified purchaser" as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended, and the rules thereunder;

"**Record Date**" has the meaning given to it in Condition 8 (*Payments*);

"**Reference Period**" means, unless otherwise specified in the applicable Final Terms, the period from and including the Pricing Date to but excluding the Expiration Date;

"**Reference Value**" means, unless otherwise specified in the applicable Final Terms, on any day:

(i) in respect of a Share to which a Share Security or a Share Basket Security relates, save where (iii) below applies, the price per Share determined by the Determination Agent as provided in the applicable Final Terms as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be, or, if no means for determining the Reference Value are so provided: (a) in respect of any Share for which the Exchange is an auction or "open outcry" exchange that has a price as of the Valuation Time at which any trade can be submitted for execution, the Reference Value shall be the price per Share as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be, as reported in the official real-time price dissemination mechanism for such Exchange; and (b) in respect of any Share for which the Exchange is a dealer exchange or dealer quotation system, the Reference Value shall be the mid-point of the highest bid and lowest ask prices quoted as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be, (or the

last such prices quoted immediately before the Valuation Time) without regard to quotations that "lock" or "cross" the dealer exchange or dealer quotation system;

(ii) in respect of an Index to which an Index Security or an Index Basket Security relates, the level of such Index determined by the Determination Agent acting in good faith and in a commercially reasonable manner as provided in the applicable Final Terms as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be, or, if no means for determining the Reference Value are so provided, the level of the Index as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be; and

(iii) in respect of a Share to which a Share Security or a Share Basket Security relates where "Hedging Realisation Price" is specified to be applicable in the applicable Final Terms, the relevant Hedging Realisation Price or, if the Determination Agent determines that no Hedging Realisation Price can be determined at the relevant time for any reason other than the occurrence of a Disrupted Day (and such reason may include the absence of hedging activities as described in the definition of "Hedging Realisation Prices"), the provision of (i)(a) above shall apply.

"**Register**" has the meaning given to it in Condition 3 (*Form, Title and Transfer*);

"Registered Securities" has the meaning given to it in Condition 3 (*Form, Title and Transfer*);

"**Regulation S**" means Regulation S under the Securities Act;

"**Related Exchange**" means, subject to the proviso below, in respect of a Share relating to a Share Security or Share Basket Security or an Index relating to an Index Security or Index Basket Security, each exchange or quotation system specified as such for such Share or Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share or such Index has temporarily relocated (provided that the Determination Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share or such Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where "**All Exchanges**" is specified as the Related Exchange in the applicable Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Determination Agent) on the overall market for futures or options contracts relating to such Share or such Index;

"**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 Securityholders;

"**Relevant Deduction**" means, in relation to a dividend or an Extraordinary Dividend, each amount of applicable costs and/or taxes which the Determination Agent determines are or would be incurred or suffered by a recipient of such dividend or Extraordinary Dividend, in any such jurisdiction as the Determination Agent may determine to be relevant to the Issuer or its agent for hedging purposes in respect of the Securities;

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

"**Restricted Global Security**" means a Restricted Global Security substantially in the form set out in the Issue and Paying Agency Agreement representing Restricted Securities;

"Restricted Security" means a Registered Security offered and sold to QIB/QPs in reliance on Rule 144A;

"**Rule 144A**" means Rule 144A under the Securities Act;

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

"**Scheduled Trading Day**" means a day on which (1) each Exchange and each Related Exchange (except for any Exchange or Related Exchange with respect to a Multi-exchange Index) are scheduled to be open for trading for their respective regular trading sessions and (2) (a) each Index Sponsor with respect to a Multi-exchange Index, is scheduled to publish the level of the relevant Index and (b) each Related Exchange with respect to a Multi-exchange Index is scheduled to be open for trading for its regular trading session;

"**Securities Act**" means the United States Securities Act of 1933, as amended;

"**Securityholder**" and (in relation to a Security) "**holder**" means, in the case of a Bearer Security, the bearer of a Security or, in the case of a Registered Security, a person in whose name a Security is registered in the Register;

"**Settlement Amount**" means, as appropriate, the Cash Settlement Amount, the Optional Termination Amount (Call), Optional Termination Amount (Put), the Early Termination Amount, the Final Redemption Amount or such other amount in the nature of a settlement or final amount and other than a distribution as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms;

"**Settlement Value**" means, unless otherwise specified in the applicable Final Terms:

(i) in respect of an Index Security or a Share Security, the arithmetic mean of the Reference Values of the Index or the Share on each Averaging Date;

(ii) in respect of an Index Basket Security, the arithmetic mean of the amounts for the Basket determined by the Determination Agent acting in good faith and in a commercially reasonable manner as provided in the applicable Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Price are so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the Reference Values of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the applicable Final Terms); and

(iii) in respect of a Share Basket Security, the arithmetic mean of the amounts for the Basket determined by the Determination Agent acting in good faith and in a commercially reasonable manner as provided in the applicable Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Value is so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the values calculated for the Shares of each Share Issuer as the product of (1) the Reference Value of such Shares and (2) the number of such Shares comprised in the Basket;

"**Share**" means, in respect of any Share Security or Share Basket Security and subject to Condition 9 (*Adjustment Provisions*), a share of the Share Issuer (with a Bloomberg ticker and ISIN as specified in the applicable Final Terms) and "**Shares**" shall be interpreted accordingly;

"**Share Basket Securities**" means Securities relating to a basket of Shares;

"**Share Issuer**" has the meaning given to it in the applicable Final Terms;

"**Share Securities**" means Securities relating to a single Share;

"**Specified Currency**" has the meaning given in the applicable Final Terms;

"**Specified Office**" has the meaning given in the Issue and Paying Agency Agreement;

"**Strike Value**" means the price, level or amount specified as such or otherwise determined as provided in the applicable Final Terms;

"**Talon**" means a talon for further Coupons;

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open;

"**Taxes**" means, in respect of a Security and any relevant exercise or payment in respect of such Security, all applicable stamp tax, stamp duty reserve tax, estate, inheritance, gift, transfer, capital gains, corporation, income, property, withholding, other taxes, duties and charges due by reason of or in connection with or on account of such exercise or payment of such Security;

"Temporary Global Security" means a Temporary Global Security substantially in the form set out in the Issue and Paying Agency Agreement by which Bearer Securities offered and sold outside the United States to persons that are not U.S. persons (as defined in Regulation S) in reliance on Regulation S are represented;

"**Total Outperformance**" means the sum of (i) the Outperformance and (ii) the Additional Outperformance; provided, however, that if (i) the Determination Agent determines that at any time during the Reference Period the price of a Share has fallen to zero, or (ii) prior to the Final Valuation Date the Share Issuer has failed to pay any Eligible Dividend for which the relevant payment date has passed, the Total Outperformance shall equal zero regardless of the declaration of an Eligible Dividend;

"U.S.$" means United States dollars;

"**Underlying**" means the Share, the Index, the Basket of Shares or the Basket of Indices specified as such in the applicable Final Terms;

"**Unrestricted Global Security**" means an Unrestricted Global Security substantially in the form set out in the Issue and Paying Agency Agreement representing Unrestricted Securities;

"Unrestricted Security" means a Registered Security offered and sold outside the United States to persons that are not U.S. persons (as defined in Regulation S) in reliance on Regulation S;

"**Valuation Date**" means, unless otherwise specified in the applicable Final Terms, (i) the fifth Scheduled Trading Day immediately following each Exercise Date, (ii) each Distribution Valuation Date, and (iii) the Final Valuation Date, subject to the provisions of Condition 9 (*Adjustment Provisions*); and

"**Valuation Time**" means the time on the relevant Valuation Date or Averaging Date, as the case may be, specified as such in the applicable Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange in relation to each Share or Index to be valued, provided if the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

2.2 *Interpretation*: In the Conditions,

(i) if Talons are specified in the applicable Final Terms as being attached to the Securities at the time of issue, references to Coupons shall be deemed to include references to Talons;

(ii) if Talons are not specified in the applicable Final Terms as being attached to the Securities at the time of issue, references to Talons are not applicable;

(iii) any reference to distributions shall be deemed to include any Distribution Amount and any interim amount (other than a Settlement Amount) payable pursuant to the Conditions;

(iv) references to Securities 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 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 Securities.

3. FORM, TITLE AND TRANSFER

3.1 *Form of Securities:* The Securities may be issued in bearer form ("**Bearer Securities**") or in registered form ("**Registered Securities**"), as specified in the applicable Final Terms. Bearer Securities are serially numbered. Registered Securities are not exchangeable for Bearer Securities and Bearer Securities are not exchangeable for Registered Securities. References herein to "**Securities**" shall be to Bearer Securities and/or Registered Securities as specified in the applicable Final Terms. Definitive Bearer Securities with distributions have attached thereto at the time of their initial delivery Coupons, presentation of which will be a prerequisite to the payment of the relevant distribution save in certain circumstances specified herein. In addition, if so specified in the applicable Final Terms, such Securities have attached thereto at the time of their initial delivery, Talons for further Coupons.

3.2 *Nominal Amount of Bearer Securities:* Bearer Securities may be issued (and, in the case of Notes, will be issued) in one or more Nominal Amounts with Coupons and, if specified in the applicable Final Terms, Talons attached at the time of issue. In the case of a Series of Securities with more than one Nominal Amount, Securities of one Nominal Amount will not be exchangeable for Bearer Securities of another Nominal Amount. If a Nominal Amount is so specified, the Securities shall have a minimum Nominal Amount of at least EUR 1,000 (or its equivalent in the Specified Currency in which such Security is denominated).

3.3 *Nominal Amount of Securities in general:* The Securities may be issued with a Nominal Amount specified in the applicable Final Terms. If a Nominal Amount is so specified:

(i) the Registered Securities (other than Restricted Securities) shall have a minimum Nominal Amount of at least EUR 1,000 (or its equivalent in the Specified Currency in which such Security is denominated); and

(ii) Restricted Securities shall have a minimum Nominal Amount of at least U.S.$100,000 and Nominal Amounts shall be an integral multiple of U.S.$1,000.

3.4 *Currency of Securities:* The Securities are in the Specified Currency. Any currency may be so specified, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

3.5 *Title and transfer*:

3.5.1 Title to Bearer Securities, Coupons and Talons passes by delivery.

3.5.2 Title to Registered Securities passes by registration in the register which the Issuer shall procure to be kept by the Registrar (the "**Register**"). An Individual Registered Instrument will be issued to each Securityholder in respect of its registered holding. Each Individual Registered Instrument will be numbered serially with an identifying number which will be recorded in the Register.

3.5.3 The holder of any Security, and any Couponholder will (except as otherwise required by applicable law or regulatory requirement) 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 interest thereof or therein, any writing on the relevant Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security), or any theft or loss thereof) and no person shall be liable for so treating such Securityholder or Couponholder.

3.6 *Transfer of Registered Securities*:

3.6.1 A Registered Security may, upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement and further subject to the provisions of Conditions 3.6.5 to 3.6.7 below, be transferred in whole or in part only (provided that, if a Nominal Amount is specified in the applicable Final Terms, such part is, or is not less than the minimum Nominal Amount specified) upon the surrender of the relevant Individual Registered Instrument, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or any Transfer Agent. A new Individual Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Security, a new Individual Registered Instrument in respect of the balance not transferred will be issued to the transferor. The Issuer shall have the right to refuse to honor the transfer of any Restricted Securities to a person who is not a QIB/QP. The Issuer shall have the right

to refuse to honor the transfer of any Unrestricted Securities to a person who is a U.S. person (as defined in Regulation S) or is in the United States.

3.6.2 An Individual Registered Instrument representing each new Registered Security or Securities to be issued upon the transfer of a Registered Security will, within three Relevant Banking Days of the transfer date or, as the case may be, the exchange date, be available for collection by each relevant Securityholder at the Specified Office of the Registrar or the Transfer Agent (as the case may be) or, at the option of the Securityholder requesting such exchange or transfer, be mailed (by uninsured post at the risk of the Securityholder(s) entitled thereto) to such address(es) as may be specified by such Securityholder(s). For these purposes, a form of transfer or request for exchange received by the Registrar, the Fiscal Agent or the Transfer Agent (as the case may be) after the Record Date but on or prior to the due date in respect of any payment due in respect of Registered Securities shall be deemed not to be effectively received by the Registrar, the Fiscal Agent or the Transfer Agent (as the case may be) until the day following the due date for such payment.

3.6.3 For the purposes of these Terms and Conditions:

"**Relevant Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the Specified Office of the Registrar or the Transfer Agent is located;

and

"**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Registered Security shall have been surrendered for transfer in accordance with Condition 3.6.1 above.

3.6.4 The issue of new Registered Securities on transfer will be effected without charge by or on behalf of the Issuer, the Fiscal Agent, the Registrar or the Transfer Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Fiscal Agent, the Registrar or the Transfer Agent may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

3.6.5 If the Issuer or an Affiliate acquires a beneficial interest in a Registered Security represented by a Restricted Global Security or Unrestricted Global Security it shall receive such interest in the form of an Individual Registered Instrument. Following any subsequent transfer by the Issuer or such Affiliate of any Individual Registered Instrument:

(a) if such transfer is made to a non-U.S. person in an offshore transaction in accordance with Regulation S, the transferee shall receive an interest in the relevant Unrestricted Global Security; or

(b) if such transfer is made to a QIB/QP pursuant to Rule 144A, the transferee shall receive an interest in the relevant Restricted Global Security.

3.6.6 So far as permitted by applicable law, regulations and any stock exchange requirements by which the Issuer is bound, the Issuer has covenanted and agreed in the Issue and Paying Agency Agreement to give to the Fiscal Agent such information as it requires for the performance of its functions and, without prejudice to the foregoing, for so long as any Registered Securities remain outstanding has

covenanted and agreed that it shall, during any period in which it is not subject to the reporting requirements of Section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any Securityholder of such restricted securities, and to any prospective purchaser of such restricted securities designated by such Securityholder in connection with resale of a beneficial interest in such registered securities, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

3.6.7 No Securityholder may require the transfer of a Registered Security to be registered during the period of 15 calendar days ending on the due date for the payment of any amount in respect of such Security.

4. STATUS

4.1 *Status of the Securities*: The Securities and, if applicable, Coupons relating to them, constitute direct and general obligations of the Issuer which rank *pari passu* among themselves.

4.2 *Status of the Guarantee*: The Guarantor's obligations in respect of the Securities (other than Securities the Final Terms relating to which specifies that such Securities are not guaranteed by Morgan Stanley) constitute direct, unconditional and unsecured obligations of the Guarantor and rank without preference among themselves and *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights.

5. DISTRIBUTION PROVISIONS

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

5.2 *Distribution Amount*: A Distribution Amount shall be payable in respect of each Security on each Distribution Payment Date, subject as provided in Condition 8 (*Payments*) and this Condition 5.2. The Distribution Amount(s) shall equal to such amount(s) or be calculated in such manner as is specified in the applicable Final Terms less any amount in respect of Taxes. The payment of Distribution Amounts in respect of each Security shall be subject to any other terms specified in the applicable Final Terms.

5.3 *Share Issuer Shortfall*: If a Distribution Amount is paid to the Securityholders and which is calculated by reference to dividends or distributions under Shares and the relevant Share Issuer fails to pay the relevant dividend or distribution in full (the extent of any shortfall, the **Relevant Proportion**) then the Issuer may deduct an amount or amounts in aggregate equal to the Relevant Proportion of any such Distribution Amount from one or more subsequent payments under a Security even though such deduction(s) may mean no subsequent amounts are payable under the Securities.

5.4 *Maximum or Minimum Distribution Amount*: If any Maximum Distribution Amount or Minimum Distribution Amount is specified in the applicable Final Terms, then the Distribution Amount shall in no event be greater than the Maximum Distribution Amount or be less than the Minimum Distribution Amount so specified.

5.5 *Determination*: The Determination Agent will determine the Distribution Amount and any other amount in respect thereof as soon as reasonably practicable after the time or times at

which any such amount is to be determined in the manner specified in the applicable Final Terms.

5.6 *Publication*: The Determination Agent will cause each Distribution Amount determined by it, together with the relevant Distribution 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 relevant Paying Agent and each listing authority, stock exchange and/or quotation system (if any) by which the Securities have been admitted to listing, trading and/or quotation as soon as practicable after such determination. Notice thereof shall also promptly be given to the Securityholders. The Determination Agent will be entitled to recalculate any Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of any relevant Distribution Period.

5.7 *Notifications etc*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Determination Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Registrar and the Transfer Agents, as the case may be, and the Securityholders and the Couponholders (if any) and (subject as aforesaid) no liability to any such Person will attach to the Determination Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

6. EXERCISE RIGHTS, TERMINATION AND CANCELLATION

6.1 *Exercise Style*:

6.1.1 *American Style Securities:* If the Warrants or Certificates are specified in the applicable Final Terms as being "American Style Securities", then this Condition 6.1.1 is applicable and the Securities are exercisable not later than the Latest Exercise Time on any Exercise Business Day during the Exercise Period, subject to Condition 6.4 (*Securities void on expiry*) and to prior termination of the Securities as provided in the Conditions.

6.1.2 *European Style Securities*: If the Warrants or Certificates are specified in the applicable Final Terms as being "European Style Securities", then this Condition 6.1.2 is applicable and the Warrants or Certificates are exercisable only not later than the Latest Exercise Time on the Expiration Date, subject to Condition 6.4 (*Securities void on expiry*) and to prior termination of the Warrants or Certificates as provided in the Conditions.

6.1.3 *Bermudan Style*: If the Warrants or Certificates are specified in the applicable Final Terms as being "Bermudan Style Securities", then this Condition 6.1.3 is applicable and the Securities are exercisable only not later than the Latest Exercise Time on each Potential Exercise Date, subject to Condition 6.4 (*Securities void on expiry*) and to prior termination of the Securities as provided in the Conditions.

6.2 *Cash Settlement upon Exercise*: Upon exercise each Warrant or Certificate entitles the Securityholder to receive from the Issuer, on the Cash Settlement Payment Date, the Cash Settlement Amount (less any amount in respect of Taxes and, if so specified in the Final Terms, Break Fees (if any)). The Cash Settlement Amount will be rounded down to the nearest minimum unit of the Specified Currency, with Securities exercised at the same time by the same Securityholder being aggregated for the purpose of determining the aggregate Cash Settlement Amount payable in respect of such Securities.

6.3 *Deemed Exercise:* If "**Deemed Exercise**" is specified in the applicable Final Terms to be applicable in relation to a Series of Warrants or Certificates, where an Exercise Notice has not been duly completed and delivered by the Latest Exercise Time on the Expiration Date in respect of any Warrant or Certificate of such Series, each such Warrant or Certificate shall be deemed to have been exercised at that time on such date and/or upon such other terms as may be specified in the applicable Final Terms, subject in each case to prior termination as provided for in the Conditions. The expressions "exercise", "due exercise" and related expressions shall be construed to apply to any Warrant or Certificate which are automatically exercised in accordance with this provision. Notwithstanding such deemed exercise, the Issuer shall be under no obligation to pay any Cash Settlement Amount in respect of any such Warrant or Certificate until the Securityholder has delivered an Exercise Notice in the prescribed form in accordance with Condition 7.2 (*Form of Exercise Notice*), provided that where the Securityholder has not delivered an Exercise Notice together with its Warrants or Certificates in the manner described in Condition 7 (*Exercise Procedures*) within 30 Delivery Business Days of the day on which such Securities were deemed to have been exercised, such Warrant or Certificate shall become void for all purposes.

6.4 *Securities void on expiry:* Subject to Condition 6.3 (*Deemed Exercise*) above, Securities with respect to which an Exercise Notice together with the relevant Security has not been duly completed and delivered in the manner set out in Condition 7 (*Exercise Procedures*), at or before the Latest Exercise Time or the Expiration Date or last occurring Potential Exercise Date shall become void for all purposes and shall cease to be transferable.

6.5 *Minimum Number of Securities Exercisable*: The Warrants or Certificates are exercisable in the Minimum Exercise Number (or, if a "**Permitted Multiple**" is specified in the applicable Final Terms, higher integral multiples of the Permitted Multiple) on any particular occasion or such lesser Minimum Exercise Number.

6.6 *Redemption at maturity*: Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

6.7 *Tax Termination*: A Series of Securities may be terminated in whole (but not in part), at the option of the Issuer at any time prior to the last occurring Cash Settlement Payment Date or Maturity Date, upon the giving of a notice of termination to Securityholders as described below, if the Issuer determines that, as a result of:

6.7.1 any change in or amendment to the laws, or any regulations or rulings promulgated under the laws of The Netherlands or the United States or of any political subdivision or taxing authority of or in The Netherlands or the United States affecting taxation, or

6.7.2 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 Pricing Date in connection with the issuance of the Securities or any other date specified in the applicable Final Terms, the Issuer or the Guarantor is or will become required by law to make any withholding or deduction with respect to the Securities, as described in Condition 12 (*Taxation*). The termination price payable in respect of each Security will be equal to the Early Termination Amount unless otherwise specified in the applicable Final Terms. The Issuer will give notice of any tax termination.

6.8 Except as otherwise specified in the applicable Final Terms, notice of termination will be given not less than 30 nor more than 60 days prior to the date fixed for termination. The date and the applicable termination price will be specified in the notice.

6.9 *Special Tax Termination*. If the Issuer determines that any payment made outside the United States by the Issuer, the Guarantor or any Paying Agent of any amounts, if any, due on any Bearer Security or Coupon would, under any present or future laws or regulations of the United States, be subject to any certification, identification or other information reporting requirement of any kind, the effect of which is the disclosure to the Issuer, the Guarantor, any Paying Agent or any governmental authority of the nationality, residence or identity of a beneficial owner of that Bearer Security or Coupon who is a United States Alien other than such a requirement that:

6.9.1 would not be applicable to a payment made by the Issuer, the Guarantor or any Paying Agent

(a) directly to the beneficial owner or

(b) to a custodian, nominee or other agent of the beneficial owner, unless the payment by the custodian, nominee or agent to the beneficial owner would otherwise be subject to any similar requirement, or

6.9.2 can be satisfied by the custodian, nominee or other agent certifying to the effect that the beneficial owner is a United States Alien, unless the payment by the custodian, nominee or agent to the beneficial owner would otherwise be subject to any similar requirement,

the Issuer may (1) redeem the Securities, as a whole, at the termination price specified in the applicable Final Terms or (2) at the election of the Issuer, if the conditions described below are satisfied, pay the additional amounts specified in Condition 6.10 (*Election to pay additional amounts rather than terminate*).

The Issuer will make the determination and election described above as soon as practicable and publish prompt notice thereof (the "**Determination Notice**") stating:

(i) the effective date of the certification, identification or other information reporting requirements,

(ii) whether the Issuer will terminate the Securities or has elected to pay the additional amounts specified below and

(iii) if the Issuer elects to redeem, the last date by which the termination of the Securities must take place.

If the Issuer terminates the Securities for this reason, the termination will take place on a date, not later than one year after the publication of the Determination Notice. The Issuer will elect the date fixed for termination by notice to the Fiscal Agent at least 60 days prior to the date fixed for termination, or within the termination notice period specified in the applicable Final Terms. Notice of the termination of the Securities will be given to the Securityholders not more than 60 nor less than 30 days prior to the date fixed for termination, or within the termination notice period specified in the applicable Final Terms.

Notwithstanding the foregoing, the Issuer will not terminate the Securities if the Issuer subsequently determines, not less than 30 days prior to the date fixed for termination, or prior

to the last day of the specified termination notice period in the applicable Final Terms, that subsequent payments would not be subject to any certification, identification or other information reporting requirement, in which case the Issuer will publish prompt notice of the determination and revoke any earlier termination notice.

The term "**United States Alien**" means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

6.10 *Election to pay additional amounts rather than terminate*. If and so long as the certification, identification or other information reporting requirements referred to in Condition 6.9(*Special Tax Termination*) would be fully satisfied by payment of a backup withholding tax or similar charge, the Issuer may elect to pay such additional amounts as may be necessary so that every net payment made outside the United States following the effective date of those requirements by the Issuer or any Paying Agent of any amount, if any, due in respect of any bearer security or any coupon of which the beneficial owner is a United States Alien will not be less than the amount provided for in the Security or Coupon to be then due and payable after deduction or withholding for or on account of the backup withholding tax or similar charge, other than a backup withholding tax or similar charge that:

(i) would not be applicable in the circumstances referred to in Conditions 6.9.1 and 6.9.2 or

(ii) is imposed as a result of presentation of the Security or Coupon for payment more than 15 days after the date on which the payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later.

The Issuer's ability to elect to pay additional amounts as described in this paragraph is conditional on there not being a requirement that the nationality, residence or identity of the beneficial owner be disclosed to the Issuer, any paying agent or any governmental authority, as a result of the payment of the additional amounts.

6.11 If the Issuer elects to pay any additional amounts as described in this Condition 6.11, the Issuer will have the right to terminate the Securities as a whole at any time by meeting the same conditions described in Condition 6.9 (*Special Tax Termination*), and the termination price of the Securities will not be reduced for applicable withholding taxes. If the Issuer elects to pay additional amounts as described in this Condition 6.11 and the condition specified in the first sentence of this Condition 6.11 should no longer be satisfied, then the Issuer may terminate the Securities as a whole under the applicable provisions of Condition 6.9 (*Special Tax Termination*).

6.12 *Termination at the option of the Issuer*: If the Issuer's Call Option is specified in the applicable Final Terms as being applicable, a Series of Securities may be terminated at the option of the Issuer in whole only and not in part on any Optional Termination Date (Call) at the relevant Optional Termination Amount (Call) plus any Break Fee, if applicable on the Issuer's giving not less than such number of Business Days' notice specified as the Issuer Call Notice Period in the applicable Final Terms (provided that in no event shall such notice period be less than five Business Days) to the Securityholders (which notice shall be irrevocable) and shall oblige the Issuer to terminate the Securities on the relevant Optional Termination Date (Call) by paying the Optional Termination Amount (Call) plus any Break Fee, if applicable in respect of each Security.

6.13 *Compliance with securities laws*: If any holder of any Restricted Security is determined not to be a QIB/QP, the Issuer shall have the right to (i) force such holder to sell its interest in such Security, or sell such interest on behalf of such holder, to (A) a QIB/QP pursuant to Rule 144A or (B) in an offshore transaction in accordance with Regulation S to a non-U.S. person who, following such transaction, receives a beneficial interest in the relevant Unrestricted Global Security or (ii) terminate and cancel such Security. If any holder of any Unrestricted Security is determined to be a U.S. person (as defined in Regulation S), the Issuer shall have the right to force such holder to sell its interest in such Security, or sell such interest on behalf of such holder, to (A) a person who is not a U.S. person (as defined in Regulation S) or (B) pursuant to Rule 144A to a QIB/QP who, following such transaction, receives a beneficial interest in the relevant Restricted Global Security or (ii) terminate and cancel such Security. In the case of any termination and cancellation of a Security as described above no amount shall be payable to the relevant Securityholder and the Issuer shall have no further obligations in respect of the Security.

6.14 *Early* redemption *of Notes at the option of a Securityholder (**Investor Put Option**)*

6.14.1 Unless previously redeemed or terminated or purchased and cancelled and only where Investor Put Option is specified as applicable in the applicable Final Terms, Notes may be early redeemed by a Securityholder (at his own expense) on any day following the Issue Date (i) by depositing the relevant definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security) with and delivering a duly completed and signed Put Notice to the relevant Paying Agent or, in the case of a Registered Security, the Registrar or any Transfer Agent and (ii) delivering a copy of such Put Notice to the Determination Agent.

6.14.2 Each Put Notice shall be in the form (for the time being current) available from each Paying Agent or the Registrar or Transfer Agent, and must:

(i) specify the name, address, telephone and facsimile details of the Securityholder in respect of the Notes being early redeemed;

(ii) in the case of Notes in registered form, the Nominal Amount or number of such Notes of the relevant Series being early redeemed by the Securityholder;

(iii) specify the Optional Termination Date (Put) in respect of which the Put Notice is delivered. Such Optional Termination Date (Put) must be due to fall after the expiry of the relevant Investor Put Notice Period (as specified in the applicable Final Terms) and prior to the Maturity Date;

(iv) specify a bank account (or, if payment is required to be made by cheque, an address) to which any payment due in respect of this Condition 6.14 is to be made;

(v) include an irrevocable undertaking to pay any (a) applicable Taxes due by reason of early redemption of the relevant Notes, and (b) any Break Fee, if applicable, and an authority to the Issuer to deduct an amount in respect thereof from any Optional Termination Amount (Put) due to such Securityholder or otherwise (on, or at any time after, the Optional Termination Date (Put));

(vi) in the case of Notes other than Restricted Securities, give a certification as to the non-U.S. beneficial ownership of the Notes being early redeeemed therewith; and

(vii) authorise the production of such certification in any applicable administrative or legal proceedings.

The exercise by a Securityholder of the Investor Put Option will be subject to any further conditions as set out in the applicable Final Terms (including, but not limited to, a restriction as to the dates which a Securityholder may designate as the relevant Optional Termination Date (Put) in the relevant Put Notice). Any Put Notice delivered in breach of requirements as set out in this Condition 6.14 or such further conditions as set out in the applicable Final Terms will be invalid and will have no effect.

6.14.3 The Paying Agent, Registrar or Transfer Agent with which a definitive Bearer Security (in the case of a Bearer Security) or an Individual Registered Instrument (in the case of a Registered Security) is so deposited shall deliver a duly completed Put Receipt to the depositing Securityholder.

6.14.4 Subject to the terms of Condition 6.14.5 below, any Notes that are the subject of a valid Put Notice, will be redeemed on the relevant Optional Termination Date (Put) at an amount equal to the relevant Optional Termination Amount (Put) *plus* any unpaid Distribution Amounts (where applicable) accrued to (but excluding) the Optional Termination Date (Put) *less* any applicable Break Fees.

6.14.5 No definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security), once deposited with a duly completed Put Notice in accordance with this Condition 6, may be withdrawn; provided, however, that if, prior to the relevant due date for termination, any such Security becomes subject to termination pursuant to Condition 6.7 (Tax Termination), 6.9 (Special Tax Termination), 6.12 (Termination at the option of the Issuer), 6.13 (Compliance with securities laws) or 13 (Illegality) or, following due presentation of any such definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security), payment of the moneys falling due is improperly withheld or refused by the Issuer, the relevant Paying Agent or the Registrar or Transfer Agent, as the case may be, shall mail notification thereof to the depositing Securityholder at such address as may have been given by such Securityholder in the relevant Put Notice and shall hold such definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security) at its Specified Office for collection by the depositing Securityholder against surrender of the relevant Put Receipt.

6.14.6 In the case of the redemption of part only of a Registered Security, a new Individual Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Condition 3.6 (Transfer of Registered Securities) which shall apply as in the case of a transfer of Registered Securities as if such new Individual Registered Instrument were in respect of the untransferred balance.

6.15 *Purchase*: The Issuer or any of its Affiliates may at any time purchase Securities in the open market or otherwise and at any price.

6.16 *Cancellation*: All Securities which are exercised, redeemed or terminated, and all Securities so purchased by the Issuer or any of its Affiliates may, at the discretion of the Issuer, be cancelled (together with all unmatured Coupons attached to or surrendered with them). All Securities so exercised, redeemed or terminated, or purchased and cancelled, may not be reissued or resold.

7. EXERCISE PROCEDURES

This Condition 7 only applies to Warrants and Certificates.

7.1 *Exercise Notice*:

7.1.1 Subject to Condition 6.4 (*Securities void on expiry*) and to prior termination of the Securities as provided in the Conditions, Securities may be exercised by a Securityholder (at his own expense) at such time and on such day(s) as provided in Condition 6.1 (*Exercise Style*) (i) by depositing the relevant definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security) with and delivering a duly completed and signed Exercise Notice to the relevant Paying Agent or, in the case of a Registered Security, the Registrar or any Transfer Agent and (ii) delivering a copy of such Exercise Notice to the Determination Agent in each case on or prior to the Latest Exercise Time on any relevant Exercise Business Day.

7.1.2 The Paying Agent, Registrar or Transfer Agent with which a definitive Bearer Security (in the case of a Bearer Security) or an Individual Registered Instrument (in the case of a Registered Security) is so deposited shall deliver a duly completed Exercise Receipt to the depositing Securityholder.

7.1.3 No definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security), once deposited with a duly completed Exercise Notice in accordance with this Condition 7, may be withdrawn; provided, however, that if, prior to the relevant due date for termination, any such Security becomes subject to termination pursuant to Condition 6.7 (*Tax Termination*), 6.9 (*Special Tax Termination*), 6.12 (*Termination at the option of the Issuer*), 6.13 (*Compliance with securities laws*) or 13 (*Illegality*) or, following due presentation of any such definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security), payment of the moneys falling due is improperly withheld or refused by the Issuer, the relevant Paying Agent or the Registrar or Transfer Agent, as the case may be, shall mail notification thereof to the depositing Securityholder at such address as may have been given by such Securityholder in the relevant Exercise Notice and shall hold such definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security) at its Specified Office for collection by the depositing Securityholder against surrender of the relevant Exercise Receipt.

7.1.4 In the case of the exercise of part only of a Registered Security, a new Individual Registered Instrument in respect of the unexercised balance shall be issued in accordance with Condition 3.6 (*Transfer of Registered Securities*) which shall apply as in the case of a transfer of Registered Securities as if such new Individual Registered Instrument were in respect of the untransferred balance.

7.1.5 Subject to Condition 6.3 (*Deemed Exercise*) and 6.4 (*Securities void on expiry*), any Exercise Notice delivered after the Latest Exercise Time on any Exercise Business

Day or on a day which is not an Exercise Business Day shall: (a) in the case of Bermudan Style Securities and European Style Securities, be void and (b) in the case of American Style Securities, be deemed to have been delivered on the next following Exercise Business Day which such Securities are exercisable (unless no such day occurs on or prior to the Expiration Date, in which case that Exercise Notice shall be void).

7.2 *Form of Exercise Notice*:

7.2.1 Each Exercise Notice shall be in the form (for the time being current) available from each Paying Agent or the Registrar or Transfer Agent, and must:

(i) specify the name, address, telephone andfacsimile details of the Securityholder in respect of the Securities being exercised;

(ii) specify the number of Securities of the relevant Series being exercised by the Securityholder (which must not be less than the Minimum Exercise Number);

(iii) include an irrevocable undertaking to pay any (a) applicable Taxes due by reason of exercise of the relevant Securities, and (b) any Break Fee, if applicable, and an authority to the Issuer to deduct an amount in respect thereof from any Cash Settlement Amount due to such Securityholder or otherwise (on, or at any time after, the Cash Settlement Payment Date);

(iv) in the case of Securities other than Restricted Securities, give a certification as to the non-U.S. beneficial ownership of the Securities being exercised therewith; and

(v) authorise the production of such certification in any applicable administrative or legal proceedings.

7.3 *Verification of Securityholder*:

7.3.1 To exercise Securities, the Securityholder thereof must duly complete an Exercise Notice. The relevant Paying Agent, Registrar or Transfer Agent shall, in the case of Registered Securities and in accordance with its normal operating procedures, verify that each person exercising Securities is the Securityholder thereof according to the records of the Registrar.

7.3.2 If, in the determination of the relevant Paying Agent, Registrar or Transfer Agent:

(i) the Exercise Notice is not complete or not in proper form;

(ii) the person submitting an Exercise Notice is not validly entitled to exercise the relevant Securities or not validly entitled to deliver such Exercise Notice; or

(iii) sufficient funds equal to any applicable Taxes (if any) or any Break Fee (if any) are not available,

that Exercise Notice will be treated as void and a new duly completed Exercise Notice must be submitted if exercise of the Securityholder's Securities is still desired.

7.3.3 Any determination by the relevant Paying Agent, Registrar or Transfer Agent as to any of the matters set out in Condition 7.3.2 above shall, in the absence of manifest error, be conclusive and binding upon the Issuer, the Securityholder and the legal and beneficial owner(s) of the Securities exercised.

7.4 *Notification to the relevant Agent:* Subject to the verification set out in Condition 7.3.1 above, the relevant Paying Agent, Registrar or Transfer Agent will:

(i) confirm to the relevant Paying Agent (copied to the Issuer and the Determination Agent) the number of Securities being exercised; and

(ii) promptly notify the Fiscal Agent (in the case of Bearer Securities) or the Registrar (in the case of Registered Securities) of receipt of the Exercise Notice and the number of the Securities to be exercised.

7.5 *Effect of Exercise Notice*:

7.5.1 For so long as any outstanding Security is held by a Paying Agent or the Registrar or any Transfer Agent in accordance with this Condition 7, the depositor of such definitive Bearer Security (in the case of a Bearer Security) or Individual Registered Instrument (in the case of a Registered Security) and not such Paying Agent, Registrar or Transfer Agent shall be deemed to be the Securityholder for all purposes.

7.5.2 Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Securityholder to exercise the Securities specified therein, provided that, in the case of a Registered Security, the person exercising and delivering such Exercise Notice is the person then appearing in the records of the Registrar as the holder of the relevant Securities. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become void and shall be deemed not to have been so delivered.

7.5.3 After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 7.1.2) by a Securityholder, such Securityholder shall not be permitted to transfer either legal or beneficial ownership of the Securities exercised thereby. Notwithstanding this, if any Securityholder does so transfer or attempt to transfer such Securities, the Securityholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of the Issuer having terminated any related hedging operations in reliance on the relevant Exercise Notice and subsequently: (i) entering into replacement hedging operations in respect of such Securities; or (ii) paying any amount on the subsequent exercise of such Securities without having entered into any replacement hedging operations.

8. PAYMENTS

8.1 *Bearer Securities*:

8.1.1 *Exercise and Redemption*: Payments of any amounts in respect of a Security shall be made only following presentation and (in the case of a Cash Settlement Amount, or amount due on termination of a Security) surrender of Securities at the Specified Office of the relevant Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or 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.

8.1.2 *Distributions*: Payments of Distribution Amounts shall, subject to Condition 8.1.7 (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 8.1.1 above.

8.1.3 *Payments in New York City*: Payments may be made at the Specified Office of the relevant Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amounts on the Securities in the currency in which the payment is due when due, (ii) payment of the full amounts at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law without adverse United States federal tax consequences or other adverse consequences to the Issuer.

8.1.4 *Payments subject to fiscal laws*: All payments in respect of the Securities are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Securityholders or Couponholders in respect of such payments.

8.1.5 *No Further Distribution after Exercise, Redemption or Termination*: If the applicable Final Terms specify that the Distribution Provisions are applicable, on the exercise or redemption of any Security, or termination or redemption of such Security pursuant to the Conditions, no Distribution Amount shall be payable in respect thereof and all unmatured Coupons relating thereto (whether or not still attached) shall become void.

8.1.6 *Payments on business days*: If the due date for payment of any amount in respect of any Security or Coupon is not a Payment Business Day, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

8.1.7 *Payments other than in respect of matured Coupons*: Payments of distributions other than in respect of matured Coupons shall be made only against presentation of the relevant Securities at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 8.1.3 (*Payments in New York City*) above).

8.1.8 *Partial payments*: If a Paying Agent makes a partial payment in respect of any Security or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

8.1.9 *Exchange of Talons*: On or after the date of payment of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Securities, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent during regular business hours for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon exercise

redemption or termination of any Security, any unexchanged Talon relating to such Security shall become void and no Coupon will be delivered in respect of such Talon.

8.2 *Registered Securities*:

8.2.1 Payment of the Settlement Amount (together with accrued Distribution Amounts) due in respect of Registered Securities will be made following presentation and surrender of the relevant Individual Registered Instrument at the specified office of the Registrar or any Transfer Agent (in the case of a Cash Settlement Amount in accordance with Condition 7). If the due date for payment of the Settlement Amount of any Registered Security is not a Payment Business Day, then the Securityholder thereof will not be entitled to payment thereof until the next day which is a Payment Business Day. No further payment on account of any Settlement Amounts, Distribution Amount, interest or otherwise shall be due in respect of such postponed payment.

8.2.2 Payment of amounts due in respect of Securities will be paid to the holder thereof (or, in the case of joint holders, the first named) as appearing in the Register as at opening of business (local time in the place of the specified office of the Registrar) on the Relevant Banking Day (as defined in Condition 3.6.3 (*Transfer of Registered Securities*) before the due date for such payment (the "**Record Date**").

8.2.3 Notwithstanding the provisions of Condition 8.3.1 (*General provisions*), payment of amounts due in respect of Registered Securities will be made in the currency in which such amount is due by cheque and posted to the address as recorded in the Register of the holder thereof (or, in the case of joint holders, the first named) on the applicable Record Date (as defined in Condition 3.6.3 (*Transfer of Registered Securities*)), not later than the relevant due date for payment unless prior to the relevant Record Date the holder thereof (or, in the case of joint holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Payment Business Day, then the Securityholder thereof will not be entitled to payment thereof until the first day thereafter which is a Payment Business Day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment.

8.3 *General provisions*:

8.3.1 Payments of amounts due will be made in the currency in which such amount is due (A) by cheque (in the case of payment in Japanese Yen to a non-resident of Japan, drawn on an authorised foreign exchange bank) or (B) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee (in the case of payment in Japanese Yen to a non-resident of Japan, a non-resident account with an authorised foreign exchange bank specified by the payee). Payments will, without prejudice to the provisions of Condition 12 (*Taxation*), be subject in all cases to any applicable fiscal or other laws and regulations.

8.3.2 No commissions or expenses shall be charged to Securityholders or Couponholders in respect of such payments.

9. ADJUSTMENT PROVISIONS

9.1 Disruption

9.1.1 If a Scheduled Valuation Date or a Scheduled Averaging Date is a Disrupted Day, then, subject to Conditions 9.1.2 and 9.1.3 below, the Valuation Date or Averaging Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day.

9.1.2 **Disrupted Day adjustment for Valuation Dates**

(i) In the case of a Share Security or an Index Security, if the Scheduled Valuation Date and each of the eight Scheduled Trading Days immediately following such date is a Disrupted Day, then (1) the eighth Scheduled Trading Day following the Scheduled Valuation Date shall be deemed to be the Valuation Date, notwithstanding the fact that it is a Disrupted Day; and (2) the Determination Agent shall determine acting in good faith and in a commercially reasonable manner (a) in respect of an Index Security, the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that eighth Scheduled Trading Day); and (b) in respect of a Share Security, its good faith estimate of the value for the Share as of the Valuation Time on that eighth Scheduled Trading Day.

(ii) In the case of a Share Basket Security, the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Share. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Share, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine acting in good faith and in a commercially reasonable manner its good faith estimate of the value for that Share as of the Valuation Time on that eighth Scheduled Trading Day.

(iii) In the case of an Index Basket Security, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine acting in good faith and in a commercially reasonable manner the level of that Index as of the Valuation

Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

9.1.3 **Disrupted Day adjustment for Averaging Dates**

If an Averaging Date is a Disrupted Day, then if, in relation to "**Averaging Date Disruption**", the consequence specified in the applicable Final Terms is:

(i) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for the purposes of determining the relevant Settlement Value provided that, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 9.1.2 will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such Averaging Date were a Valuation Date that was a Disrupted Day;

(ii) "**Postponement**", then Condition 9.1.2 will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the relevant Security; or

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

(1) in the case of an Index Security or a Share Security, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and (B) the Determination Agent shall determine, acting in good faith and in a commercially reasonable manner, the relevant level or price for that Averaging Date in accordance with Condition 9.1.2(i);

(2) in the case of an Index Basket Security or a Share Basket Security, the Averaging Date for each Share or Index not affected by the occurrence of a Disrupted Day shall be the date specified in the applicable Final Terms as an Averaging Date in relation to the relevant Valuation Date and the Averaging Date for a Share or an Index affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Share or Index. If the first succeeding Valid Date in relation to such Share or Index has not

occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Share or Index, and (B) the Determination Agent shall determine, acting in good faith and in a commercially reasonable manner, the relevant level or amount for that Averaging Date in accordance with (x) in the case of an Index Basket Security, Condition 9.1.2(iii) and (y) in the case of a Share Basket Security, Condition 9.1.2(ii); and

(3) "**Valid Date**" shall mean a Scheduled Trading Day that is not a Disrupted Day and which another Averaging Date in respect of the relevant Valuation Date does not or is not deemed to occur.

(iv) If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or Maturity Date or (ii) the occurrence of an event as set out in Conditions 9.3 (*Merger Events and Tender Offers*) or 9.4 (*Nationalisation, Insolvency and Delisting*), an Additional Disruption Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

9.1.4 The Determination Agent shall as soon as reasonably practicable under the circumstances notify the Issuer and the Fiscal Agent of the existence of a Disrupted Day on any day that but for the occurrence or existence of a Disrupted Day would have been a Valuation Date.

9.1.5 For the purposes hereof:

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

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

"**Exchange Business Day**" means (1) in respect of a Share relating to a Share Security or Share Basket Security or an Index relating to an Index Security or Index Basket Security other than a Multi-exchange Index, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time or (2) with respect to an Index Security or Index Basket Security relating to a Multi-exchange Index, any Scheduled Trading Day on which (a) the Index Sponsor publishes the level of the Index and (b) the Related Exchange(s) is open for trading during its regular trading session, notwithstanding that any Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"**Exchange Disruption**" means (a) except with respect to a Multi-exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent acting in good faith and in a commercially reasonable manner) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the Exchange (or, in the case of an Index Security or Index Basket Security, on any relevant Exchange(s) in securities or other property that comprise(s) 20 per cent. or more of the level of the relevant Index), or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share or the relevant Index on any relevant Related Exchange and (b) with respect to any Multi-exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) any Component on the Exchange in respect of such Component; or (ii) futures or options contracts relating to the Index on the Related Exchange.

"**Market Disruption Event**" means (a) in respect of a Share or an Index other than a Multi-exchange Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Determination Agent determines is material (such determination to be made by the Determination Agent acting in good faith and in a commercially reasonable manner), at any time during the one hour period that ends at the relevant Valuation Time, or (iii) an Early Closure.

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

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

"**Scheduled Averaging Date**" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been an Averaging Date;

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

"**Trading Disruption**" means (a) except with respect to a Multi-exchange Index any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange (or, in the case of an Index Security or Index Basket Security, on any relevant Exchange(s) relating to securities or other property that comprise(s) 20 percent or more of the level of the relevant Index), or (ii) in futures or options contracts relating to the Share or the relevant Index on any relevant Related Exchange and (b) with respect to any Multi-exchange Index, any suspension of or limitation imposed on trading by the Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or Related Exchange or otherwise (i) relating to any Component on the Exchange in respect of such Component; or (ii) in futures or options contracts relating to the Index on the Related Exchange.

9.2 Potential Adjustment Events

This Condition 9.2 is applicable only in relation to Securities specified in the applicable Final Terms as being Share Securities or Share Basket Securities.

9.2.1 Following the declaration by the Share Issuer of the terms of any Potential Adjustment Event, the Determination Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make such adjustment(s), if any, to any amount that is payable in respect of the Securities and/or any other adjustment to the settlement, payment or other terms of the Securities as the Determination Agent determines to be appropriate to account for that diluting or concentrative effect and (ii) determine the effective date(s) of such adjustment(s).

9.2.2 For the purposes hereof:

"**Extraordinary Dividend**" has the meaning given in Condition 2.1.

A "**Potential Adjustment Event**" means:

(i) a subdivision, consolidation or reclassification of Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders whether by way of bonus, capitalisation or similar issue; or

(ii) a distribution or dividend to existing holders of the Shares of (A) such Shares or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Issuer equally or proportionately with such payments to holders of such Shares or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Share Issuer as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or otherwise) at less than the prevailing market price as determined by the Determination Agent; or

(iii) an Extraordinary Dividend; or

(iv) a call by the Share Issuer in respect of the relevant Shares that are not fully paid; or

(v) a repurchase by the Share Issuer or any of its subsidiaries of Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or

(vi) in respect of the Share Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Share Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Determination Agent, or

(vii) any adjustment effected as a result of any event described in (vi) above; or

(viii) any other event that may have a diluting or concentrative effect on the theoretical value of the Shares.

9.3 **Merger Events and Tender Offers**

This Condition 9.3 is applicable only in relation to Securities specified in the applicable Final Terms as being Share Securities or Share Basket Securities.

9.3.1 Following the occurrence of a Merger Event or Tender Offer, if the Issuer determines that the relevant Securities shall continue to be outstanding, (i) the Determination Agent shall notify the Issuer and the Fiscal Agent and the Issuer shall promptly notify the Securityholders in accordance with the Conditions and (ii) the Determination Agent shall on or after the relevant Merger Date or (as the case may be) Tender Offer Date and, unless it determines that no such adjustment(s) that it could make will produce a commercially reasonable result, (A) make such adjustment(s) to the terms of the Securities as the Determination Agent determines appropriate to account for the economic effect on the Securities of such Merger Event or, as the case may be, Tender Offer (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relative to the Shares or the Securities) which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event or (as the case may be) Tender Offer by an options exchange, and (B) determine the effective date(s) of such adjustment(s).

9.3.2 If the Issuer determines that the relevant Securities shall not continue to be outstanding, then the relevant Securities shall cease to be exercisable (as well as any Investor Put Option as specified in 6.14 in respect of the Securities) (or, in the case of any Securities which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to the Settlement Amount pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of the Early Termination Amount, in which event the Security shall cease to be exercisable (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Securityholders to receive the relevant currency or payment of the Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of such amount.

9.3.3 For the purposes hereof:

"**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Determination Agent.

"**Merger Event**" means, in respect of the Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Share Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Issuer is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of the Share Issuer that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Share Issuer or its subsidiaries with or into another entity in which the Share Issuer is the continuing entity and which does not result in a reclassification or change of all such

Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before the Valuation Date (as adjusted in accordance with the Conditions).

"**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the Share Issuer, as determined by the Determination Agent, based upon the making of filings with governmental or self regulatory agencies or such other information as the Determination Agent deems relevant.

"**Tender Offer Date**" means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Determination Agent).

9.4 **Nationalisation, Insolvency and Delisting**

This Condition 9.4 is applicable only in relation to Securities specified in the applicable Final Terms as being Share Securities or Share Basket Securities.

9.4.1 If in the determination of the Determination Agent, acting in a commercially reasonable manner:

(i) all the Shares or all or substantially all the assets of the Share Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof ("**Nationalisation**"); or

(ii) by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency, dissolution or winding-up of or any analogous proceeding affecting a Share Issuer, (1) all the Shares of that Share Issuer are required to be transferred to a trustee, liquidator or other similar official or (2) holders of the Shares of that Share Issuer become legally prohibited from transferring them ("**Insolvency**"); or

(iii) the Exchange announces that pursuant to the rules of such Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) ("**Delisting**"),

then the Issuer will determine, acting in good faith and in a commercially reasonable manner, whether or not the Securities shall continue to be outstanding.

9.4.2 If the Issuer determines that the relevant Securities shall continue to be outstanding, the Determination Agent may make such adjustment as the Determination Agent, acting in good faith and in a commercially reasonable manner considers appropriate, if any, to the Strike Value, the formula for the Cash Settlement Amount or Final Redemption Amount and/or the Settlement Value and/or the Reference Value, the

number of Shares to which each Security relates and, in any case, any other variable relevant to the exercise redemption, settlement, or payment terms of the relevant Securities and/or any other adjustment (including without limitation, in relation to Share Basket Securities or Index Basket Securities, the cancellation of terms applicable in respect of Shares or any Index, as the case may be, affected by the relevant Nationalisation, Insolvency and Delisting) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

9.4.3 If the Issuer determines that the relevant Securities shall not continue to be outstanding, then the relevant Securities shall cease to be exercisable (as well as any Investor Put Option as specified in 6.14 in respect of the Securities) (or, in the case of any Securities which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to receive the Settlement Amount pursuant to such exercise shall cease) as of the Announcement Date and the Issuer's obligations under the Securities shall be satisfied in full upon payment of the Early Termination Amount, in which event the Security shall cease to be exercisable (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Securityholders to receive the relevant currency or payment of the Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of such amount.

9.4.4 For the purposes hereof, "**Announcement Date**" means, as determined by the Determination Agent, acting in good faith and in a commercially reasonable manner: (i) in the case of a Nationalisation, the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (ii) in the case of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency and (iii) in the case of a Delisting, the date of the first public announcement by the Exchange that the Shares will cease to be listed, traded or publicly quoted in the manner described in Condition 9.4.1(iii) above. In respect of any such event, if the announcement of such event is made after the actual closing time for the regular trading session on the relevant Exchange, without regard to any after hours or any other trading outside of regular trading session hours, the Announcement Date shall be deemed to be the next following Scheduled Trading Day.

9.5 **European currency related adjustments to Shares**

If the Shares were quoted, listed and/or dealt as of the Pricing Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the EC Treaty, and are at any later time quoted, listed and/or dealt exclusively in euro on the Exchange, then the Determination Agent will adjust any amount that is payable in respect of the Securities and/or any other settlement, payment or other terms of the Securities as the Determination Agent determines appropriate to preserve the economic terms of the Securities. The Determination Agent will make any conversion necessary for purposes of such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Determination Agent prevailing as of the Valuation Time. No adjustments under this Condition 9.5 will affect the currency denomination of the Issuer's payment obligations under the Securities.

9.6 **Correction of Share Prices and Index Levels**

9.6.1 In the event that any price or value published on the Exchange or by the Index Sponsor and which is utilised by the Determination Agent for any calculation or determination (the "**Original Determination**") is subsequently corrected and the correction (the "**Corrected Value**") is published by the Exchange or the Index Sponsor prior to the Expiration Date or Maturity Date within one Settlement Cycle after the original publication, then the Determination Agent will notify the Issuer and the Fiscal Agent of the Corrected Value as soon as reasonably practicable and shall determine the relevant value (the "**Replacement Determination**") using the Corrected Value. If the result of the Replacement Determination is different from the result of the Original Determination, to the extent that it determines to be necessary, the Determination Agent may adjust any relevant terms accordingly.

9.6.2 For the purposes hereof:

"**Settlement Cycle**" means the period of Underlying Clearance System Business Days following a trade in the shares underlying such Index or such Shares, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

"**Settlement Disruption Event**" in relation to a Share means an event beyond the control of the Issuer as a result of which or following which the relevant Underlying Clearance System cannot clear the transfer of such Share or the shares underlying such Index.

"**Underlying Clearance System**" means the principal domestic clearance system customarily used for settling trades in the relevant Share or the shares underlying such Index at any relevant time, as determined by the Determination Agent.

"**Underlying Clearance System Business Day**" means any day on which the Underlying Clearance System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

9.7 **Adjustments to Indices**

This Condition 9.7 is applicable only in relation to Index Securities or Index Basket Securities.

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

9.7.2 If (i) on or prior to any Valuation Date, or any Averaging Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent securities (or other property) and capitalisation

and other routine events) (an "**Index Modification**") or permanently cancels the Index and no Successor Index exists (an "**Index Cancellation**") or (ii) on any Valuation Date, or any Averaging Date, the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then (A) in the case of an Index Modification or an Index Disruption, the Determination Agent shall determine if such Index Adjustment Event has a material effect on the Securities and, if so, shall calculate acting in good faith and in a commercially reasonable manner the relevant Reference Value or Settlement Value using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date or, as the case may be, that Averaging Date as determined by the Determination Agent acting in good faith and in a commercially reasonable manner in accordance with the formula for and method of calculating that Index last in effect prior to that change, failure or cancellation, but using only those securities or other property that comprised that Index immediately prior to that Index Adjustment Event and (B) in the case of an Index Cancellation, the Issuer may, at any time thereafter acting in good faith and in a commercially reasonable manner determine that the Securities shall be terminated as of any later date. If the Issuer so determines that the Securities shall be terminated, then the Securities shall cease to be exercisable (as well as any Investor Put Option as specified in Condition 6.14 in respect of the Securities) (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Securityholders to payment of the Settlement Amount pursuant to such exercise shall cease) as of such later date and the Issuer will pay the Early Termination Amount, in which event the Security shall cease to be exercisable (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Securityholders to receive the relevant currency or payment of the Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of such amount, in which event the Security shall cease to be exercisable (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Securityholders to receive the relevant currency or payment of the Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of such amount. The Issuer's obligations under the Securities shall be satisfied in full upon payment of such amount. If the Issuer determines that the relevant Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent acting in good faith and in a commercially reasonable manner considers appropriate, if any, to any variable relevant to the exercise, settlement, or payment terms of the relevant Securities and/or any other adjustment (including without limitation, the substitution of the Index) which adjustment shall be effective on such date as the Determination Agent shall determine acting in good faith and in a commercially reasonable manner to be appropriate.

10. ADDITIONAL DISRUPTION EVENTS

10.1 Following the occurrence of an Additional Disruption Event, the Issuer will acting in good faith and in a commercially reasonable manner determine whether or not the relevant Securities shall continue to be outstanding.

10.2 If the Issuer determines that the relevant Securities shall continue, the Determination Agent may make such adjustment as the Determination Agent, acting in good faith and in a commercially reasonable manner, considers appropriate, if any, to the Strike Value, the formula for the Cash Settlement Amount or Final Redemption Amount and/or the Reference

Value or Settlement Value set out in the applicable Final Terms, the number of Shares to which each Security relates, the number of Shares comprised in a Basket, the amount and, in any case, any other variable relevant to the exercise, redemption, settlement, or payment terms of the relevant Securities and/or any other adjustment (including without limitation, in relation to Share Basket Securities or Index Basket Securities, the cancellation of terms applicable in respect of any Share or Index, as the case may be, affected by the relevant Additional Disruption Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine acting in good faith and in a commercially reasonable manner.

10.3 If the Issuer determines that the relevant Securities shall not continue to be outstanding, then the relevant Securities shall cease to be exercisable (as well as any Investor Put Option as specified in Condition 6.14 in respect of the Securities) (or, in the case of any Securities which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to the Settlement Amount pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of the Early Termination Amount, in which event the Security shall cease to be exercisable (or, in the case of any Securities which have been exercised,the entitlements of the respective exercising Securityholders to receive the relevant currency or payment of the Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of such amount.

10.4 The Issuer shall as soon as reasonably practicable under the circumstances notify the Fiscal Agent and the Determination Agent of the occurrence of an Additional Disruption Event.

10.5 As used herein,

"**Additional Disruption Event**" means with respect to a series of Securities (if specified as applicable in the applicable Final Terms), a Change of Law, Hedging Disruption, Increased Cost of Hedging or Loss of Stock Borrow, and any further event or events specified in the applicable Final Terms as an Additional Disruption Event applicable with respect to such Securities.

"**Change in Law**" means that, on or after the Pricing 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 any relevant Shares, or (Y) it will incur a materially increased cost in performing its obligations with respect to the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"**Hedging Disruption**" means that the Issuer and/or any Affiliate 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) which the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the relevant Securities, or (B) realize, recover or remit the proceeds of any such transaction(s) or asset(s);

"**Increased Cost of Hedging**" means that the Issuer would incur a materially increased (as compared with circumstances existing on the Pricing Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute,

maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Securities 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; and

"**Loss of Stock Borrow**" means that the Issuer and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) Shares with respect to the relevant Securities in an amount and at a rate which the Issuer deems necessary to hedge the risk of entering into and performing its obligations with respect to the Securities.

11. PERFORMANCE DISRUPTION

11.1 If the Determination Agent determines, acting in a commercially reasonable manner, that Performance Disruption has occurred, then the Issuer may determine, acting in good faith and in a commercially reasonable manner, that the relevant Securities shall be terminated on the date specified in a notice to the Securityholders and the Issuer will pay the Early Termination Amount, in which event the Security shall cease to be exercisable (as well as any Investor Put Option as specified in Condition 6.14 in respect of the Securities) (or, in the case of any Securities which have been exercised, the entitlements of the respective exercising Securityholders to receive the relevant currency or payment of the Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Securities shall be satisfied in full upon payment of such amount.

11.2 For the purposes hereof, "**Performance Disruption**" means, in relation to any Security, the occurrence or existence on any day of any event, circumstance or cause beyond the control of the Issuer that has had or reasonably could be expected to have a material adverse effect upon (i) its ability to perform its obligations under, or hedge its positions with respect to, the relevant Security; (ii) the ability of any hedging counterparty of the Issuer to perform its obligations under any hedging transaction entered into by the Issuer to hedge all or any of its liabilities in respect of the Securities or any of them; or (iii) the availability of hedging transactions in the market.

12. TAXATION

No additional amounts and payment net of Taxes: Except as otherwise set out in the applicable Final Terms, all payments by the Issuer and Guarantor in respect of the Securities shall be net of any relevant Taxes and without limitation, in the event any withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by (i) in the case of the Issuer, The Netherlands; or (ii) in the case of the Guarantor, the United States of America or, in each case, any political subdivision or any authority thereof or therein having power to tax, is required by law, neither the Issuer nor the Guarantor shall be required to make any additional payments on account of any such withholding or deduction.

13. ILLEGALITY

13.1 The Issuer shall have the right to terminate the Securities if it shall have determined acting in good faith and in a commercially reasonable manner that its performance thereunder shall have become or will be unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power ("**applicable law**").

13.2 In such circumstances the Issuer will, however, if and to the extent permitted by applicable law, pay to each Securityholder in respect of each Security held by him the Early Termination Amount. Payment will be made in such manner as shall be notified to the Securityholders in accordance with Condition 20 (*Notices*).

14. PRESCRIPTION

Claims for Settlement Amounts shall become void unless such claims are made within ten years of the appropriate Relevant Date. Claims for distributions shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

15. REPLACEMENT OF SECURITIES AND COUPONS

If any Bearer Security, Individual Registered Instrument or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (in the case of Bearer Securities and Coupons) or of the Registrar or any Transfer Agent (in the case of Registered Securities) (each a "**Replacement Agent**") during normal business hours (and, if the Securities 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 in any particular place, the Paying 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 and the Replacement Agent may reasonably require. Mutilated or defaced Bearer Securities, Individual Registered Instruments or Coupons 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 Securities and the Coupons, the Paying 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 Securityholders or Couponholders.

16.2 The Issuer reserves the right at any time to vary or terminate the appointment of any Fiscal Agent, Paying Agent, Registrar, Transfer Agent or Determination Agent and to appoint a successor Fiscal Agent or Determination Agent and additional or successor, Registrar, Paying Agents or Transfer Agents; provided, however, that the Issuer shall at all times maintain:

16.2.1 a Fiscal Agent;

16.2.2 in the case of Registered Securities, a Registrar;

16.2.3 a Paying Agent (or, in the case of Registered Securities, a Transfer Agent);

16.2.4 if a Determination Agent is specified in the applicable Final Terms, a Determination Agent;

16.2.5 if and for so long as the Securities 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, a Registrar and/or a Transfer Agent in any particular place, a Paying Agent, a Registrar and/or a Transfer Agent, each having their

Specified Office in the place required by such listing authority, stock exchange and/or quotation system; and

16.2.6 a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

16.3 Notice of any change in any of the Paying Agents, Registrar or Transfer Agent or in their respective Specified Offices shall promptly be given to the Securityholders.

17. DETERMINATIONS

17.1 Whenever any matter falls to be determined, considered or otherwise decided upon by the Determination Agent or any other person (including where a matter is to be decided by reference to the Determination Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon by the Determination Agent or such other person, as the case may be acting in good faith and in a commercially reasonable manner. Any amount payable with respect to a Security shall be rounded down to the nearest smallest whole unit of the specified Currency provided that where a single Securityholder is the Securityholder of more than one Security the amount paid to him may be the figure resulting from aggregation of the amounts determined (without rounding) in respect of the relevant Securities, and then rounded down to the nearest smallest whole unit.

17.2 The Determination Agent shall act as an expert and not as an agent for the Issuer or the Securityholders. 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.

18. MEETINGS OF SECURITYHOLDERS AND MODIFICATIONS

18.1 *Meetings of Securityholders*: The Issue and Paying Agency Agreement contains provisions for convening meetings of Securityholders to consider matters relating to the Securities, 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 Securityholders holding not less than one-tenth of the aggregate Nominal Amount or number of the outstanding Securities. 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 Nominal Amount or number of the outstanding Securities at any adjourned meeting, two or more Persons being or representing Securityholders whatever the Nominal Amount or number of the Securities held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Securityholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate Nominal Amount or number of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Securityholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Securityholders who for the time being are entitled to receive notice of a meeting of Securityholders 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 Securityholders.

18.2 *Modification*: The Securities and the Conditions may be amended without the consent of the Securityholders or the Couponholders to correct a manifest or proven error or to effect a modification which is of a formal, minor or technical nature or which, in the opinion of the Issuer and the Fiscal Agent, is not materially prejudicial to the interest of the Securityholders. In addition, 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 Securityholders, 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 the opinion of such parties, not materially prejudicial to the interests of the Securityholders.

18.3 In connection with the Conditions, the Issuer and the Fiscal Agent shall have regard to the interests of the Securityholders and the Couponholders as a class. In particular, but without limitation, the Issuer and the Fiscal Agent shall not have regard to the consequences for individual Securityholders or Couponholders resulting from such individual Securityholders or Couponholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

19. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Securityholders or the Couponholders, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of distribution) so as to form a single series with the Securities.

20. NOTICES

20.1 *To holders of Bearer Securities:* Notices to holders of Bearer Securities shall be valid if published in leading English language daily newspapers published in London (which is expected to be the Financial Times) and if the Securities are listed on the Irish Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Ireland (which is expected to be the Irish Times) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Securityholders.

20.2 *To holders of Registered Securities*: Notices to holders of Registered Securities will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint holders, to the first named in the Register) at their respective addresses as recorded in the Register, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day. Notices to holders of Registered Securities will include a reminder that: (1) each holder of any Restricted Security is required to be a QIB/QP; (2) the Restricted Securities can only be transferred (A) to another QIB/QP pursuant to Rule 144A or (B) in an offshore transaction in accordance with Regulation S to a non-U.S. person who, following such transaction, receives a beneficial interest in the relevant Unrestricted Global Security; (3) the Issuer has the right to force any holder of Restricted Securities that is a U.S. person who is not a QIB/QP to (i) sell its Securities to (A) a QIB/QP pursuant to Rule 144A

or (B) in an offshore transaction in accordance with Regulation S to a non-U.S. person who, following such transaction, receives a beneficial interest in the relevant Unrestricted Global Security or (ii) terminate such Security; (4) each holder of any Unrestricted Security is required to be a non-U.S. person (as defined Regulation S); and (5) the Issuer has the right to force any holder of Unrestricted Securities who is a U.S. person (as defined in Regulation S) to (i) sell its Securities to (A) a person who is not a U.S. person (as defined in Regulation S) or (B) pursuant to Rule 144A to a QIB/QP who, following such transaction, receives a beneficial interest in the relevant Restricted Global Security or (ii) terminate such Security. The Issuer will send this reminder to participants in DTC and Euroclear and Clearstream, Luxembourg at least once a year with a request that participants pass it along to beneficial owners of Securities. With respect to Registered Securities listed on the Irish Stock Exchange and if the rules of that Stock Exchange so require, any notices to Securityholders must also be published in an Irish daily newspaper and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

21. CURRENCY INDEMNITY

21.1 If any sum due from the Issuer in respect of the Securities or the Coupons 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 Securities, the Issuer shall indemnify each Securityholder, on the written demand of such Securityholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, or Registrar, as the case may be, 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 Securityholder 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 to the next lower whole Japanese Yen amount and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency (with 0.005 rounded up to 0.01).

23. RENOMINALISATION AND RECONVENTIONING

23.1 *Application*: This Condition 23 (*Renominalisation and Reconventioning*) is applicable to the Securities only if it is specified in the applicable Final Terms as being applicable.

23.2 *Notice of renominalisation*: 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 Securityholders and Couponholders, on giving at least 30 calendar days' prior notice to the Securityholders and the Paying Agents and/or, as the case maybe, the Registrar, designate a date (the "**Renominalisation Date**"), being a Distribution Payment Date, Cash Settlement Payment Date or the Maturity Date under the Securities falling on or after the date on which such country becomes a Participating Member State.

23.3 *Renominalisation*: Notwithstanding the other provisions of the Conditions, with effect from the Renominalisation Date:

23.3.1 the Securities shall be deemed to be renominalised into euro in the Nominal Amount of euro 0.01 if applicable with a Nominal Amount for each Security equal to the Nominal Amount of that Security 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 EC Treaty (including compliance with rules relating to rounding in accordance with European Union 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 Securityholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Securities have been admitted to listing, trading and/or quotation and the Paying Agents and Registrar of such deemed amendments;

23.3.2 if Securities have been issued in definitive form:

(a) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Securities) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Securityholders that replacement Securities and Coupons denominated in euro are available for exchange (provided that such Securities and Coupons are available) and no payments will be made in respect thereof;

(b) the payment obligations contained in all Securities denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Securities in accordance with this Condition 23) shall remain in full force and effect; and

(c) new Securities and Coupons denominated in euro will be issued in exchange for Securities and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent or Registrar may specify and as shall be notified to the Securityholders in the Euro Exchange Notice;

23.3.3 all payments in respect of the Securities (other than, unless the Renominalisation Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments in respect of periods commencing before the Renominalisation Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred)

maintained by the payee with, a bank in the principal financial centre of any Member State of the European Union.

23.4 *Distribution*: Following renominalisation of the Securities pursuant to this Condition 23, where Securities have been issued in definitive form, the amount of any distribution due in respect of the Securities will be calculated by reference to the aggregate Nominal Amount or number of the Securities presented (or, as the case may be, in respect of which Coupons are presented for payment) by the relevant holder.

23.5 *Consequential Changes*: The Determination Agent may acting in good faith and in a commercially reasonable manner make such further adjustments to, with effect from the Renominalisation Date, any variable relevant to the exercise, redemption, settlement, or payment terms of the Securities and/or any other adjustment (including without limitation, the substitution of the Index) to account for the economic effect on the Securities of such renominalisation, which adjustment shall be effective on such date as the Determination Agent shall determine acting in good faith and in a commercially reasonable manner to be appropriate.

24. SUBSTITUTION FOR THE ISSUER

Subject to such amendment of the deed of covenant dated 18 November 2010 entered into by the Issuer relating to the Securities (the **"Deed of Covenant"**) and such other conditions as the Issuer may agree with the Fiscal Agent, but without the consent of the holders of Securities or Coupons appertaining thereto (if any), the Issuer may, subject to the Securities and the Coupons appertaining thereto being unconditionally and irrevocably guaranteed by Morgan Stanley, substitute a subsidiary of Morgan Stanley in place of the Issuer as principal obligor under the Securities and the Coupons appertaining thereto (if any) and the Deed of Covenant insofar as it relates to the Securities or may substitute Morgan Stanley in place of the Issuer.

Any Securities 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 any amounts on those Securities when and as the same will become due and payable, whether at expiration, maturity or otherwise. Under the terms of the guarantee, holders of the Securities will not be required to exercise their remedies against the substitute issuer prior to proceeding directly against Morgan Stanley.

25. GOVERNING LAW AND JURISDICTION

25.1 *Governing law*: The Securities and any non-contractual obligations arising out of or in connection with the Securities are governed by, and shall be construed in accordance with, English law.

25.2 *Jurisdiction*: The Issuer agrees for the benefit of the Securityholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which, in each case, may arise out of or in connection with the Securities (including disputes relating to any non-contractual obligations arising out of or in connection with the Securities) (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

25.3 *Appropriate forum*: The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine

any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

25.4 *Process agent*: The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 1985. If such Person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Securityholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 calendar days, any Securityholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this Condition 25.4 shall affect the right of any Securityholder to serve process in any other manner permitted by law.

25.5 *Non-exclusivity*: The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Securityholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

26. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

PRO FORMA FINAL TERMS FOR THE SECURITIES

Final Terms dated [●]

Series Number: [●] **Common Code**: [●]

Tranche: [●] **ISIN**: [●]

Morgan Stanley B.V.

Issue of [Aggregate Nominal Amount or number of Securities of Tranche] [Title of Securities]

Guaranteed by Morgan Stanley

under the Program for the Issuance of Notes, Certificates and Warrants

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (b) below, any offer of the Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Securities. Accordingly any person making or intending to make an offer of the Securities may only do so:

(a) in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or

(b) in those Public Offer Jurisdictions mentioned in Paragraph 38 of Part A below, provided such person is one of the persons mentioned in Paragraph 38 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Distribution Agent has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances].[1]

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Securities. Accordingly any person making or intending to make an offer in that Relevant Member State of the Securities may only do so in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the

[1] Consider including this legend where a non-exempt offer of Securities is anticipated.

Issuer nor any Distribution Agent has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances].[2]

PART A – CONTRACTUAL TERMS

THE SECURITIES AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY INCLUDE BEARER SECURITIES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. NEITHER THE ISSUER NOR THE GUARANTOR IS REGISTERED, OR WILL REGISTER, UNDER THE U.S INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**").

[*If Securities are offered under Regulation S only, insert:*

SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER SECURITIES, DELIVERED, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF, U.S. PERSONS (AS DEFINED IN EITHER REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED).

SEE “SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS” AND “FORM OF THE BEARER SECURITIES – TAX LIMITATIONS ON ISSUANCE OF BEARER SECURITIES” IN THE BASE PROSPECTUS. IN PURCHASING THE SECURITIES, PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON.]

[*If Securities are offered under both Rule 144A and Regulation S, insert:*

INTERESTS IN THIS SECURITY MAY ONLY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (**RULE 144A**) TO A PERSON WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RESTRICTED GLOBAL SECURITY THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (A **QIB**) WITHIN THE MEANING OF RULE 144A THAT IS ALSO A QUALIFIED PURCHASER (A **QP**) AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, AND IN A NOMINAL AMOUNT OR PURCHASE PRICE FOR EACH ACCOUNT OF NOT LESS THAN U.S.$100,000 OR (2) 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 UNDER THE SECURITIES ACT, AND, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

SEE “SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS” IN THE BASE PROSPECTUS. IN PURCHASING THE SECURITIES, PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED

[2] Consider including this legend where only an exempt offer of Securities is anticipated.

STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON.]

This document constitutes Final Terms relating to the issue of Securities described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Securities Note dated 18 November 2010 (and the Registration Document dated 18 November 2010) [and the supplemental Securities Note dated [●]][3] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

Information Concerning Investment Risk

[ ]

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 Securities (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplemental Base Prospectus dated [●]]. This document constitutes the Final Terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplemental Base Prospectus dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplemental Base Prospectuses dated [●] and [●]]. [The Base Prospectuses [and the supplemental Base Prospectuses] are available for viewing during normal business hours at [address] [and] [website] and copies may be obtained from [address].

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). 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.*]

[*When adding any other final terms or information of Part A or information in relation to the interests of natural and legal persons involved in the issue/offer in Part B consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*]

1.	(i)	Issuer:	Morgan Stanley B.V.
	(ii)	Guarantor:	Morgan Stanley
2.	[(i)]	Series Number:	[ ]

[3] Only include details of a supplemental Base Prospectus in which the Conditions have been amended for the purposes of all issues under the Program.

	[(ii) [Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Securities become fungible).]	[ ]
3.	Type:	[Basket] [Index/Share] [Warrants/Certificates/Notes]
4.	(i) Issue Date:	[ ]
	(ii) Pricing Date:	[ ]
5.	Specified Currency or Currencies:	[ ]
6.	Aggregate Nominal Amount or number of Securities [admitted to trading][4]:	[Aggregate Nominal Amount] of Securities [admitted to trading] is [ ]] [Aggregate number of Securities [admitted to trading] is [ ]] Securities]
	[(i)] Series:	[ ]
	[(ii) Tranche:	[ ]]
7.	Nominal Amount per Security:	[ ] [Not Applicable] [NB Applicable in the case of Notes and *in the case of listed Notes or publically offered Notes, the minimum Nominal Amount per Security must be at least EUR 1,000 or its equivilant]*
8.	Issue Price:	[[ ] per cent of the Nominal Amount] [ ]

PROVISIONS RELATING TO THE UNDERLYING, VALUATION AND ADJUSTMENTS

9.	Underlying:	[ ] (*Specify the Share, the Index, the Basket of Shares or the Basket of Indices. If Share or a Basket of Shares, specify Bloomberg Ticker and ISIN and Share Issuers. If Index or a Basket of Indices, specify if any Index is a multi-exchange Index*)
10.	Valuation Date:	[ ]
11.	Averaging Date Disruption:	[Omission/Postponement/Modified Postponement]
12.	Valuation Time:	[ ]
13.	Averaging Dates:	[ ]

[4] Delete for Securities with a nominal amount per Security of less than EUR50,000

14.	Exchange:	[ ]
15.	Related Exchange:	[All Exchanges] [ ]

PROVISIONS RELATING TO DISTRIBUTION AMOUNT(S) (IF ANY) PAYABLE

16.	Distribution Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph. If the Distribution Provision makes reference to Net Yield and/or Outperformance, the provisions should be completed.*)
	(i)	Distribution Commencement Date:	[Issue Date/Pricing Date/*Specify other*]
	(ii)	Distribution Valuation Date(s):	[ ] [and for the purpose of any subsequent distribution if any, the relevant Ex-Dividend Date in respect of the Shares]
	(iii)	Distribution Payment Date(s):	[ ] [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted] NB consider also rolling provisions to take account of any delay to a Distribution Valuation Date pursuant to Condition [9] (*Adjustment Provisions*)
	(iv)	Distribution Amount[(s)]:	[ ] *(Specify relevant exchange rate, if applicable)*
	(v)	Minimum Distribution Amount:	[ ] [Not Applicable]
	(vi)	Maximum Distribution Amount:	[ ] [Not Applicable]
	(vii)	Other terms relating to the payment of Distribution Amounts:	[ ] [None]
	(viii)	Additional Outperformance Weighting:	[[ ] per cent.][Not Applicable]
	(ix)	Net Yield Weighting:	[[ ] per cent.][Not Applicable]
	(x)	Outperformance Weighting:	[[ ] per cent.][Not Applicable]
	(xi)	Additional Outperformance Period:	[ ] [From and including the [Issue Date] to but excluding the [Final Valuation Date]] [Not Applicable]
	(xii)	Reference Period:	[ ] [From and including the [Pricing Date] to but excluding the [Expiration Date]]

(xiii)	Extraordinary Dividend:	[ ] [Not Applicable]
(xiv)	Relevant Deduction:	[ ] [Not Applicable]
(xv)	Final Valuation Date:	[ ] [As defined in Condition 2.1]

PROVISIONS RELATING TO EXERCISE, REDEMPTION AND TERMINATION

17.	Exercise	[Applicable/Not Applicable] *(This is only applicable for Certificates and Warrants. If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Exercise Style:	[European/American/Bermudan style] Securities (If "European", consider whether any Break Fee is applicable)
(ii)	Deemed Exercise:	[Applicable/Not Applicable]
(iii)	Call/Put:	[[Call/Put] Warrants] [Not Applicable]
(iv)	Exercise Date or Potential Exercise Date(s):	[ ]
(v)	Exercise Period or Commencement Date:	[ ]
(vi)	Exercise Business Day:	[Includes/Excludes] a Scheduled Trading Day [and an Exchange Business Day]
(vii)	Latest Exercise Time:	[ ]
(viii)	Expiration Date	[ ]
(ix)	Minimum Exercise Amount:	[ ]
(x)	Maximum Exercise Amount:	[ ]
(xi)	Permitted Multiple:	[ ] [Not Applicable]
(xii)	Cash Settlement Amount of each Security:	[ ] [*give or annex details in relation, if applicable, to lowest nominal amount. In case of Warrants include reference to the relevant Strike Value. If the Cash Settlement Amount makes reference to Net Yield and/or Outperformance or other reference base(s), the relevant provisions should be specified in the Annex hereto.*]
(A)	Reference Value:	[ ]

		(B) Strike Value (for Warrants only):	[ ] [Not Applicable]
		(C) Settlement Value:[5]	[ ] [Not Applicable]
		(D) Hedging Realisation Price:	[Applicable/Not Applicable] *(specify Hedging Realisation Price if different from definitions of Hedging Realisation Price in the Conditions)*
	(xiii)	Cash Settlement Payment Date:	[ ]
	(xiv)	Maximum Cash Settlement Amount:	[ ]
	(xv)	Break Fee:	[ ] [[ ] per cent of the Cash Settlement Amount] [Not Applicable] *(express as amount per Security)*
	(xvi)	Break Fee Date:	[ ] [Not Applicable]
	(xvii)	Other terms relating to the payment of Cash Settlement Amount:	[ ] [None]
18.	Redemption:		[Applicable/Not Applicable] *(This is only applicable for Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Final Redemption Amount	[ ] [*give or annex details in relation, if applicable, to lowest nominal amount. If the Final Redmeption Amount makes reference to Net Yield and/or Outperformance or other reference base(s), relevant provisions should be specified in the Annex hereto.*]
		(A) Reference Value:	[ ]
		(B) Settlement Value:6	[ ] [Not Applicable]
		(C) Hedging Realisation Price:	[Applicable/Not Applicable] *(specify Hedging Realisation Price if different from definitions of Hedging Realisation Price in the Conditions)*
	(ii)	Maturity Date:	[ ]
	(iii)	Other terms relating to the payment of Final Redemption Amount:	[ ] [None]

[5] Where "Averaging Dates" are used.
[6] Where "Averaging Dates" are used.

PROVISIONS RELATING TO EARLY TERMINATION AND DISRUPTION

19.	Issuer's Call Option:		[Applicable/ Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Termination Date (Call):	[ ]
	(ii)	Issuer Call Notice Period:	[[ ] Business Days] [*NB Not to be less than five Business Days]*
	(iii)	Optional Termination Amount (Call):	[*Specify if different from the definition of Optional Termination Amount (Call) in the Conditions.*]
	(iv)	Break Fee:	[ ] [[ ] per cent of the Optional Termination Amount] [Not Applicable] *(express as amount per Security)*
	(v)	Break Fee Date:	[ ] [Not Applicable]
	(vi)	Other terms relating to the Issuer's Call Option:	[ ] [None]
20.	Investor Put Option		[Applicable/ Not Applicable] (*This will never be applicable for Certificates or Warrants. If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Termination Date (Put):	[ ]
	(ii)	Investor Put Notice Period:	[The period from and including the date on which the relevant Put Notice is deemed validly given to both the Paying Agent, Registrar or any Transfer Agent (as applicable) and the Determination Agent (in accordance with Condition 20 (*Notices*)) to and including the day falling [●] Business Days thereafter] [*NB Not to be less than fifteen Business Days]*
	(iii)	Optional Termination Amount (Put):	[*Specify if different from the definition of Optional Termination Amount (Put) in the Conditions.*]
	(iv)	Break Fee:	[ ] [[ ] per cent of the Optional Termination Amount] [Not Applicable] *(express as amount per Security)*
	(v)	Break Fee Date:	[ ] [Not Applicable]
	(vi)	Other terms relating to the	[ ] [None]

Noteholder's Put Option:

21.	Additional Disruption Event:	[Change in Law, Hedging Disruption, Increased Cost of Hedging, Loss of Stock Borrow] (*Specify all that apply and if the early termination amount is different from the provision in the relevant Condition. NB Loss of Stock Borrow (as defined in Condition 10) is applicable to Share Securities only.*)
22.	Early Termination Amount (if different from Condition 2 (*Interpretation*)):	[ ]
	Other terms relating to early termination:	[ ] [None]

GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

23.	Form of Securities:	[Bearer Securities: [Temporary Global Security exchangeable for a Permanent Global Security which is exchangeable for Definitive Securities on [60] days' notice/at any time/in the limited circumstances specified in the Permanent Global Security] [Temporary Global Security exchangeable for Definitive Securities, bearer form, on [ ] days' notice] [Permanent Global Security exchangeable for Definitive Securities, bearer form, on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Security]] [Registered Securities: [Unrestricted Global Security [and] Restricted Global Security, exchangeable for Individual Registered Instruments only in circumstances specified in the relevant Global Security]
24.	[(i)] Status of the Guarantee:	[Senior/[Dated/Perpetual]
	(ii) [[Date [Board] approval for issuance of Securities [and Guarantee] obtained:]	[ ] [and [ ], respectively] (*N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Securities or related Guarantee)*
25.	Financial Centre(s):	[*Give details. NB Must specify relevant Financial Centre(s) for the purposes of the definitions of "Business Day" and "Payment Business Day"]*

26.	Talons for future Coupons or Receipts to be attached to Definitive Securities (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Renominalisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition 23 (*Renominalisation and Reconventioning*)] [annexed to these Final Terms] apply]
28.	Consolidation provisions:	[Not Applicable/The provisions [in Condition 19 (*Further Issues*) [annexed to these Final Terms] apply]
29.	Clearance System:	[Euroclear and Clearstream, Luxembourg] [DTC]
30.	Determination Agent:	[Morgan Stanley & Co. International plc]
31.	Additional US Federal Tax Considerations:	[Not applicable/give details]
32.	Other final terms:	[Not Applicable/*give details/See Annex*] (*When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

DISTRIBUTION

33.	Method of distribution:		[Syndicated/Non-syndicated]
34.	(i)	If syndicated, names [and addresses][7] of [Distribution Agents] [and underwriting commitments] [8]	[Not Applicable/*give names[, addresses and underwriting commitments*] [9] [(*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Distribution Agents.*)] [10]
	(ii)	[Date of [Subscription] Agreement:	[ ]] [11]
	(iii)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]

[7] Delete for Securities with a nominal amount per Security of EUR50,000 or more
[8] Delete for Securities with a nominal amount per Security of EUR50,000 or more
[9] Delete for Securities with a nominal amount per Security of EUR50,000 or more
[10] Delete for Securities with a nominal amount per Security of EUR50,000 or more
[11] Delete for Securities with a nominal amount per Security of EUR50,000 or more

35.	If non-syndicated, name [and address] [12] of [Distribution Agents]:	[Not Applicable/*give name [and address*] [13]]
36.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable in the case of Bearer Securities:	[ ]
37.	[Total commission and concession:	[ ] per cent. of the Aggregate Nominal Amount] [14]
38.	Non exempt Offer:	[Not Applicable] [An offer of the Securities may be made by the Distribution Agent[s] [and [*specify names of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. "other parties authorised by the Distribution Agent[s]"*) *or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known*]] (together with the Distribution Agent[s], the "**Financial Intermediaries"**) other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) - which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)*] ("**Public Offer Jurisdictions"**) during the period from [*specify date*] until [*specify date or a formula such as "the Issue Date" or "the date which falls [•] Business Days thereafter"*] ("**Offer Period"**) . See further Paragraph 8 of Part B below.
39.	Additional selling restrictions:	[Not Applicable/*give details*]

[**LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required for issue and admission to trading on the [Regulated Market of the Irish Stock Exchange][●]of the Securities described herein pursuant to the Program for the Issuance of Notes, Certificates and Warrants by Morgan Stanley B.V.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] 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 [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

[12] Delete for Securities with a nominal amount per Security of EUR50,000 or more
[13] Delete for Securities with a nominal amount per Security of EUR50,000 or more
[14] Delete for Securities with a nominal amount per Security of EUR50,000 or more

Signed on behalf of the Issuer:

By: ....

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing:	[Irish Stock Exchange/other (*specify*)/None]
(ii)	Admission to trading:	[Application has been made for the Securities to be admitted to trading on [ ] with effect from [ ].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original securities are already admitted to trading.*)
(iii)	[Estimate of total expenses related to admission to trading:	[ ]][15]

2. RATINGS

Credit ratings assigned to [the Guarantor] [the Securities:	[None] [The Securities to be issued have been rated:] [S & P: [ ]] [Moody's: [ ]] [Fitch: [ ]] [[Other]: [ ]]] [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*][16] [*Specify the credit ratings (if any) assigned to the issuer or its debt securities at the request or with the co-operation of the Issuer in the rating process.*]

3. [NOTIFICATION

The [*include name of competent authority in home Member State*] [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Program and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

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15 Delete for Securities with a nominal amount per Security of less than EUR50,000

16 Delete for Securities with a nominal amount per Security of EUR50,000 or more

4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale and Transfer Restrictions"], so far as the Issuer is aware, no person involved in the offer of the Securities has an interest material to the offer."]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i)	[Reasons for the offer	[ ] (*If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.*)
(ii)	[Estimated net proceeds:	● (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
(iii)	[Estimated total expenses:	● [*Include breakdown of expenses.*] (*If the Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.*)

6. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, [EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS][17] AND OTHER INFORMATION CONCERNING THE UNDERLYING[18]

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident][19]. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]

[17] Delete for Securities with a nominal amount per Security of EUR50,000 or more

[18] *This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies*

[19] Delete for Securities with a nominal amount per Security of EUR50,000 or more

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.*]

(*When completing the above paragraphs, 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 Propsectus 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:	[ ]
Common Code:	[ ]
CUSIP:	[ ]
Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and The Depository Trust Company and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[ ]

8. TERMS AND CONDITIONS OF THE OFFER (PUBLIC OFFER ONLY)[20]

Offer Price:	[Issue Price/Not applicable/*specify*]
[Conditions to which the offer is subject:]	[Not applicable/*give details*]
[Description of the application process]:	[Not applicable/*give details*]
[Details of the minimum and/or maximum amount of application]:	[Not applicable/*give details*]
[Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants]:	[Not applicable/*give details*]
[Details of the method and time	[Not applicable/*give details*]

[20] Delete this section for offers which are not public offers for the purposes of the Prospectus Directive

limits for paying up and delivering the Notes:]	
[Manner in and date on which results of the offer are to be made public:]	[Not applicable/*give details*]
[Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]	[Not applicable/*give details*]
[Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:]	[Not applicable/*give details*]
[Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:]	[Not applicable/*give details*]
[Amount of any expenses and taxes specifically charged to the subscriber or purchaser:]	[Not applicable/*give details*]
[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/*give details*]

ANNEX

[*Set out details of Cash Settlement Amount (item 17), Final Redemption Amount (item 18), Renominalisation and reconventioning provisions (item 27), Consolidation provisions (item 28) and any other relevant provision, if required*]

FORM OF BEARER SECURITIES

Unless otherwise specified in the applicable Final Terms, each issuance of bearer Securities ("**Bearer Securities**") having a maturity of more than 183 days from the Issue Date (and any Tranche thereof) will initially be in the form of a temporary global security (a "**Temporary Global Security**"), without coupons. Each Temporary Global Security will be deposited on or around the issue date of such Securities (or any Tranche thereof) with a depositary or a common depositary (a "**Bearer Security Depositary**") for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Upon deposit of each Temporary Global Security, Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or, as applicable, any other relevant clearing system, will credit each subscriber with a Nominal Amount or number of Securities equal to the Nominal Amount or number for which it has subscribed and paid.

The interests of the beneficial owner or owners in a Temporary Global Security will be exchangeable, in whole or in part, for interests in a permanent global security (a "**Permanent Global Security**" and, together with a Temporary Global Security, the "**Global Securities**"), without coupons, to be held by a Bearer Security Depositary after the date (the "**Exchange Date**") that is 40 days after the date on which the Issuer receives the proceeds of the sale of that Security (or the relevant Tranche thereof) (the "**Closing Date**") only upon certification as to non-U.S. beneficial ownership. The Exchange Date for any Security held by a Distribution Agent (as defined in "Subscription and Sale and Transfer Restrictions" - see page 170 of this Base Prospectus) as part of an unsold allotment or subscription more than 40 days after the Closing Date for that Security will be the day after the date that Security is sold by that Distribution Agent. However, that exchange will be made only upon receipt of Ownership Certificates (as defined below). No payments will be made under the Temporary Global Security unless exchange for interests in the Permanent Global Security is improperly withheld or refused. In addition, payments of Distribution Amounts in respect of the Securities cannot be collected without such certification of non-U.S. beneficial ownership. Each issuance of Securities having a maturity of 183 days from the Issue Date or less will be in the form of a Permanent Global Security.

Whenever any interest in the Temporary Global Security is to be exchanged for an interest in a Permanent Global Security, the Issuer shall procure (in the case of the first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Security, duly authenticated, to the bearer of the Temporary Global Security or (in the case of any subsequent exchange) an increase in the Nominal Amount of or number of Securities represented by the Permanent Global Security in accordance with its terms against:

(i) presentation and (in the case of final exchange) surrender of the Temporary Global Security at the Specified Office of the Fiscal Agent; and

(ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

The aggregate Nominal Amount of or number of Securities represented by the Permanent Global Security shall be equal to the aggregate of the Nominal Amounts or the aggregate number of Securities specified in the certificates of non-U.S. beneficial ownership; *provided, however,* that in no circumstances shall the Nominal Amount of or number of Securities represented by the Permanent Global Security exceed the initial Nominal Amount of or initial number of Securities represented by the Temporary Global Security.

The Permanent Global Security will be exchangeable in whole, but not in part, for Securities in definitive form ("**Definitive Securities**"), which will be serially numbered, with coupons, if any, attached if:

(a) Euroclear or Clearstream, Luxembourg or any other 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; or

(b) any security is terminated following any of the circumstances described in "Terms and Conditions of the Securities" or the date for final settlement or redemption of the relevant Securities has occurred and, in either case, payment in full has not been made in accordance with its terms on the due date for payment.

Whenever the Permanent Global Security is to be exchanged for Definitive Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Securities, duly authenticated and with Coupons (as defined in "Terms and Conditions of the Securities" above) and Talons attached (if so specified in the applicable Final Terms), in an aggregate Nominal Amount or number of Securities equal to the Nominal Amount of or number of Securities represented by the Permanent Global Security to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange. The Bearer Security Depositary for Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system will instruct the Fiscal Agent regarding the aggregate Nominal Amount of or number of Securities represented by Definitive Securities that must be authenticated and delivered to each of Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system. Definitive Securities may not be delivered in the United States. Definitive Securities will be serially numbered.

Terms and Conditions Applicable to the Securities

The terms and conditions of any Definitive Security will be endorsed on that Definitive Security and will consist of the terms and conditions set out under "Terms and Conditions of the Securities", as set out above (or in the relevant Supplemental Securities Note) and the provisions of the applicable Final Terms, which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Security in global form will differ from those terms and conditions which would apply to the Security were it in definitive form to the extent described under "Summary of Provisions Relating to the Securities while in Global Form" below.

Tax Legend Concerning United States Persons

In the case of Bearer Securities (or any Tranche thereof) having a maturity of more than 183 days from the Issue Date, the Global Securities, the Definitive Securities and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Bearer Security, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or exercise or redemption of such Bearer Security, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or exercise or redemption will be treated as ordinary income.

Any Bearer Securities (or any Tranche thereof) having a maturity of 183 days from the Issue Date or less must have a minimum face and principal amount of U.S.$500,000 and bear the following legend:

"By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and regulations thereunder)."

Tax Limitations on Issuance of Bearer Securities

In compliance with U.S. federal income tax laws and regulations, Bearer Securities, including Bearer Securities in global form, may not be offered, sold or delivered, directly or indirectly, in the United States or its possessions or to United States persons, as defined below, except as otherwise permitted by U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D). Any underwriters, agents or dealers participating in the offerings of Bearer Securities, directly or indirectly, must agree that (i) they will not, in connection with the original issuance of any Bearer Securities or during the restricted period with respect to such Bearer Securities (as defined in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) (the "**Restricted Period**"), offer, sell or deliver, directly or indirectly, any Bearer Securities in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury Regulations described above; and (ii) they will not, at any time offer, sell or deliver, directly or indirectly, any Bearer Securities in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury Regulations above.

In addition, any underwriter, agent or dealer must have procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Securities are aware of the above restrictions on the offering, sale or delivery of Bearer Securities.

Bearer Securities, other than Bearer Securities that satisfy the requirements of U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(iii) and any coupons or talons appertaining thereto, will not be delivered in definitive form, and no Distribution Amount will be paid thereon, unless the Issuer has received a signed certificate in writing, or an electronic certificate described in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(ii), (an "**Ownership Certificate**") stating that on the date of the Ownership Certificate that Bearer Security:

(1) is owned by a person that is not a U.S. person;

(2) is owned by a United States person that is described in U.S. Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6); or

(3) is owned by a U.S. or foreign financial institution for the purposes of resale during the Restricted Period,

and, in addition, if the owner of the Bearer Security is a United States or foreign financial institution described in clause (3) above, whether or not also described in clause (1) or clause (2) above, the financial institution certifies that it has not acquired the Bearer Security for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

The Issuer will make payments on Bearer Securities only outside the U.S. and its possessions except as permitted by the above regulations.

As used herein, "**United States person**" means, for U.S. federal income tax purposes, (i) a citizen or resident of the United States; (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof (including the District of

Columbia); or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Additional United States Transfer Restriction

Notwithstanding anything to the contrary herein, no Bearer Security, whether in definitive or global form, shall be offered, sold or delivered at any time to, or for the account or benefit of, a United States person (as defined in the U.S. Internal Revenue Code of 1986 (the "**Code**"), and regulations thereunder).

FORM OF REGISTERED SECURITIES

Form of Registered Securities

Securities in registered form ("**Registered Securities**") will not have coupons attached. Registered Securities which are offered and sold outside the United States in reliance on Regulation S ("**Unrestricted Securities**") will be represented by interests in a global Registered Security (an "**Unrestricted Global Security**"). The Unrestricted Global Security will be registered in the name of a nominee for, and shall be deposited on its issue date with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

Registered Securities offered and sold in reliance on Rule 144A ("**Restricted Securities**") will be represented by interests in a global Registered Security (a "**Restricted Global Security**" and together with the Unrestricted Global Security, a "**Global Security**"). The Restricted Global Security will be registered in the name of Cede & Co. as nominee for DTC and will be deposited on or about the Issue Date with (1) the DTC custodian or (2) a common depository acting on behalf of Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be. Distributions in the Global Securities will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear, and Clearstream, Luxembourg and their direct and indirect participants. Individual Registered Instruments ("**Individual Registered Instruments**") evidencing holdings of Registered Securities will only be available in certain limited circumstances as described below under "Exchange of Distributions in Global Securities for Individual Registered Instruments".

Exchange of Interest in Global Securities for Individual Registered Instruments

Registration of title to Securities initially represented by the Global Security in a name other than DTC, Euroclear or Clearstream, Luxembourg or a successor depositary or one of their respective nominees will not be permitted unless (a) any such entity notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Global Security or ceases to be a clearing agency (as defined in the Exchange Act), or is at any time no longer eligible to act as such, and the Issuer is (in the case of it ceasing to be depositary) unable to locate a qualified successor within 90 calendar days of receiving notice of such ineligibility on the part of such depositary or (b) DTC, Euroclear or Clearstream, Luxembourg, as the case may be, is closed for a continuous period of 14 calendar days (other than by reason of legal holidays) or announces an intention permanently to cease business.

In such circumstances, the Issuer shall procure the delivery of Individual Registered Instruments in exchange for the Unrestricted Global Security and/or the Restricted Global Security. A person having an interest in a Global Security must provide the Registrar (through DTC, Euroclear and/or Clearstream, Luxembourg) with (i) such information as the Issuer and the Registrar may require to complete and deliver Individual Registered Instruments (including the name and address of each person in which the Individual Registered Instruments are to be registered and the Nominal Amount or number of Securities of each such person's holding) and (ii) (in the case of the Restricted Global Security only) a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Security stating either (1) that such holder is not transferring its interest at the time of such exchange or (2) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Securities and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB/QP and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Registered Securities issued in exchange for interests in the Restricted Global Security will bear the legends and be subject to the transfer restrictions set out above under "Subscription and Sale and Transfer Restrictions".

Whenever a Global Security is to be exchanged for Individual Registered Securities, such Individual Registered Securities will be issued within five business days to the delivery to the Registrar of the information and any required certification described in the preceding paragraph against the surrender of the relevant Global Security at the Specified Office of the Registrar. Such exchange shall be effected in accordance with the regulations concerning the transfer and registration from time to time in relation to the Securities and shall be effected without charge, 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.

If (a) Individual Registered Securities have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the due date for their delivery in exchange for interests in a Global Security or (b) any of the Securities represented by a Global Security has become due and payable in accordance with the conditions or the date for final exercise or redemption of the Securities has occurred and, in either case, payment in full has not been made to the registered Securityholder of such Global Security in accordance with its terms on the due date for payment, then such Global Security (including the obligation to deliver Individual Registered Securities) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the registered Securityholder will have no further rights under such Global Security (but without prejudice to the rights of holders under the Deed of Covenant).

The Registrar will not register the transfer of or exchange of interests in a Global Security for Individual Registered Securities (i) for a period of 15 calendar days ending on the due date for any payment in respect of the Registered Securities; (ii) during the period 15 calendar days before any date on which Registered Securities may be terminated by the Issuer at its option pursuant to Condition 6.12 (*Termination at the option of the Issuer*) of the "Terms and Conditions of the Securities"; or (iii) after any such Registered Security has been terminated.

Book-Entry Ownership of Global Securities

The Issuer has applied to DTC, Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry settlement systems of the Registered Securities. The Unrestricted Securities and Restricted Securities held within Euroclear and Clearstream will have a common code and an ISIN. The Issuer has also applied to DTC, Euroclear and Clearstream, Luxembourg for acceptance in their respective book entry settlement systems of the Restricted Securities. The Restricted Securities held within the DTC system will have a CUSIP number.

The DTC custodian and DTC will record electronically the Nominal Amount or number of the Securities represented by the Restricted Global Security held within the DTC system. Investors shall hold their interests in the Restricted Global Security directly through DTC, if they are participants in DTC, or indirectly through organisations which are participants in DTC.

The common depositary and Euroclear and Clearstream, Luxembourg will record electronically the Nominal Amount or number of the Securities represented by the Unrestricted Global Security held within Euroclear and Clearstream, Luxembourg. Investors shall hold their interests in the Unrestricted Global Security or the Restricted Global Security directly through Euroclear and Clearstream, Luxembourg, if they are participants in Euroclear and Clearstream, Luxembourg, or indirectly through organizations which are participants in Euroclear and Clearstream, Luxembourg.

Payments of any amounts payable under each Global Security registered in the name of DTC's nominee or in the name of the common depositary acting on behalf of Euroclear and Clearstream, Luxembourg will be made to or to the order of DTC's nominee or the common depositary as the registered holder of such Global Security, as the case may be. The Issuer expects that the nominee or common depositary, as the case may be, upon receipt of any such payment, will immediately credit

participants' accounts with payments in amounts proportionate to their respective interests in the Nominal Amount of or number of Securities represented by the relevant Global Security as shown on the records of the nominee or common depositary, as the case may be. The Issuer also expects that payments by participants to owners of interests in such Global Security held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants. None of the Issuer, the Registrar, any Transfer Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Security or for maintaining, supervising or reviewing any records relating to such ownership interests.

While a Restricted Global Security is lodged with DTC or its custodian, or with a common depositary for Euroclear and Clearstream, Luxembourg, Securities represented by Individual Registered Instruments will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Transfer of Interests in Global Securities

Transfer of interests in Global Securities within DTC, Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Securities. Consequently, the ability to transfer interests in a Global Security to such persons will be limited.

Subject to compliance with the transfer restrictions applicable to the Securities described above and under "Subscription and Sale and Transfer Restrictions", cross-market transfers between DTC participants, on the one hand, and Clearstream, Luxembourg or Euroclear account holders, on the other, will be effected in DTC in accordance with DTC rules and procedures and on behalf of Clearstream, Luxembourg (as the case may be) or Euroclear by its respective depositary. However, such cross-market transactions will require delivery of instructions to Clearstream, Luxembourg or (as the case may be) Euroclear by the counter party in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or (as the case may be) Euroclear will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant Global Security in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg account holders and Euroclear account holders may not deliver instructions directly to the depositaries for Clearstream, Luxembourg or Euroclear.

Because of time zone differences, credits of Securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during the securities settlement processing day dated the business day following the DTC settlement date and such credits of any transactions in such securities settled during such processing will be reported to the relevant Clearstream, Luxembourg or Euroclear account holder on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of Securities by or through a Clearstream, Luxembourg account holder or a Euroclear account holder to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream, Luxembourg account holders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangement for transfer of Securities, the latter being effected on a free delivery

basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Securities, see "Subscription and Sale and Transfer Restrictions".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Securities (including, without limitation, the presentation of Global Security for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Global Securities are credited, and only in respect of such portion of the aggregate Nominal Amount of or number of Securities represented by the Global Securities as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the Global Securities for Individual Registered Instruments (which will, in the case for Restricted Securities, bear the legend set out under "Subscription and Sale and Transfer Restrictions").

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Securities among participants and account holders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, the Registrar nor any Transfer Agent or any Paying Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Bearer Securities (or any Tranche thereof) represented by a Global Security, references in the "Terms and Conditions of the Securities" to "Securityholder" are references to the bearer of the relevant Global Security which, for so long as the Global Security is held by a Bearer Security Depositary, will be that Bearer Security Depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Security or Permanent Global Securities (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Security and in relation to all other rights arising under the Global Security, including any right to exchange any exchangeable Securities or any right to require the Issuer to repurchase such Securities. The respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time will determine the extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Security and the timing requirements for meeting any deadlines for the exercise of those rights. For so long as the relevant Securities are represented by the Global Security, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Securities and such obligations of the Issuer will be discharged by payment to the bearer of the Global Security, as the case may be, in respect of each amount so paid.

So long as Euroclear, Clearstream, Luxembourg, DTC or its nominee is the registered holder of a registered Global Security, Euroclear, Clearstream, Luxembourg DTC or such nominee, as the case may be, will be considered the sole owner of the Securities represented by such registered Global Securities for all purposes under the Issue and Paying Agency Agreement and such Securities, except to the extent that in accordance with Euroclear, Clearstream, Luxembourg or DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Exchange of Temporary Global Securities

If:

(a) a Permanent Global Security has not been delivered or the Nominal Amount thereof or the number of Securities represented thereby increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Security has requested exchange of an interest in the Temporary Global Security for an interest in a Permanent Global Security; or

(b) a Temporary Global Security (or any part thereof) has become due and payable in accordance with the terms and conditions of such Temporary Global Security as set out in "Terms and Conditions of the Securities" or the date for final exercise or redemption of a Temporary Global Security has occurred and, in either case, payment in full has not been made to the bearer of the Temporary Global Security in accordance with the terms of the Temporary Global Security on the due date for payment,

then the Temporary Global Security (including the obligation to deliver a Permanent Global Security or increase the Nominal Amount thereof or the number of Securities represented thereby, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above)

or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Security or others may have in respect of the Securities under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Security in respect of the Securities will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Temporary Global Security became void, they had been the holders of Definitive Securities in an aggregate Nominal Amount or number of Securities equal to the Nominal Amount or number of the Securities they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Securities

Whenever a Permanent Global Security is to be exchanged for Definitive Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Securities, duly authenticated and with Coupons and Talons attached (if so specified in the applicable Final Terms), in an aggregate Nominal Amount or number of Securities equal to the Nominal Amount of or number of Securities represented by the Permanent Global Security to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security at the Specified Office of the Fiscal Agent within 30 calendar days of the bearer requesting such exchange.

If:

(a) a Permanent Global Security was originally issued in exchange for part only of a Temporary Global Security representing the Securities and such Temporary Global Security becomes void in accordance with its terms; or

(b) a Permanent Global Security (or any part of it) has become due and payable in accordance with the terms and conditions of such Permanent Global Security as set out in "Terms and Conditions of the Securities" or the Securities have been exercised or redeemed and, in either case, payment in full has not been made to the bearer of the Permanent Global Security in accordance with the terms of the Permanent Global Security on the due date for payment,

then the Permanent Global Security (including the obligation to deliver Definitive Securities) will become void at 5.00 p.m. (London time) on the date on which such Temporary Global Security becomes void (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Security or others may have in respect of the Securities under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system in force as being entitled to an interest in a Permanent Global Security in respect of the Securities will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Permanent Global Security became void, they had been the holders of Definitive Securities in an aggregate Nominal Amount or number of Securities equal to the Nominal Amount or number of the Securities they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Registered Securities

If the Final Terms states that Registered Securities are to be represented by a permanent Global Security on issue, the following will apply in respect of transfers of Securities held in Euroclear or Clearstream, Luxembourg and DTC or such other relevant clearing system, as the case may be. These

provisions will not prevent the trading of interests in the Registered Securities within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Securities may be withdrawn from the relevant clearing system.

Transfers of the holding of Registered Securities represented by any Global Security pursuant to Condition 3.6 (*Transfer of Registered Securities*) of the "Terms and Conditions of the Securities" may only be made in part:

(a) if the Securities represented by the Global Security are held on behalf of Euroclear or Clearstream, Luxembourg or DTC, or such other relevant clearing system, as the case may be and any such clearing system is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(b) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (a) above, the holder of such Registered Security (the "**Registered Securityholder**") has given the Registrar not less than 30 calendar days' notice at its specified office of the Registered Securityholder's intention to effect such transfer. Where the holding of Securities represented by a Global Security is only transferable in its entirety, the certificate issued to the transferee upon transfer of such holding shall be a Global Security. Where transfers are permitted in part, certificates issued to transferees shall not be Global Securities unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or DTC and/or such other relevant clearing system, as the case may be.

Nominal Amount of the Securities

The Securities may be issued in Nominal Amounts specified in the applicable Final Terms. If a Nominal Amount is specified and for so long as the Securities are represented by a Global Security, and Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, so permit, the Securities shall be tradable in such Nominal Amounts or such minimum number of Securities and integral multiples of any amount thereafter, as specified in the applicable Final Terms. If Definitive Securities are required to be issued in the limited circumstances specified in the Global Security they will only be printed and, if a Nominal Amount is specified in the applicable Final Terms, issued in nominal amounts equal to such Nominal Amount. Accordingly, where applicable, if Definitive Securities are required to be issued, a Securityholder holding Securities having an original Nominal Amount which cannot be fully represented by Definitive Securities in the nominal amount of at least at least EUR 1,000 per Security (or its equivalent) will not be able to receive a Definitive Security in respect of the original Nominal Amount of the Securities by which the original Nominal Amount of such holding of Securities exceeds the next lowest integral multiple of at least EUR 1,000 per Security (or its equivalent), (the "**Excess Amount**") and will not be able to receive any payment in respect of such Excess Amount. Furthermore, at any meetings of Securityholders while Securities are represented by a Global Security and Securities are issued in Nominal Amounts any vote cast shall only be valid if it is in respect of at least EUR 1,000 (or its equivalent) in Nominal Amount and no vote may be cast in respect of any smaller Nominal Amount

Conditions Applicable to Global Securities

Each Global Security will contain provisions which modify the terms and conditions set out in "Terms and Conditions of the Securities" as they apply to the Global Security. The following is a summary of certain of those provisions:

(a) Exercise procedures:

Subject to Condition 6.4 (*Securities void on expiry*) of the "Terms and Conditions of the Securities" and to prior termination of the Securities as provided in the Conditions, Securities that are Certificates or Warrants may be exercised by a Securityholder (at his own expense) at such time and on such day(s) as provided in Condition 6.1 (*Exercise Style*) of the "Terms and Conditions of the Securities" by delivery of a duly completed and signed Exercise Notice to (i) the relevant Clearance System and (ii) the relevant Paying Agent or, in the case of a Registered Security, the Registrar or any Transfer Agent, with a copy to the Determination Agent.

In the case of a bearer Global Security, the bearer of the bearer Global Security must, within the period specified therein for the deposit of the relevant Security and exercise notice, give written notice of such exercise to the Fiscal Agent and/or such other person as is specified in the relevant Final Terms specifying the nominal amount or number of Securities being exercised. Any such notice will be irrevocable and may not be withdrawn.

Subject to Condition 6.4 (*Securities void on expiry*) of the "Terms and Conditions of the Securities", any Exercise Notice delivered after the Latest Exercise Time on any day shall: (a) in the case of Bermudan Style Securities and European Style Securities, be void and (b) in the case of American Style Securities, be deemed to have been delivered on the next following day on which such Securities are exercisable (unless no such day occurs on or prior to the Expiration Date, in which case that Exercise Notice shall be void).

Form of Exercise Notice: Each Exercise Notice shall be in the form (for the time being current) available from each Paying Agent or Registrar or Transfer Agent, and must:

(i) specify the name, address, telephone and facsimile details of the Securityholder in respect of the Securities being exercised;

(ii) specify the number of Securities of the relevant Series being exercised by the Securityholder (which must not be less than the Minimum Exercise Number);

(iii) specify the number of the Securityholder's account at the relevant Clearance System to be debited with the Securities being exercised and irrevocably instruct, or, as the case may be, confirm that the Securityholder has irrevocably instructed, the relevant Clearance System to debit the Securityholder's account with the Securities being exercised and credit the same to the account of the relevant Paying Agent;

(iv) where applicable, specify the number of the Securityholder's account at the relevant Clearance System to be credited with the Cash Settlement Amount for the Securities being exercised;

(v) include an irrevocable undertaking to pay (a) any applicable Taxes due by reason of exercise of the relevant Securities and (b) any Break Fee, if applicable, and an authority to the Issuer and the relevant Clearance System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Securityholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) and to debit a specified account of the Securityholder at the relevant Clearance System with an amount or amounts in respect thereof;

(vi) in the case of Securities other than Restricted Securities, give a certification as to the non-U.S. beneficial ownership of the Securities being exercised therewith; and

(vii) Authorise the production of such certification in any applicable administrative or legal proceedings.

Verification of Securityholder:

To exercise Securities, the Securityholder thereof must duly complete an Exercise Notice. The relevant Clearance System shall, in accordance with its normal operating procedures, verify that each person exercising Securities is the Securityholder thereof according to the records of such Clearance System and that such Securityholder has an account at the relevant Clearance System which contains Securities in an amount being exercised and funds equal to any applicable Taxes in respect of the Securities being exercised.

If, in the determination of the relevant Clearance System or the relevant Paying Agent or Registrar or Transfer Agent:

(i) the Exercise Notice is not complete or not in proper form;

(ii) the person submitting an Exercise Notice is not validly entitled to exercise the relevant Securities or not validly entitled to deliver such Exercise Notice; or

(iii) sufficient Securities or sufficient funds equal to any applicable Taxes or any Break Fee are not available in the specified account(s) with the relevant Clearance System on the Exercise Date,

that Exercise Notice will be treated as void and a new duly completed Exercise Notice must be submitted if exercise of the Securityholder's Securities is still desired.

Any determination by the relevant Clearance System or the relevant Paying Agent or Registrar or Transfer Agent as to any of the matters set out above shall, in the absence of manifest error, be conclusive and binding upon the Issuer, the Securityholder and the beneficial owner of the Securities exercised.

Notification to the relevant Paying Agent or Registrar or Transfer Agent and Common Depositary:

Subject to the verification set out above, the relevant Clearance System will:

(i) confirm to the relevant Paying Agent or Registrar or Transfer Agent (copied to the Issuer and the Determination Agent) the number of Securities being exercised and the number of the account to be credited with the Cash Settlement Amount; and

(ii) promptly notify the Common Depositary of receipt of the Exercise Notice and the number of the Securities to be exercised.

Upon exercise of part of the Global Security, the Common Depositary will note such exercise on the Schedule to the Global Security and the number of Securities so exercised as represented by the Global Warrant shall be cancelled pro tanto.

Effect of Exercise Notice:

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Securityholder to exercise the Securities specified therein, provided that the person exercising and delivering such Exercise Notice is the person then appearing in the records of the relevant Clearance System as the holder of the relevant Securities. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become void and shall be deemed not to have been so delivered.

After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void) by a Securityholder, such Securityholder shall not be permitted to transfer either legal or beneficial ownership of the Securities exercised thereby. Notwithstanding this, if any Securityholder does so transfer or attempt to transfer such Securities, the Securityholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related hedging operations in reliance on the relevant Exercise Notice and subsequently: (i) entering into replacement hedging operations in respect of such Securities; or (ii) paying any amount on the subsequent exercise of such Securities without having entered into any replacement hedging operations.

(b) Early redemption of Notes at the option of a Securityholder (Investor Put Option):

Unless previously redeemed, terminated or purchased and cancelled and only where Investor Put Option is specified as applicable in the applicable Final Terms, Notes represented by a Global Security may be redeemed early by a Securityholder (at his own expense) on any day following the Issue Date by delivery of a duly completed and signed Put Notice to (i) the relevant Clearance System and (ii) the relevant Paying Agent or, in the case of a Registered Security, the Registrar or any Transfer Agent, with a copy to the Determination Agent.

In the case of a bearer Global Security, the bearer of the bearer Global Security must, within the period specified therein for the deposit of the relevant Security and put notice, give written notice of the exercise of the Investor Put to the Fiscal Agent and/or such other person as is specified in the relevant Final Terms specifying the nominal amount or number of Securities being early redeemed. Any such notice will be irrevocable and may not be withdrawn.

Each Put Notice shall be in the form (for the time being current) available from each Paying Agent or the Registrar or Transfer Agent, and must:

(i) specify the name, address, telephone and facsimile details of the Securityholder in respect of the Notes being early redeemed;

(ii) in the case of Notes in registered form, the Nominal Amount or number of such Notes of the relevant Series being early redeemed by the Securityholder;

(iii) specify the Optional Termination Date (Put) in respect of which the Put Notice is delivered. Such Optional Termination Date (Put) must be due to fall after the expiry of the relevant Investor Put Notice Period (as specified in the applicable Final Terms);

(iv) specify the number of the Securityholder's account at the relevant Clearance System to be debited with the Notes being early redeemed and irrevocably instruct, or, as the case may be, confirm that the Securityholder has irrevocably instructed, the relevant Clearance System to debit the Securityholder's account with the Notes being early redeemed and credit the same to the account of the relevant Paying Agent;

(v) where applicable, specify the number of the Securityholder's account at the relevant Clearance System to be credited with the Optional Termination Amount (Put) for the Notes being early redeemed;

(vi) include an irrevocable undertaking to pay any (a) applicable Taxes due by reason of early redemption of the relevant Notes, and (b) any Break Fee, if applicable, and an authority to the Issuer and the relevant Clearance System to deduct an amount in respect thereof from any Optional Termination Amount (Put) due to such Securityholder or otherwise (on, or at any time after, the Optional Termination Date (Put)) and to debit a specified account of the

Securityholder at the relevant Clearance System with an amount or amounts in respect thereof;

(vii) in the case of Notes other than Restricted Securities, give a certification as to the non-U.S. beneficial ownership of the Notes being early redeemed therewith; and

(viii) authorise the production of such certification in any applicable administrative or legal proceedings.

The exercise by a Securityholder of the Investor Put Option will be subject to any further conditions as set out in the applicable Final Terms (including, but not limited to, a restriction as to the dates which a Securityholder may designate as the relevant Optional Termination Date (Put) in the relevant Put Notice). Any Put Notice delivered in breach of requirements as set out in this section (b) or such further conditions as set out in the applicable Final Terms will be invalid and will have no effect.

Verification of Securityholder:

To exercise the Investor Put Option, a Securityholder must duly complete a Put Notice. The relevant Clearance System shall, in accordance with its normal operating procedures, verify that each person purporting to exercise an Investor Put Option in respect of any Securities is the Securityholder thereof according to the records of such Clearance System and that such Securityholder has an account at the relevant Clearance System which contains Securities in an amount being exercised and funds equal to any applicable Taxes in respect of the Securities being so redeemed.

If, in the determination of the relevant Clearance System or the relevant Paying Agent or Registrar or Transfer Agent:

(i) the Put Notice is not complete or not in proper form;

(ii) the person submitting a Put Notice is not validly entitled to early redeem the relevant Securities or not validly entitled to deliver such Put Notice; or

(iii) sufficient Securities or sufficient funds equal to any applicable Taxes or any Break Fee are not available in the specified account(s) with the relevant Clearance System on the Optional Termination Date (Put),

that Put Notice will be treated as void and a new duly completed Put Notice must be submitted if early redemption of the Securityholder's Securities is still desired.

Any determination by the relevant Clearance System or the relevant Paying Agent or Registrar or Transfer Agent as to any of the matters set out above shall, in the absence of manifest error, be conclusive and binding upon the Issuer, the Securityholder and the beneficial owner of the Securities early redeemed.

Notification to the relevant Paying Agent or Registrar or Transfer Agent and Common Depositary:

Subject to the verification set out above, the relevant Clearance System will:

(i) confirm to the relevant Paying Agent or Registrar or Transfer Agent (copied to the Issuer and the Determination Agent) the Nominal Amount or number of Securities being early redeemed and the number of the account to be credited with the Optional Termination Amount (Put); and

(ii) promptly notify the Common Depositary of receipt of the Put Notice and the Nominal Amount or number of the Securities to be early redeemed.

Upon early redemption of part of the Global Security, the Common Depositary will note such early redemption on the Schedule to the Global Security and the Nominal Amount or number of Securities so redeemed as represented by the Global Security shall be cancelled pro tanto.

Effect of Put Notice:

Delivery of a Put Notice shall constitute an irrevocable election by the Securityholder in respect of the early redemption of the Securities specified therein, provided that the person executing and delivering such Put Notice is the person then appearing in the records of the relevant Clearance System as the holder of the relevant Securities. If the person executing and delivering the Put Notice is not the person so appearing, such Put Notice shall for all purposes become void and shall be deemed not to have been so delivered.

After the delivery of a Put Notice (other than an Put Notice which shall become void) by a Securityholder, such Securityholder shall not be permitted to transfer either legal or beneficial ownership of the Securities redeemed thereby. Notwithstanding this, if any Securityholder does so transfer or attempt to transfer such Securities, the Securityholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related hedging operations in reliance on the relevant Put Notice and subsequently: (i) entering into replacement hedging operations in respect of such Securities; or (ii) paying any amount on the subsequent redemption of such Securities without having entered into any replacement hedging operations.

Any Securities that are the subject of a valid Put Notice, will be redeemed on the relevant Optional Termination Date (Put) at an amount equal to the relevant Optional Termination Amount (Put) plus any unpaid distribution (where applicable) accrued to (but excluding) the Optional Termination Date (Put) less any applicable Break Fees.

(c) Debit of Securityholder's Account on exercise or early redemption:

The relevant Clearance System will on or before the Cash Settlement Payment Date or Optional Termination Date debit the relevant account of the Securityholder and credit the relevant account of the relevant Paying Agent (in favour of the Issuer) with: (i) the Securities being exercised or that are the subject of the relevant Put Notice, (ii) any applicable Taxes (if any) in respect of the Securities being exercised or early redeemed, (iii) any Break Fee, if applicable, and (iv) any other amounts as may be specified in the relevant Final Terms.

If any of the items set out in the paragraph above are not so credited to the relevant account of the relevant Paying Agent (in favour of the Issuer), then the Issuer shall be under no obligation to make any payment of any nature to the relevant Securityholder in respect of the Securities being exercised or early redeemed, and the Exercise Notice or Put Notice (as applicable) delivered in respect of such Securities shall thereafter be void for all purposes.

(d) Payments

All payments in respect of a Global Security will be made against presentation and (in the case of payment in full) surrender of the Global Security at the Specified Office of any paying agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bearer Securities. On each occasion on which a payment is made in respect of the Global Security, the Issuer shall procure that the same is noted in a schedule thereto. Payments of amounts due in respect of Registered Securities represented by a Global Security will be paid to the holder thereof (or, in the

case of joint holders, the first named) as appearing in the Register at the close of the business day (being for this purpose a day on which the relevant Clearance System is open for business) before the relevant due date.

(e) Notices

Notwithstanding Condition 20 (*Notices*) of the "Terms and Conditions of the Securities", while all the Securities are represented by a Global Security (or by Global Securities) and the Global Security is (or the Global Securities are) deposited with a Clearance System, notices to Securityholders may be given by delivery of the relevant notice to DTC, 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 Securityholders in accordance with Condition 20 (*Notices*) of the "Terms and Conditions of the Securities", as applicable, on the date of delivery to DTC, Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

(f) Renominalisation

If the Securities are renominalised pursuant to Condition 23 (*Renominalisation and Reconventioning*) of the "Terms and Conditions of the Securities" then following Renominalisation:

(i) if Definitive Securities are required to be issued, they shall be issued at the expense of the relevant Issuer in the nominal amounts of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other nominal amounts as the relevant Fiscal Agent shall determine and notify to the Securityholders; and

(ii) the amount of any distribution due in respect of Securities represented by a Permanent Global Security and/or a Temporary Global Security will be calculated by reference to the aggregate nominal amount of such Securities and the amount of such payment shall be rounded down to the nearest euro 0.01.

ERISA

The Securities may not be acquired or held by, or acquired with the assets of, (A) any employee benefit plan (as defined in section 3(3) of ERISA), which is subject to Title I of ERISA, (B) any plan subject to section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or (C) any entity whose underlying assets include plan assets by reason of a plan's investment in the entity (within the meaning of the U.S. Department of Labor Regulations section 2510.3-101, as modified by Section 3(42) of ERISA). The term "ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended

UNITED STATES TAXATION

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE (THE "IRS"), WE INFORM YOU THAT ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY TAXPAYER FOR PURPOSES OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE PROPOSALS DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following summary describes certain U.S. federal income tax considerations that may be relevant to a U.S. holder (as defined below) who purchases a Security, but is not purported to be a complete analysis of all potential tax effects. This summary is based upon the Code, final, temporary, and proposed regulations promulgated thereunder, and published rulings, releases, and court decisions, all as in effect and existing on the date of this Base Prospectus and all of which are subject to change at any time with retrospective or prospective effect. The rules governing the U.S. federal income taxation of option transactions and other derivative financial instruments are complex and depend on a taxpayer's particular circumstances. Accordingly, this summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor in a Security. In particular, this summary deals only with U.S. holders of a Security who purchase securities in the initial offering at the applicable issue price and in whose hands the stock, debt, commodity or other property underlying the Security would be capital assets for U.S. federal income tax purposes. In addition, this discussion assumes that the Warrants are treated as options for U.S. federal income tax purposes, and that when issued they are not significantly "in-the-money". This discussion further assumes that there will be no substitution of another entity in place of the Issuer as principal obligor in respect of the Securities.

This summary also does not discuss the U.S. federal income tax treatment of a U.S. holder who is a member of a class of holders subject to special rules, such as:

- a dealer in securities, commodities or derivative financial instruments;
- a trader in securities, commodities or derivative financial instruments that elects to use a mark-to-market method of accounting for securities or commodities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;

- an entity that is treated for U.S. federal income tax purposes as a partnership or other pass-through entity;
- an investor who purchases a Security with respect to stock in a company that is treated as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes;
- an investor who purchases a Security and holds any other position (whether long or short, direct or indirect) in any asset underlying such option;
- an investor who enters into a Security that is part of a hedging transaction or that has been hedged against currency risk;
- an investor who enters into a Security that is part of a straddle or conversion transaction for U.S. federal income tax purposes;
- an investor whose functional currency for U.S. federal income tax purposes is not the U.S. dollar; and
- a regulated investment company or a real estate investment trust.

As a consequence of the foregoing, it should be particularly noted that this summary does not address the special U.S. federal income tax considerations that apply to an investment in a combination of Securities with respect to the same underlying assets. Further, this summary does not address alternative minimum tax consequences, the indirect effects on the U.S. holders of equity interests in a holder of a Security or the tax implications for U.S. expatriates and former long-term residents of the United States.

Any of the foregoing circumstances might substantially alter the tax consequences described below, and, in some instances, may require specific identification of positions in the relevant Security before the close of the day on which they are acquired. For example, if the straddle rules were to apply, a U.S. holder of a Security might be required to (i) recognize all or a portion of any gain on such Security that would otherwise be long-term or short-term capital gain, as ordinary income or, if applicable, short-term capital gain, (ii) defer all, or a portion, of any loss realized upon the sale, exchange, exercise, cancellation or lapse of such Security and (iii) capitalize any interest or carrying charges incurred by such U.S. holder with respect to such Security.

This summary does not address the material U.S. federal income tax consequences of every type of Security which may be issued under the Program. Additional U.S. federal income tax consequences, if any, applicable to a particular Security may be be set forth in the applicable Final Terms.

U.S. holders are strongly urged to consult their tax advisers concerning the U.S. federal, state, local, foreign and other national tax consequences of the ownership and disposition of Securities in their particular circumstances. U.S. holders should also consult their tax advisers as to the possibility of changes of law affecting taxation of derivative financial instruments with contingent payments, including prepaid forward contracts.

For purposes of this discussion, a "**U.S. holder**" means a beneficial owner of a Security that is:

(i) a citizen or individual resident of the United States, as defined in Section 7701(b) of the Code,

(ii) 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;

(iii) an estate the income of which is subject to U.S. federal income tax without regard to its source;

(iv) a trust if (x) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (y) such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person;

(v) otherwise subject to U.S. federal income taxation on a net income basis in respect of the Security.

A "**non-U.S. holder**" is a beneficial owner of a Security that is a nonresident alien individual or a foreign corporation.

If a partnership holds a Security, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners of partnerships holding a Security should consult their tax advisers regarding the U.S. federal income tax consequences of acquiring, owning, exchanging and disposing of a Security.

Warrants

Premium

Premium paid by a U.S. holder for a Warrant will generally be treated as a non-deductible capital expenditure. As described in the following two sections, the amount of such premium will be taken into account upon the exercise, sale, transfer, cash settlement, or lapse of the Warrant.

Sale, Transfer, Cash Settlement, or Lapse of Warrants

A U.S. holder who has purchased a Warrant will generally recognize capital gain or loss upon the sale, transfer, cash settlement or lapse of the Warrant in an amount equal to the difference between (i) the amount realized by the investor from such sale, transfer, settlement, or lapse and (ii) the amount of the premium that the investor paid for the Warrant. Such capital gain or loss will be long-term capital gain or loss if the Warrant was held for more than one year. Certain exceptions to such treatment are noted below and, if appropriate, may be addressed in the applicable Final Terms.

Mark-to-Market Rules

Under Section 1256 of the Code, special mark-to-market and character rules apply in the case of certain "non-equity" options and foreign currency contracts. Unless the Warrants (other than Warrants denominated in the Specified Currency other than the U.S. dollar) are listed on a "qualified board or exchange" for purposes of Section 1256, however, these mark-to-market rules will not be applicable to U.S. holders of the Warrants. Where relevant, the application of the Section 1256 rules to Warrants denominated in the Specified Currency other than the U.S. dollar will be discussed in the applicable Final Terms.

Certificates and Notes

Classification of the Certificates and Notes

Depending on the terms of a Certificate or a Note, such Certificate or Note could be treated as one or more of the following: (i) a prepaid forward contract (which, depending on the terms, may be subject to embedded options), (ii) a combination of a loan and a prepaid forward contract, (iii) an outright or constructive ownership interest in the property underlying such Certificate or Note, or (iv) a

contingent payment debt instrument. Additional U.S. federal income tax consequences applicable to a particular issuance of Certificates may be set forth in the applicable Final Terms.

No ruling is being requested from the IRS with respect to the Certificates or Notes, and the treatment of the Certificates described below is not binding on the IRS or the courts. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the Certificates or Notes are uncertain.

Tax Treatment of Prepaid Forward Contracts (With or Without a Loan)

If any Certificates or Notes are treated as prepaid forward contracts (with or without a loan) for U.S. federal income tax purposes, the following description should apply to such Certificates or Notes.

Interest Payments. Payments of interest (if any) will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder's method of tax accounting).

Cash Settlement, Sale, or Other Disposition of the Certificates. If the Certificates or Notes are treated as prepaid forward contracts, upon the receipt of cash upon settlement of a Certificate or Note or upon the sale or other disposition of such Certificate or Note, a U.S. holder will recognize taxable gain or loss, equal to the difference between the amount realized (generally, the amount of cash received) and such U.S. holder's tax basis in the Certificate or Note. In general, a U.S. holder's tax basis in a Certificate or Note will equal the amount that such U.S. holder paid to acquire the Certificate or Note. Subject to the discussion below under "Constructive Ownership," any such gain or loss generally will be long-term capital gain or loss if the Certificates or Notes were held for more than one year at the time of settlement or at the time of sale or other disposition.

Constructive Ownership. Some or all of the net long-term capital gain arising from certain "constructive ownership" transactions may be characterized as ordinary income, in which case an interest charge would be imposed on any such ordinary income. These rules have no immediate application to forward contracts in respect of most property underlying the Certificates or Notes, because they are only applicable to the extent that the underlying property directly or indirectly includes shares of issuers treated as PFICs or as certain other pass-through entities. These rules, however, grant discretionary authority to the U.S. Treasury Department (the "**Treasury**") to expand the scope of "constructive ownership" transactions to include forward contracts in respect of the stock of all corporations, in addition to forward contracts in respect of any debt instrument. The rules also separately direct the Treasury to promulgate regulations excluding a forward contract that does not convey "substantially all" of the economic return on any underlying asset from the scope of "constructive ownership" transactions. It is not possible to predict whether such regulations will be promulgated by the Treasury, or the form or effective date that any regulations that may be promulgated might take.

Interest in the Underlying Property

Depending on the terms of particular Certificates or Notes, a U.S. holder could be treated as owning the property underlying those Certificates or Notes for U.S. federal income tax purposes. In that event, for example, in the case of Index Certificates, the U.S. holder would be required to recognize appropriate amounts of capital gain on the disposition of any shares included in the underlying Index each time that the Index is rebalanced. In such a case, such U.S. holder also would be subject to tax on dividends on shares included in the Index in an amount equal to the gross dividends paid by companies whose shares are included in the Index. In addition, any current expenses (including any withholding taxes) in respect of shares included in the Index would be treated as if made directly by

the U.S. holder, and the deductibility of such expenses (or creditability of such withholding taxes) could be subject to certain limitations.

Contingent Payment Debt Instruments

If any Certificates or Notes are treated as contingent payment debt instruments, the tax consequences to a U.S. holder would be determined under U.S. Treasury Regulations governing contingent payment debt instruments (the "**Contingent Payment Regulations**"). The Contingent Payment Regulations are complex, but very generally apply the original issue discount rules of the Code to a contingent payment debt instrument by requiring that the original issue discount be accrued every year at a "comparable yield" for the issuer of the instrument, determined at the time of issuance of the obligation. In addition, the Contingent Payment Regulations require that a projected payment schedule, which results in such a "comparable yield" be determined by the issuer, and that adjustments to income accruals be made to account for differences between actual payments and projected amounts. To the extent that the comparable yield as so determined exceeds the projected payments on a contingent debt instrument in any taxable year, the owner of that instrument will recognize ordinary interest income for that taxable year in excess of the cash the owner receives and such excess would increase the U.S. holder's tax basis in the debt instrument. In addition, any gain realized on the sale, exchange or redemption of a contingent payment debt instrument will be treated as ordinary income. Any loss realized on such sale, exchange or redemption will be treated as an ordinary loss to the extent that the U.S. holder's original issue discount inclusions with respect to the obligation exceed prior reversals of such inclusions required by the adjustment mechanism described above. Any loss realized in excess of such amount generally will be treated as a capital loss.

Loan and One or More Options

If any Certificates or Notes are treated as a combination of a loan (or deposit) and one or more options, in general, payments of interest (if any) will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder's method of tax accounting), while payments in respect of the options would be taxable in a manner similar to the taxation of corresponding payments under Warrants.

Possible Alternative Tax Treatment

If a Certificate or Note is treated as a unit consisting of a loan and a forward contract, a U.S. holder could be required to accrue a significant amount of original issue discount on a current basis during the period in which it holds the Certificate or Note. Alternatively, it is possible that the Certificates or Notes could be characterized for U.S. federal income tax purposes as debt instruments that are subject to the Contingent Payment Regulations, in which case, among other matters, a U.S. holder would be required to accrue income, as original issue discount, at a "comparable yield" for the Issuer, on the purchase price. Furthermore, any gain realized with respect to the Certificates or Notes would generally be treated as ordinary income.

It is also possible that future regulations or other IRS guidance would require a U.S. holder to accrue income on the Certificates or Notes on a current basis. The IRS and the Treasury recently issued proposed regulations that require the current accrual of income with respect to contingent non-periodic payments made under certain notional principal contracts. The preamble to the regulations states that the "wait and see" method of tax accounting does not properly reflect the economic accrual of income on such contracts, and requires a current accrual of income with respect to some contracts already in existence at the time the proposed regulations were released. While the proposed regulations do not apply to prepaid forward contracts, the preamble to the proposed regulations expresses the view that similar timing issues exist in the case of prepaid forward contracts. If the IRS published future guidance requiring current accrual of income with respect to contingent payments on

prepaid forward contracts, it is possible that a U.S. holder could be required to accrue income over the term of the Certificates or Notes.

Securities Denominated in the Specified Currency Other Than the U.S. Dollar

In general, except to the extent that the mark-to-market and character rules under Section 1256 apply (see "— Warrants — Mark-to-Market Rules" above), any gain or loss realized in respect of a Security denominated in the Specified Currency other than the U.S. dollar will be ordinary income or loss. Any such gain or loss generally must be recognized upon a sale, exchange, termination, rollover, settlement or exercise of such Security, as well as upon an offset of one contract against another in certain circumstances. In general, if a Security denominated in the Specified Currency other than the U.S. dollar is subject to Section 1256, a U.S. holder will be required to include mark-to-market gain or loss in respect of such Security at the end of each year (or upon transfer, termination, exercise, lapse or other disposition), with 40% of such gain or loss being short-term and 60% of such gain or loss being long-term.

If appropriate, additional U.S. federal income tax consequences applicable to Securities denominated in the Specified Currency other than the U.S. dollar will be set forth in the applicable Final Terms.

Recent Developments – Notice 2008-2

On December 7, 2007, the IRS released a notice that may affect the taxation of holders of the Securities. According to the notice, the IRS and the Treasury are actively considering whether the U.S. holder of an instrument such as the Securities should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, U.S. holders of the Securities will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The IRS and the Treasury are also considering other relevant issues, including whether additional gain or loss from such Securities should be treated as ordinary or capital, whether non-U.S. holders of such Securities should be subject to withholding tax on any deemed income accruals, and whether the special "constructive ownership rules" of Section 1260 of the Code might be applied to such Securities. U.S. holders are urged to consult their tax advisers concerning the significance, and the potential impact, of the above considerations. The Issuer intends to continue treating the Securities for U.S. federal income tax purposes in accordance with the treatment described in this Base Prospectus unless and until such time as the Treasury and IRS determine that some alternative treatment is more appropriate.

Foreign Currency Rules

Payments of premium, exercise price, sale proceeds, and cash settlement amounts in respect of Securities that are denominated in a currency other than the U.S. dollar will be subject to special U.S. tax rules regarding foreign currency transactions. U.S. holders should consult their tax advisers concerning the application of these rules in their particular circumstances.

Non-U.S. Holders

Except as noted in the applicable Final Terms, the following summary describes the tax consequences to non-U.S. holders of investing in Securities.

A non-U.S. holder will generally not be subject to U.S. federal income tax, including withholding tax, on payments on a Security, or on proceeds from the sale or other disposition of a Security, provided that for purposes of U.S. federal income tax law:

(i) the payments or proceeds are not effectively connected with the conduct of a trade or business within the United States by the holder;

(ii) the holder does not own (directly or by attribution) 10% or more of the total combined voting power of all classes of stock of Morgan Stanley entitled to vote;

(iii) the holder is not a bank holding the Warrant or Certificate 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;

(iv) 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

(v) in case of Registered Securities, the beneficial owner of such securities provides an IRS Form W-8BEN or otherwise satisfies applicable documentary requirements for establishing that it is a non-U.S. holder, unless such payments or proceeds are effectively connected with the conduct by the holder of a trade or business in the United States.

Information Reporting and Backup Withholding

The Paying Agent will be required to file information returns with the IRS with respect to payments made to certain U.S. holders of Securities. In addition, certain U.S. holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers to the Paying Agent. In general, U.S. information reporting and backup withholding will not apply to payments on Securities held by a non-U.S. holder and received outside the United States through a non-U.S. bank or other non-U.S. financial institution. Proceeds on sales and payments on Securities received within the United States or through certain U.S.-related financial institutions may be subject to information reporting and backup withholding unless the non-U.S. holder complies with applicable certification procedures to establish that it is not a U.S. person. Persons holding Securities who are non-U.S. holders may be required to comply with applicable certification procedures to establish that they are non-U.S. holders in order to avoid the application of such information reporting requirements and backup withholding tax.

Non-U.S. holders should consult their own tax advisers regarding the application of information reporting and backup withholding in their particular situations, the availability of an exemption therefrom and the procedure for obtaining the exemption, if available. Backup withholding is not an additional tax. Any amounts withheld from a payment to a non-U.S. holder under the backup withholding rules will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing all required information.

Estate Tax

Subject to benefits provided by an applicable estate tax treaty, a Security 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 Security would have been:

- subject to U.S. federal withholding tax without regard to any certification that such holder is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, not taking into account an elimination of such U.S. federal withholding tax due to the application of an income tax treaty; or

- effectively connected to the conduct by the holder of a trade or business in the United States.

Non-U.S. holders who are individuals, and holders that are entities the property of which is potentially includible in such an individual's gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty benefit, a Security may be treated as U.S. situs property subject to U.S. federal estate tax. Such individuals and entities should consult their tax advisers regarding the U.S. federal estate tax consequences of investing in the Securities.

UNITED KINGDOM TAXATION

The following applies only to persons who are beneficial owners of Securities and is a summary of the Issuer's understanding of current law and HM Revenue and Customs (HMRC) practice in the United Kingdom relating to the deduction of United Kingdom income tax from payments of interest arising on the Notes and stamp duty on the issue of Securities. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Securities. Some aspects do not apply to certain classes of person (such as dealers and persons connected to the Issuer) to whom special rules may apply. Prospective holders of Securities who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Payments of interest on the Notes

1. Payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax unless such interest is regarded as having a United Kingdom source for United Kingdom tax purposes. This will depend on the terms of the relevant Notes and prospective Noteholders should therefore take legal advice on the question of whether any particular Notes carry a right to United Kingdom source interest.

   In the case of interest on Notes which is regarded as having a United Kingdom source, no United Kingdom Tax will be required to be deducted from such interest in the following circumstances:

   (i) where the Notes are listed on a "recognised stock exchange", within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange. Under a United Kingdom HMRC interpretation, the Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Irish Stock Exchange's regulated market. Provided, therefore that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax;

   (ii) the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner of the interest is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exception is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax; or

   (iii) where the maturity of the Notes is less that 365 days (and the Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days).

   In other cases where interest on the Notes has a United Kingdom source, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20%), subject to any direction to the contrary given by HMRC under an applicable double taxation treaty.

   Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the

benefit of a Noteholder. HMRC also has the power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2011. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

Stamp Duties

(i) Exercisable Warrants and Certificates

In the context of retail covered warrants listed on the London Stock Exchange, HMRC has indicated that no charge to United Kingdom stamp duty will arise on the grant of such warrants. It is not clear whether or not HMRC would be prepared to take such a view in relation to these Securities. If HMRC were not prepared to take such a view in relation to the Securities, the following charges to stamp duty may arise.

Prospective purchasers of Securities should note that Global Securities representing a series of Securities and Securities in definitive form may be subject to United Kingdom stamp duty if they are executed in the United Kingdom or if they relate to any property situate, or to any matter or thing done or to be done, in the United Kingdom.

Even if an instrument is subject to United Kingdom stamp duty there may be no practical necessity to pay that stamp duty, as United Kingdom stamp duty is not an assessable tax. However, an instrument which is not duly stamped cannot be used for certain purposes in the United Kingdom; for example it will be inadmissible in evidence in civil proceedings in a United Kingdom court.

In the event that an instrument is subject to United Kingdom stamp duty, and it becomes necessary to pay that stamp duty (for example because this is necessary in order to enforce the document in the United Kingdom), interest will be payable (in addition to the stamp duty) in respect of the period from 30 days after the date of execution of the instrument to the date of payment of the stamp duty. Penalties may also be payable if an instrument which is executed outside the United Kingdom is not stamped within 30 days of first being brought into the United Kingdom. In the case of a Global Security representing a series of Securities, if any United Kingdom stamp duty is required to be paid, it would be payable by reference to the amount of consideration given for the Securities represented by that Global Security.

Bearer instrument duty

In relation to Securities in bearer form (whether in global form or in definitive form) which are denominated in sterling, a charge to stamp duty at 1.5 per cent. of the value of such Securities (or, in the case of a Global Security in bearer form, the value of the Securities represented by the Global Security) will arise if issued in the United Kingdom. No bearer instrument duty liability will arise on the issue of such Securities if issued and retained outside the United Kingdom.

(ii) Notes

No United Kingdom stamp duty should be payable on the issue of Notes in registered form.

No charge to United Kingdom bearer duty should arise on the issue of Notes in bearer form provided they are denominated in a currency other than sterling, or if denominated in sterling they are executed and retained outside the United Kingdom.

EU Savings Directive

Under the EC Council Directive 2003/48/EC on the taxation of savings income, Member States, are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of the proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

TAXATION - NETHERLANDS

General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Securities, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Securities.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Base Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

(i) holders of Securities holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Securities of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer 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 (i) an interest of 5 % or more of the total issued capital of the Issuer or of 5 % or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;

(ii) investment institutions (*fiscale beleggingsinstellingen*); and

(iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax.

Withholding Tax

All payments made by the Issuer under the Securities may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, provided that the Securities do not in fact function as equity of the Issuer within the meaning of article 10, paragraph 1, under d of the Netherlands corporate income tax act 1969 (*Wet op de vennootschapsbelasting 1969*).

Corporate and Individual Income Tax

(a) Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Securities are attributable, income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are generally taxable in the Netherlands (at up to a maximum rate of 25.5%).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Securities and gains realised upon the redemption, settlement or disposal of

the Securities are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

(i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Securities are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Securities are attributable; or

(ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Securities that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Securities, taxable income with regard to the Securities must be determined 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 has been fixed at a rate of 4% of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Securities less the fair market value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Securities will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments will be taxed at a rate of 30 %.

(b) Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of the Netherlands), such holder is not taxable in respect of income derived from the Securities and gains realised upon the settlement, redemption or disposal of the Securities, unless:

(i) the holder is not an individual and such holder (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 Securities are attributable, or (2) is 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 (other than by way of securities) and to which enterprise the Securities are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25.5%.

(ii) the holder is an individual and such holder (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 Securities are attributable, or (2) realises income or gains with respect to the Securities that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Securities which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands (other than by way of securities) and to which enterprise the Securities are attributable.

Income derived from the Securities as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits 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"). The fair market value of the share in the profits of the enterprise (which includes the Securities) will be part of the individual's Netherlands yield basis.

Gift and Inheritance Tax

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Securities by way of gift by, or on the death of, a holder of Securities unless:

(i) the holder of Securities is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or

(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 purposes of the relevant provisions.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Securities or in respect of a cash payment made under the Securities, or in respect of a transfer of Securities.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Securities.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

IRELAND TAXATION

The following is a summary of the Irish withholding tax treatment of payments made by the Issuer in respect of the Securities. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities. The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this Base Prospectus, which are subject to prospective or retroactive change. Prospective investors in the Securities should consult their own advisers as to the Irish tax consequences of the purchase, beneficial ownership and disposition of the Securities.

Provided that the Issuer does not become Irish tax resident, does not make payments in respect of the Securities in connection with a trade carried on by the Issuer through an Irish branch or agency and does not make any payments from an Irish bank account, then no Irish withholding tax should arise on payments by the Issuer in respect of the Securities.

If any payments in respect of the Securities are entrusted to an Irish paying agent or are collected by an Irish collecting agent, Irish encashment tax (currently 20%) may be required to be withheld from the payments made by such agent. Holders of Securities should note that the appointment of an Irish collecting agent may result in Irish encashment tax applying.

SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS

The Issuer is offering the Securities on a continuing basis through Morgan Stanley & Co. International plc, Morgan Stanley & Co. Incorporated and MSDW Equity Financing Services (Luxembourg) S.a.r.l. (together with any other distribution agent who may be appointed pursuant to the terms of the Distribution Agreement (as defined below), the "**Distribution Agents**"), who have agreed to use reasonable efforts to solicit offers to purchase the Securities. The Issuer will have the sole right to accept offers to purchase Securities and may reject any offer in whole or in part. The Distribution Agents will have the right to reject any offer to purchase Securities solicited by it in whole or in part. The Issuer may pay the Distribution Agents, in connection with sales of the Securities resulting from a solicitation the Distribution Agents made or an offer to purchase received by the Distribution Agents, a commission, which may be in the form of a discount from the purchase price if the Distribution Agents are purchasing the Securities for their own account. Payment of the purchase price of the Securities will be required to be made in immediately available funds.

The Issuer may also sell Securities to a Distribution Agent as principal for its own account at a price to be agreed upon at the time of sale. The Distribution Agents may resell any Securities they purchase as principal at prevailing market prices, or at other prices, as the Distribution Agents determine.

The arrangements for the offer and sale of the Securities from time to time are set out in the amended and restated Distribution Agreement dated 18 November 2010 (as further modified and restated from time to time, the "**Distribution Agreement**") among the Issuer and the Distribution Agents. Pursuant to the Distribution Agreement, the Issuer and the Distribution Agents have agreed to indemnify each other against certain liabilities, or to contribute payments made in respect thereof. The Issuer has also agreed to reimburse the Distribution Agents for certain expenses.

In order to facilitate the offering of the Securities, the Distribution Agents may engage in transactions that stabilize, maintain or otherwise affect the price of the Securities or any other securities the prices of which may be used to determine payments on those Securities. Specifically, the Distribution Agents may overallot in connection with any offering of the Securities, creating a short position in the Securities for their own accounts. In addition, to cover over allotments or to stabilize the price of the Securities or of any other securities, the Distribution Agents may bid for, and purchase, Securities or any other securities in the open market. Finally, in any offering of the Securities through a syndicate of underwriters, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Securities in the offering if the syndicate repurchases previously distributed Securities in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Securities above independent market levels. The Distribution Agents are not required to engage in these activities and may end any of these activities at any time.

United States of America

The Securities and the Guarantee have not been and will not be registered under the Securities Act and the Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act and under circumstances which will not require either the Issuer or the Guarantor to register under the Investment Company Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

Bearer Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person. Terms used in this paragraph

have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder. See also Form of Bearer Securities - Tax Limitations on Issuance of Bearer Securities.

Each Distribution Agent has agreed, and each further Distribution Agent appointed under the Program will be required to agree that, except as permitted by the Distribution Agreement, it will not offer, sell or, in the case of Bearer Securities, deliver, Securities as part of their distribution at any time within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Distribution Agent to which it sells Securities during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting out the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. In addition, the Distribution Agreement provides that the Distribution Agents may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Restricted Securities in the United States to QIB/QPs in reliance on Rule 144A.

An offer or sale of Securities within the United States by any dealer (whether or not participating in the offering of such Securities) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Base Prospectus has been prepared by the Issuer and the Guarantor for use in connection with the offer and sale of the Securities outside the United States to non-U.S. persons, for the offer and resale of the Securities within the United States to QIB/QPs (in the case of the Restricted Securities only) and for the listing of the Securities on the Irish Stock Exchange. The Issuer, the Guarantor and the Distribution Agents reserve the right to reject any offer to purchase Securities, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than a QIB/QP to whom an offer has been made directly by one of the Distribution Agents or an affiliate of one of the Distribution Agents. Distribution of this Base Prospectus by any non-U.S. person outside the United States or by any QIB/QP in the United States to any U.S. person or to any person within the United States, other than any QIB/QP and those persons, if any, retained to advise such non-U.S. person or QIB/QPs with respect thereto, is unauthorised and any disclosure of any of its contents, without the prior written consent of the Issuer and the Guarantor, is prohibited.

Each issuance of Index Basket Securities and Index Securities may be subject to such additional U.S. selling restrictions as the Issuer and the relevant Distribution Agent may agree as to the terms of such issuance which additional selling restrictions shall be set out in the Final Terms.

Transfer Restrictions

Each purchaser of Restricted Securities pursuant to Rule 144A, by accepting delivery of this Base Prospectus or the Securities, will be deemed to have represented, agreed and acknowledged that:

(a) It (i) is a QIB/QP, (ii) is acting for its own account or for one or more accounts, each of which is a QIB/QP, (iii) will provide notice of the transfer restrictions applicable to such Securities to any subsequent transferee (which transferee shall be deemed to make the same representations herein) and (iv) is aware, and each beneficial owner of such Securities has been advised, that the sale of such Securities to it is being made in reliance on Rule 144A.

(b) It will, along with each account for which it is purchasing, hold and transfer beneficial interests in the Securities in an aggregate principal amount that is not less than the minimum denomination of the Securities.

(c) It understands that the Securities and the Guarantee have not been and will not be registered under the Securities Act and that neither the Issuer nor the Guarantor has or will register as an investment company under the Investment Company Act. It understands that Restricted Securities may not be offered, sold, pledged or otherwise transferred except (i) in accordance with Rule 144A to a QIB/QP purchasing for its own account or for one or more accounts, each of which is a QIB/QP or (ii) 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 who takes delivery in the form of an interest in an Unrestricted Global Security, in each case in accordance with any applicable laws of any State of the United States or any other applicable jurisdiction.

(d) It understands that the Issuer has the right to compel any beneficial owner that is a U.S. person and not a QIB/QP to sell its interest in the Securities, or may sell such interest on behalf of such owners. In addition, the Issuer has the right to refuse to honour the transfer of an interest in the Securities to a U.S. person who is not a QIB/QP. In addition, it understands that the Issuer and/or the Guarantor may receive a list of participants holding positions in its securities from one or more book-entry depositories.

(e) It understands that Restricted Securities will bear a legend to the following effect:

"THIS SECURITY AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND NEITHER THE ISSUER NOR THE GUARANTOR HAS REGISTERED OR WILL REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**").

INTERESTS IN THIS SECURITY MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (A "**QIB**") WITHIN THE MEANING OF RULE 144A THAT IS ALSO A QUALIFIED PURCHASER (A "**QP**") AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.$100,000 NOMINAL AMOUNT OF SECURITIES OR (2) TO A PERSON THAT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN AN UNRESTRICTED GLOBAL SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THE HOLDER UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF ALL PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES.

THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS SECURITY IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE GUARANTOR, THE REGISTRAR OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER THAT IS A U.S. PERSON AND IS NOT A QIB AND A QP TO SELL ITS INTEREST IN THE SECURITIES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THE SECURITIES TO A U.S. PERSON WHO IS NOT A QIB AND A QP."

(f) It understands that before any interest in a Restricted Security may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Security, it will be required to provide a Transfer Agent with a written certificate (in the form provided in the Issuing and Paying Agency Agreement) as to compliance with applicable securities laws.

(g) The Issuer, the Guarantor, the Registrar, the Distribution Agents and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Securities for the account of one or more QIB/QPs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account. Such purchaser of Restricted Securities agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Restricted Securities is no longer accurate, it shall promptly notify each of the Issuer, the Guarantor, the Registrar, the Distribution Agents and their affiliates.

Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser of Unrestricted Securities outside the United States pursuant to Regulation S, by accepting delivery of this Base Prospectus or the Securities, will be deemed to have represented, agreed and acknowledged that:

(a) It is, or at the time such Unrestricted Securities are purchased will be, the beneficial owner of such Unrestricted Securities and it is not a U.S. person (within the meaning of Regulation S) and it is located outside the United States.

(b) Such Unrestricted Securities have not been and will not be registered under the Securities Act; it will not offer, sell, pledge or otherwise transfer such Unrestricted Securities except (i) in accordance with Rule 144A to a person that takes delivery in the form of an interest in the Restricted Global Security that (a) is a QIB/QP purchasing for its own account or the account of a QIB/QP that in a principal amount of not less than U.S.$100,000 for the purchaser and for each such account and (b) (ii) 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 Unrestricted Securities will bear a legend to the following effect:

"THIS SECURITY AND THE GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND NEITHER THE ISSUER NOR THE GUARANTOR HAS REGISTERED OR WILL REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**").

INTERESTS IN THIS SECURITY MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN A RESTRICTED GLOBAL SECURITY THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (A "**QIB**") WITHIN THE MEANING OF RULE 144A THAT IS ALSO A QUALIFIED PURCHASER (A "**QP**") AS DEFINED IN SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS EACH OF WHICH IS A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.$100,000 NOMINAL AMOUNT OF SECURITIES OR (2) TO A PERSON THAT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) WHO TAKES DELIVERY IN THE FORM OF AN INTEREST IN AN UNRESTRICTED GLOBAL SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, AND, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTION.

THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS SECURITY IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

ANY TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE GUARANTOR, THE REGISTRAR OR ANY INTERMEDIARY. THE ISSUER HAS THE RIGHT TO COMPEL ANY BENEFICIAL OWNER THAT IS A U.S. PERSON AND IS NOT A QIB AND A QP TO SELL ITS INTEREST IN THE SECURITIES, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH OWNER. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THE SECURITIES TO A U.S. PERSON WHO IS NOT A QIB AND A QP."

(d) The Issuer, the Guarantor, the Registrar, the Distribution Agents and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

(e) Unrestricted Securities offered to a person outside the United States that is not a U.S. person in reliance on Regulation S will be represented by beneficial interests in an Unrestricted Global Security. Before any interest in such Unrestricted Global Security may be offered,

sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Security, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Issuing and Paying Agency Agreement) as to compliance with applicable securities laws.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**"), each Distribution Agent has represented, warranted and agreed and each further Distribution Agent appointed under the Programme will be required to represent, warrant and agree, 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 offered and will not offer any Securities 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 any Relevant Member State of the European Economic Area, except that it may offer such Securities in any Relevant Member State:

(a) if the final terms in relation to the Securities specify that an offer of those Securities 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 Securities which has been approved by the competent authority in that RelevantMember 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;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Distribution Agent or Distribution Agents nominated by the Issuer for any such offer; or

(e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (b) to (e) 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 Securities to the public**" in relation to any Securities 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 Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Republic of Ireland

In relation to each Tranche of Securities, each Distribution Agent subscribing for or purchasing such Securities has represented to, warranted and agreed with, or will represent to, warrant and agree with, the Issuer and the Guarantor that:

(a) Each Distribution Agent has not and will not offer or sell any Securities other than in compliance with the EU Directive 2003/6/EC on insider dealing and market manipulation, S.I. No. 342/2005 the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any applicable implementing legislation and rules.

(b) To the extent applicable, it will not underwrite the issue of or place the Securities otherwise than in conformity with the provisions of the Irish Investment Intermediaries Act, 1995 (as amended), including, without limitation, Sections 9, 23 (including any advertising restrictions made thereunder) and Section 37 (including any codes of conduct issued thereunder) of the provisions of the Irish Investor Compensation Act, 1998, including, without limitation, Section 21.

(c) No Securities will be offered or sold with a maturity of less than 12 months except in full compliance with the Central Bank of Ireland Notice BSD C 01/02 of 12 November 2002.

United Kingdom

In relation to each Tranche of Securities, each Distribution Agent subscribing for or purchasing such Securities has represented to, warranted and agreed with, or will represent to, warrant and agree with, the Issuer and the Guarantor that:

(a) *Securities with maturities of less than one year*: in relation to any Securities which have a maturity of less than one year, (a) 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 (b) it has not offered or sold and will not offer or sell any Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Securities would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**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 any 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 Securities in circumstances in which section 21(1) of the FSMA does not, or in the case of the Guarantor, would not, if it was not an authorised person, 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 Securities in, from or otherwise involving the United Kingdom.

Spain

Neither the Securities nor this Prospectus have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Securities may not be offered, sold or re-sold in Spain except in

circumstances which do not constitute a public offering of securities in Spain within the meaning of Article 30-bis of the Spanish Securities Market Law of July 28, 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) as amended and restated (the **Spanish Securities Market Law**) and 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, but the Securities may be offered or sold in Spain in compliance with the requirements of the Spanish Securities Market Law as amended and restated and any regulations developing it or in substitution thereof which may be in force from time to time.

The Netherlands

Bearer zero coupon Securities in definitive form and other bearer Securities that constitute a claim for a fixed sum against the relevant Issuer, in definitive form on which interest does not become due and payable during their term but only at maturity (savings certificates or spaarbewijzen as defined in the Dutch Savings Certificates Act or Wet inzake spaarbewijzen, the "**SCA**") may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the transfer and acceptance of rights representing an interest in a zero coupon Security in global form, (ii) the initial issue of such securities to the first holders thereof, (iii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business and (iv) the transfer and acceptance of a particular series of such securities within, from or into The Netherlands if they are physically issued outside The Netherlands and are not, in the course of initial distribution or immediately thereafter, distributed in The Netherlands. In the event that the SCA applies, certain identification requirements in relation to the issue and transfer of and payments on zero coupon Securities have to be complied with and, in addition thereto, if such zero coupon Securities in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987 attached to the Royal Decree of 11 March 1987 (*Staatscourant 129*) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each part to the transaction and the details and serial numbers of such Securities.

GENERAL INFORMATION

The obligation of a prospective purchaser, including any of the Distribution Agents, to pay for any Securities it has agreed to purchase is subject to the satisfaction of certain conditions which, if not satisfied or waived, would result in the purchaser having no obligation to pay for any of those Securities.

The Securities have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The appropriate CUSIP, common code and ISIN for each issue allocated by DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, 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.

For so long as the Program remains in effect or any Securities under the Program remain outstanding, the following documents will be available from the date hereof, during usual business hours on any week day, for inspection in physical or electronic form at Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, being the London office of the Fiscal Agent, at Deutsche Bank Trust Company Americas, 17th Floor, 60 Wall Street, New York, New York 10005 being the office of the Registrar and at Deutsche International Corporate Services (Ireland) Limited, 5 Harbourmaster Place, IFSC, Dublin 1, Ireland being the office of the Irish Paying Agent and also at the principal executive offices of Morgan Stanley and the registered office of the Issuer:

(i) copies of the amended and restated Distribution Agreement dated 18 November 2010, the amended and restated Issue and Paying Agency Agreement dated 18 November 2010, the Deed of Covenant, the Deed Poll, the Guarantee dated 18 November 2010 provided by Morgan Stanley, all of the Issuer's future published financial statements and all of Morgan Stanley's future Annual, Quarterly and Current Reports. Morgan Stanley's Quarterly Reports on Form 10-Q contain unaudited quarterly financial statements;

(ii) the Deed of Incorporation of the Issuer;

(iii) the Certificate of Incorporation and Amended and Restated By-laws of Morgan Stanley;

(iv) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is included or referred to herein;

(v) the audited accounts of the Issuer for the financial years ended 30 November 2007 and 30 November 2008 and 31 December 2009;

(vi) the Interim Financial Report of the Issuer as of 30 June 2010;

(vii) Morgan Stanley's Annual Reports on Form 10-K for the years ended December 2009, November 2008 and 2007, and Morgan Stanley's Current Reports on Form 8-K dated 28 May 2010, 30 March 2010, 20 January 2010, 25 December 2009 and 24 August 2009;

(viii) a copy of this document;

(ix) a copy of the Summary;

(x) any supplement to this Securities Note; and

(xi) any Final Terms (relating to listed and outstanding issues of Securities) issued after the date of this Securities Note.

Save as set out in the Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Securities.

Morgan Stanley

The Program was authorised by Morgan Stanley pursuant to resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 21 March 2006, as amended and updated pursuant to resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 3 April 2007.

MSBV

The role of the Issuer as issuer under the Program was authorised by resolutions of the Board of Directors of the Issuer passed on 21 March 2006, as amended and updated pursuant to resolutions adopted at a meeting of the Board of Directors of the Issuer held on 17 November 2010.

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Printed by Allen & Overy LLP
ICM:11224314.6