

## UK PROSPECTUS

# Morgan Stanley

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

### **£100,000,000 Fixed/Floating Rate Senior Registered Notes Due 2021** (the "Notes")

This prospectus (this "**UK Prospectus**") comprises (i) this document, and (ii) the documents and information specified in the section headed "Incorporation by Reference" below.

Application has been made to the United Kingdom Financial Conduct Authority (the "**FCA**") in its capacity as United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom to approve this UK Prospectus. Application will be made for the Notes to be admitted to the Official List of the UK Listing Authority and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"), a regulated market for the purposes of Directive 2014/65/EU ("**MiFID II**"). This UK Prospectus constitutes a prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000, as amended or superseded. This UK Prospectus has been prepared for the purpose of the admission of the Notes to trading on the Regulated Market of the London Stock Exchange.

**Investing in the Notes involves risks. See "Risk Factors" beginning on page 1.**

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

**THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED THESE SECURITIES, OR DETERMINED IF THIS UK PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

Neither Morgan Stanley (the "**Issuer**") nor Morgan Stanley & Co. International plc (the "**Agent**" or "**MSI plc**") has taken or will take any action in any country or jurisdiction that would permit a public offering of the Notes or possession or distribution of any offering material in relation to a public offering in any country or jurisdiction outside the United States 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 such Notes or has in the investor's possession or distributes this UK Prospectus.

As of the date of this UK Prospectus, Morgan Stanley's short-term and long-term debt has been respectively rated (i) R-1 (middle) and A (high), with a stable outlook, by DBRS, Inc. ("**DBRS**"), (ii) F1 and A, with a stable outlook, by Fitch Ratings, Inc. ("**Fitch**"), (iii) P-2 and A3, with a stable outlook, by Moody's Investors Service, Inc. ("**Moody's**"), (iv) a-1 and A-, with a positive outlook, by Ratings and Investment Information, Inc. ("**R&I**") and (v) A-2 and BBB+, with a stable outlook, by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Global Ratings ("**S&P**").

DBRS is established in Delaware, United States of America. The rating DBRS has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited or DBRS Ratings GmbH, each a rating agency which is established in the European Economic Area (the "**EEA**") and registered under Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**") by the relevant competent authority.

Fitch is not established in the EEA but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority. In the event Fitch Ratings Limited is no longer an ESMA-registered CRA, Fitch intends to have the rating assigned to Morgan Stanley endorsed by Fitch Ratings España S.A.U. a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority.

Moody's is not established in the EEA but the rating it has assigned to Morgan Stanley is endorsed by Moody's Deutschland GmbH, a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority.

R&I is not incorporated in the EEA and is not registered under the CRA Regulation.

Morgan Stanley's credit rating is assigned by Standard & Poor's Financial Services LLC. Standard & Poor's Financial Services LLC is not established in the EEA but the credit rating it has assigned to Morgan Stanley is endorsed by S&P Global Ratings Europe Limited, a credit rating agency established in the EEA and registered under the CRA Regulation by ESMA.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

**MORGAN STANLEY**  
**15 July 2019**

**This UK Prospectus comprises a prospectus for the purposes of Article 5 of the Prospectus Directive.**

**Morgan Stanley accepts responsibility for the information contained in this UK Prospectus. To the best of the knowledge and belief of Morgan Stanley (which has taken all reasonable care to ensure that such is the case), the information contained in this UK Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.**

**No person has been authorised by Morgan Stanley to give any information or to make any representation not contained or incorporated by reference in this UK Prospectus or any other document entered into in relation to the Notes, and, if given or made, that information or representation should not be relied upon as having been authorised by Morgan Stanley or the Agent. Neither the delivery of this UK Prospectus nor the offering, sale or delivery of any Notes will, in any circumstances, create any implication that the information contained in this UK Prospectus is true subsequent to the date hereof or the date upon which this UK Prospectus has been most recently amended or supplemented, or that there has been no adverse change in the financial situation of Morgan Stanley since the date hereof or, as the case may be, the date upon which this UK Prospectus has been most recently amended or supplemented, or that any other information supplied in connection with the Notes 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 Agent expressly does not undertake to review the financial condition or affairs of Morgan Stanley during the life of the Notes. Investors should review, *inter alia*, the most recent financial statements of Morgan Stanley when evaluating the Notes or an investment therein. Such financial statements shall not form a part of this UK Prospectus unless they have been expressly incorporated herein. In case of any websites mentioned in this UK Prospectus, neither Morgan Stanley nor the Agent accepts responsibility for the information appearing on such websites. For the avoidance of doubt, the information appearing on such websites and pages does not form part of this UK Prospectus save to the extent expressly incorporated by reference herein.**

**The Agent has 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 Agent as to the accuracy or completeness of this UK Prospectus or any document incorporated by reference herein or any further information supplied in connection with the Notes. The Agent does not accept liability in relation to this UK Prospectus or any document incorporated by reference herein or their distribution or with regard to any other information supplied by or on behalf of Morgan Stanley.**

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

**This UK Prospectus may not 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.**

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

**Prospective investors should consult their own legal and financial advisors as to any specific risks for them in the light of their own circumstances entailed by the purchase of, or holding of, or the receipt of any payments on the Notes or otherwise by an investment in the Notes, for example, as a result of their being residents of or subject to tax in any jurisdiction.**

**Save as disclosed in:**

- (a) the section entitled "Legal Proceedings" at pages 169 to 173 and in the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "12. Commitments, Guarantees and Contingencies" in "Notes to Consolidated Financial Statements" at pages**

131 to 133 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2018; and

- (b) the section entitled "Legal Proceedings" on page 75 and in the paragraphs beginning with "Legal" under the heading "Contingencies" under the heading "Commitments, Leases, Guarantees and Contingencies" in "Notes to Consolidated Financial Statements" on pages 60 to 62 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2019,

there are no governmental, legal or arbitration proceedings involving Morgan Stanley (including any such proceedings which are pending or threatened of which Morgan Stanley is aware) during the 12-month period before the date of this UK Prospectus which may have, or have had in the recent past, a significant effect on Morgan Stanley or the financial position or profitability of Morgan Stanley or the Morgan Stanley group of companies consisting of Morgan Stanley and its consolidated subsidiaries (the "Morgan Stanley Group").

There has been no significant change in the financial or trading position of the Morgan Stanley Group since 31 March 2019.

There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2018. There are no recent events particular to Morgan Stanley which are to a material extent relevant to the evaluation of Morgan Stanley's solvency.

The issue of the Notes was approved by resolutions of the board of directors of Morgan Stanley held on 14 June 2004, 20 September 2005, 11 November 2005, 12 October 2006, 18 March 2007, 16 June 2008, 20 October 2009, 19 October 2010, 18 October 2011, 23 October 2012, 31 October 2014, 25 January 2016, 26 April 2017 and 25 October 2017.

Total expenses related to the admission to trading of the Notes is about GBP 7,250.

The interest rate on the Notes will be equivalent to the Base Rate based on the Index Maturity plus the Notes Spread. This is not an indication of future yield.

Morgan Stanley does not intend to provide any post-issuance information in respect of the Notes.

**THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

**IMPORTANT – EEA RETAIL INVESTORS** – the Notes are not intended, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended or superseded ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC, as amended or superseded (the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Amounts payable under the Notes are calculated by reference to LIBOR, which is provided by ICE Benchmark Administration Limited (the "Administrator"). As at the date of this UK Prospectus, the Administrator does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "BMR"). As far as the Issuer is aware, the transitional provisions in Article 51 of the BMR apply, such that ICE Benchmark Administration Limited is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

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## RISK FACTORS

**This section describes the principal risks of investing in the Notes. Prospective investors should read the entire UK Prospectus. Words and expressions defined elsewhere in this UK Prospectus have the same meanings in this section. Prospective investors should consider, among other things, the risks disclosed on pages 11-23 in Morgan Stanley's Annual Report Form 10-K for the year ended 31 December 2018 and the following:**

Holders of Notes bear the credit risk of Morgan Stanley, that is the risk that the Issuer is not able to meet its obligations under such Notes, irrespective of whether such Notes are referred to as capital or principal protected or how any principal, interest or other payments under the Notes are to be calculated.

### **Risks relating to Morgan Stanley**

*The following are risks that may affect Morgan Stanley and its ability to fulfil its obligations under the Notes.*

#### **Market Risk**

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by Morgan Stanley.

*Morgan Stanley's results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors, including changes in asset values.*

Morgan Stanley's results of operations have been in the past and may, in the future, be materially affected by market fluctuations due to global financial markets, economic conditions, changes to the global trade policies and tariffs and other factors, including the level and volatility of equity, fixed income and commodity prices, the level and term structure of interest rates, inflation and currency values, and the level of other market indices. The results of Morgan Stanley's Institutional Securities business segment, particularly results relating to Morgan Stanley's involvement in primary and secondary markets for all types of financial products, are subject to substantial market fluctuations due to a variety of factors that Morgan Stanley cannot control or predict with great certainty. These fluctuations impact results by causing variations in business flows and activity and in the fair value of securities and other financial products. Fluctuations also occur due to the level of global market activity, which, among other things, affects the size, number and timing of investment banking client assignments and transactions and the realisation of returns from Morgan Stanley's principal investments. During periods of unfavourable market or economic conditions, the level of individual investor participation in the global markets, as well as the level of client assets, may also decrease, which would negatively impact the results of Morgan Stanley's Wealth Management business segment. In addition, fluctuations in global market activity could impact the flow of investment capital into or from assets under management or supervision and the way customers allocate capital among money market, equity, fixed income or other investment alternatives, which could negatively impact Morgan Stanley's Investment Management business segment.

The value of Morgan Stanley's financial instruments may be materially affected by market fluctuations. Market volatility, illiquid market conditions and disruptions in the credit markets may make it extremely difficult to value and monetise certain of Morgan Stanley's financial instruments, particularly during periods of market displacement. Subsequent valuations in future periods, in light of factors then prevailing, may result in significant changes in the values of these instruments and may adversely impact historical or prospective fees and performance-based fees (also known as incentive fees, which include carried interest) in respect of certain businesses. In addition, at the time of any sales and settlements of these financial instruments, the price Morgan Stanley ultimately realises will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of Morgan Stanley's financial instruments, which may have an adverse effect on its results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed

to trading strategies employed by many market participants simultaneously and on a large scale. Morgan Stanley's risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. However, severe market events have historically been difficult to predict and Morgan Stanley could realise significant losses if extreme market events were to occur.

***Holding large and concentrated positions may expose Morgan Stanley to losses.***

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

**Credit Risk**

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

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

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

Morgan Stanley also incurs credit risk in its Wealth Management business segment lending to mainly individual investors, including, but not limited to, margin- and securities-based loans collateralised by securities, residential mortgage loans and home equity lines of credit.

While Morgan Stanley believes current valuations and reserves adequately address its perceived levels of risk, adverse economic conditions may negatively impact its clients and its credit exposures. In addition, as a clearing member of several central counterparties, Morgan Stanley finances its customer positions and could be held responsible for the defaults or misconduct of its customers. Although Morgan Stanley regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

***A default by a large financial institution could adversely affect financial markets.***

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships among the institutions. Increased centralisation of trading activities through particular clearing houses, central agents or exchanges as required by provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") may increase Morgan Stanley's concentration of risk with respect to these entities. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing houses, clearing agencies, exchanges, banks and securities firms, 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 loss, or of damage to Morgan Stanley's reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (e.g., fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). Morgan Stanley may incur operational risk across the full scope of its business activities, including revenue-generating activities (e.g., sales and trading) and support and control groups (e.g., information technology and trade processing).

Legal, regulatory and compliance risk is included in the scope of operational risk and is discussed below under "Legal, Regulatory and Compliance Risk".

***Morgan Stanley is subject to operational risks, including a failure, breach or other disruption of its operations or security systems or those of Morgan Stanley's third parties (or third parties thereof), which could adversely affect its businesses or reputation.***

Morgan Stanley's businesses are highly dependent on its ability to process and report, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. Morgan Stanley may introduce new products or services or change processes or reporting, including in connection with new regulatory requirements, resulting in new operational risk that Morgan Stanley may not fully appreciate or identify. The trend toward direct access to automated, electronic markets and the move to more automated trading platforms has resulted in the use of increasingly complex technology that relies on the continued effectiveness of the programming code and integrity of the data to process the trades. Morgan Stanley relies on the ability of its employees, consultants, its internal systems and systems at technology centres maintained by unaffiliated third parties to operate its different businesses and process a high volume of transactions. Additionally, Morgan Stanley is subject to complex and evolving laws and regulations governing cybersecurity, privacy and data protection, which may differ and potentially conflict, in various jurisdictions.

As a major participant in the global capital markets, Morgan Stanley faces the risk of incorrect valuation or risk management of its trading positions due to flaws in data, models, electronic trading systems or processes or due to fraud or cyber attack.

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 lending, securities and derivatives transactions. In the event of a breakdown or improper operation of Morgan Stanley's or a direct or indirect third party's systems (or third parties thereof) or processes or improper or unauthorised action by third parties, including consultants and subcontractors or Morgan Stanley's employees, Morgan Stanley could suffer financial loss, an impairment to its liquidity position, a disruption of its businesses, regulatory sanctions or damage to its reputation. In addition, the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses, and the increased importance of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could materially impact Morgan Stanley's ability to conduct business. Furthermore, the concentration of company and personal information held by a handful of third parties increases the risk that a breach at a key third party may cause an industry-wide data breach that could significantly increase the cost and risk of conducting business.

Despite the business contingency and security response plans Morgan Stanley has in place, there can be no assurance that such plans fully mitigate all potential risks to Morgan Stanley. Morgan Stanley's ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its business and the communities where Morgan Stanley is located, which are concentrated in the New York metropolitan area, London, Hong Kong and Tokyo, as well as Mumbai, Budapest, Glasgow and Baltimore. This may include a disruption involving physical site access, cybersecurity incidents, terrorist activities, disease pandemics, catastrophic events, natural disasters, extreme weather events, electrical outage, environmental hazard, computer servers, communications or other services Morgan Stanley uses, its employees or third parties with whom Morgan Stanley conducts business.

Although Morgan Stanley employs backup systems for its data, those backup systems may be unavailable following a disruption, the affected data may not have been backed up or may not be recoverable from the backup, or the backup data may be costly to recover, which could adversely affect Morgan Stanley's business.

***A cyber attack, information or security breach or a technology failure could adversely affect Morgan Stanley's ability to conduct its business, manage its exposure to risk or result in disclosure or misuse of confidential or proprietary information and otherwise adversely impact its results of operations, liquidity and financial condition, as well as cause reputational harm.***

Morgan Stanley maintains a significant amount of personal information on its customers, clients, employees and certain counterparties that Morgan Stanley is required to protect under various state, federal and international data protection and privacy laws. These laws may be in conflict with one another, or courts

and regulators may interpret them in ways that Morgan Stanley had not anticipated or that adversely affect Morgan Stanley's business.

Cybersecurity risks for financial institutions have significantly increased in recent years in part because of the proliferation of new technologies, the use of the internet and mobile telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organised crime, hackers, terrorists and other external extremist parties, including foreign state actors, in some circumstances as a means to promote political ends. In addition to the growing sophistication of certain parties, the commoditisation of cyber tools which are able to be weaponised by less sophisticated actors has led to an increase in the exploitation of technological vulnerabilities. Any of these parties may also attempt to fraudulently induce employees, customers, clients, vendors or other third parties or users of Morgan Stanley's systems to disclose sensitive information in order to gain access to its data or that of Morgan Stanley's employees or clients. Cybersecurity risks may also derive from human error, fraud or malice on the part of its employees or third parties, including third party providers, or may result from accidental technological failure. In addition, third parties with whom Morgan Stanley does business, their service providers, as well as other third parties with whom Morgan Stanley's customers do business, may also be sources of cybersecurity risks, particularly where activities of customers are beyond Morgan Stanley's security and control systems. There is no guarantee that the measures Morgan Stanley takes will provide absolute security or recoverability given the techniques used in cyber attacks are complex and frequently change, and may not be able to be anticipated.

Like other financial services firms, Morgan Stanley and its third party providers continue to be the subject of unauthorised access attacks, mishandling or misuse of information, computer viruses or malware, cyber attacks designed to obtain confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, denial of service attacks, data breaches and other events. There can be no assurance that such unauthorised access, mishandling or misuse of information or cyber incidents will not occur in the future, and they could occur more frequently and on a more significant scale.

A cyber attack, information or security breach or a technology failure of Morgan Stanley or of a third party could jeopardise its or its clients', employees', partners', vendors' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, its and its third parties' computer systems. Furthermore, such events could cause interruptions or malfunctions in Morgan Stanley's, its clients', employees', partners', vendors', counterparties' or third parties' operations, as well as the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of Morgan Stanley, of its employees, of its customers or of other third parties. Any of these events could result in reputational damage with Morgan Stanley's clients and the market, client dissatisfaction, additional costs to Morgan Stanley to maintain and update its operational and security systems and infrastructure, regulatory investigations, litigation or enforcement, or regulatory fines or penalties, any of which could adversely affect Morgan Stanley's business, financial condition or results of operations.

Given Morgan Stanley's global footprint and the high volume of transactions Morgan Stanley processes, the large number of clients, partners, vendors and counterparties with which Morgan Stanley does business, and the increasing sophistication of cyber attacks, a cyber attack, information or security breach could occur and persist for an extended period of time without detection. Morgan Stanley expects that any investigation of a cyber attack would be inherently unpredictable and that it would take time before the completion of any investigation and before there is availability of full and reliable information. During such time Morgan Stanley would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all or any of which would further increase the costs and consequences of a cyber attack.

While many of Morgan Stanley's agreements with partners and third party vendors include indemnification provisions, Morgan Stanley may not be able to recover sufficiently, or at all, under such provisions to adequately offset any losses Morgan Stanley may incur. In addition, although Morgan Stanley maintains insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber and information security risks, such insurance coverage may be insufficient to cover all losses.

The cost of managing cyber and information security risks and attacks along with complying with new and increasingly expansive regulatory requirements could adversely affect Morgan Stanley's results of operations and business.



## **Liquidity Risk**

Liquidity 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 risk also encompasses Morgan Stanley's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern. Liquidity risk also encompasses the associated funding risks triggered by the market or idiosyncratic stress events that may negatively affect Morgan Stanley's liquidity and may impact its ability to raise new funding.

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

Liquidity is essential to Morgan Stanley's businesses. Morgan Stanley's liquidity could be negatively affected by its inability to raise funding in the long-term or short-term debt capital markets or its inability to access the secured lending markets. Factors that Morgan Stanley cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, including concerns regarding fiscal matters in the U.S. and other geographic areas, could impair Morgan Stanley's ability to raise funding. In addition, Morgan Stanley's ability to raise funding could be impaired if investors or lenders develop a negative perception of Morgan Stanley's long-term or short-term financial prospects due to factors such as an incurrence of large trading losses, a downgrade by the rating agencies, a decline in the level of its business activity, or if regulatory authorities take significant action against Morgan Stanley or its industry, or Morgan Stanley discovers significant employee misconduct or illegal activity.

If Morgan Stanley is unable to raise funding using the methods described above, it would likely need to finance or liquidate unencumbered assets, such as its investment portfolios or trading assets, to meet maturing liabilities. Morgan Stanley may be unable to sell some of its assets, or it may have to sell assets at a discount to market value, either of which could adversely affect Morgan Stanley's results of operations, cash flows and financial condition.

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

The cost and availability of unsecured financing generally are impacted by Morgan Stanley's long-term and short-term credit ratings. The rating agencies continue to monitor certain issuer specific factors that are important to the determination of Morgan Stanley's credit ratings, including governance, the level and quality of earnings, capital adequacy, liquidity and funding, risk appetite and management, asset quality, strategic direction and business mix. Additionally, the rating agencies will look at other industry-wide factors such as regulatory or legislative changes, macro-economic environment, and perceived levels of third party support, and it is possible that they could downgrade Morgan Stanley's ratings and those of similar institutions.

Morgan Stanley's credit ratings also can have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is a key consideration, such as over-the-counter ("OTC") and other derivative transactions, including credit derivatives and interest rate swaps. In connection with certain OTC trading agreements and certain other agreements associated with Morgan Stanley's Institutional Securities business segment, Morgan Stanley may be required to provide additional collateral to, or immediately settle any outstanding liability balance with, certain counterparties in the event of a credit ratings downgrade. Termination of Morgan Stanley's trading and other agreements could cause Morgan Stanley to sustain losses and impair its liquidity by requiring it to find other sources of financing or to make significant cash payments or securities movements. The additional collateral or termination payments which may occur in the event of a future credit rating downgrade vary by contract and can be based on ratings by either or both of Moody's Investors Services, Inc. ("Moody's") and S&P Global Ratings ("S&P").

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

Morgan Stanley has no operations and depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations. Regulatory, tax restrictions or elections and other legal restrictions may limit Morgan Stanley's ability to transfer funds freely, either to or from its subsidiaries. In particular, many of Morgan Stanley's subsidiaries, including its bank and broker-dealer subsidiaries, are subject to laws, regulations and self-regulatory organisation rules that limit, as well as authorise regulatory bodies to block or reduce the flow

of funds to Morgan Stanley, or that prohibit such transfers or dividends altogether in certain circumstances, including steps to "ring fence" entities by regulators outside of the U.S. to protect clients and creditors of such entities in the event of financial difficulties involving such entities. These laws, regulations and rules may hinder Morgan Stanley's ability to access funds that it may need to make payments on its obligations. Furthermore, as a bank holding company, Morgan Stanley may become subject to a prohibition or to limitations on its ability to pay dividends. The Board of Governors of the Federal Reserve System (the "**Federal Reserve**"), the Office of the Comptroller of the Currency ("**OCC**") 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 organisations they supervise, including Morgan Stanley and its U.S. bank subsidiaries, Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association (collectively, "**U.S. Bank 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 economies. In particular, Morgan Stanley's cost and availability of funding in the past have been, and may in the future be, adversely affected by illiquid credit markets and wider credit spreads. Significant turbulence in the U.S., the European Union and other international markets and economies could adversely affect Morgan Stanley's liquidity and financial condition and the willingness of certain counterparties and customers to do business with Morgan Stanley.

### **Legal, Regulatory and Compliance Risk**

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation Morgan Stanley may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. It also includes compliance with anti-money laundering, anti-corruption and terrorist financing rules and regulations.

***The financial services industry is subject to extensive regulation, and changes in regulation will impact Morgan Stanley's business.***

Like other major financial services firms, Morgan Stanley is subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by regulators and exchanges in each of the major markets where Morgan Stanley conducts its business. These laws and regulations significantly affect the way Morgan Stanley does business and can restrict the scope of its existing businesses and limit its ability to expand its product offerings and pursue certain investments.

The regulation of major financial firms, including Morgan Stanley, as well as of the markets in which Morgan Stanley operates, is extensive and subject to ongoing change. Morgan Stanley is, or will become, subject to (among other things) wide-ranging regulation and supervision, intensive scrutiny of its businesses and any plans for expansion of those businesses, limitations on new activities, a systemic risk regime that imposes heightened capital and liquidity and funding requirements and other enhanced prudential standards, resolution regimes and resolution planning requirements, requirements for maintaining minimum amounts of total loss-absorbing capacity and external long-term debt, restrictions on activities and investments imposed by a section of the Bank Holding Company Act of 1956, as amended (the "**BHC Act**") added by the Dodd-Frank Act referred to as the "**Volcker Rule**", comprehensive derivatives regulation, market structure regulation, tax regulations, antitrust laws, trade and transaction reporting obligations, and broadened fiduciary obligations. In some areas, regulatory standards are subject to final rulemaking or transition periods or may otherwise be revised in whole or in part. Ongoing implementation of, or changes in, laws and regulations could materially impact the profitability of Morgan Stanley's businesses and the value of assets it holds, expose it to additional costs, require changes to business practices or force it to discontinue businesses, adversely affect its ability to pay dividends and repurchase its stock, or require it to raise capital, including in ways that may adversely impact its shareholders or creditors. In addition, regulatory requirements that are being imposed by foreign policymakers and regulators may be inconsistent or conflict with regulations that Morgan Stanley is subject to in the U.S. and may adversely affect it. Morgan Stanley expects legal and regulatory requirements to be subject to ongoing change for

the foreseeable future, which may result in significant new costs to comply with new or revised requirements as well as to monitor for compliance on an ongoing basis.

*The application of regulatory requirements and strategies in the U.S. or other jurisdictions to facilitate the orderly resolution of large financial institutions may pose a greater risk of loss for Morgan Stanley's security holders, and subject Morgan Stanley to other restrictions.*

Pursuant to the Dodd-Frank Act, Morgan Stanley is required to periodically submit to the Federal Reserve and the FDIC a resolution plan that describes its strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of material financial distress or failure. If the Federal Reserve and the FDIC were to jointly determine that Morgan Stanley's resolution plan submission was not credible or would not facilitate an orderly resolution, and if Morgan Stanley were unable to address any deficiencies identified by the regulators, Morgan Stanley or any of its subsidiaries may be subject to more stringent capital, leverage, or liquidity requirements or restrictions on its growth, activities, or operations, or after a two year period, Morgan Stanley may be required to divest assets or operations.

In addition, provided that certain procedures are met, Morgan Stanley can be subject to a resolution proceeding under the orderly liquidation authority under Title II of the Dodd-Frank Act with the FDIC being appointed as receiver. The FDIC's power under the orderly liquidation authority to disregard the priority of creditor claims and treat similarly situated creditors differently in certain circumstances, subject to certain limitations, could adversely impact holders of Morgan Stanley's unsecured debt.

Further, because both Morgan Stanley's resolution plan contemplates a single point of entry ("**SPOE**") strategy under the U.S. Bankruptcy Code and the FDIC has proposed an SPOE strategy through which it may apply its orderly liquidation authority powers, Morgan Stanley believes that the application of an SPOE strategy is the reasonably likely outcome if either its resolution plan were implemented or a resolution proceeding were commenced under the orderly liquidation authority. An SPOE strategy generally contemplates the provision of additional capital and liquidity by Morgan Stanley to certain of its subsidiaries so that such subsidiaries have the resources necessary to implement the resolution strategy, and Morgan Stanley has entered into a secured amended and restated support agreement with its material entities, as defined in Morgan Stanley's 2017 resolution plan pursuant to which it would provide such capital and liquidity.

Under the secured amended and restated support agreement, upon the occurrence of a resolution scenario, including one in which an SPOE strategy is used, Morgan Stanley will be obligated to contribute or loan on a subordinated basis all of its contributable material assets, other than shares in subsidiaries of Morgan Stanley and certain intercompany payables, to provide capital and liquidity, as applicable, to its material entities. The obligations of Morgan Stanley under the secured amended and restated support agreement are in most cases secured on a senior basis by the assets of Morgan Stanley (other than shares in subsidiaries of Morgan Stanley). As a result, claims of Morgan Stanley's material entities against the assets of Morgan Stanley (other than shares in subsidiaries of Morgan Stanley) are effectively senior to unsecured obligations of Morgan Stanley. Such unsecured obligations are at risk of absorbing losses of Morgan Stanley and its subsidiaries. In further development of Morgan Stanley's SPOE strategy, Morgan Stanley has created a wholly owned, direct subsidiary, MS Holdings LLC ("**Funding IHC**"), to serve as a resolution funding vehicle. Morgan Stanley expects that, prior to the submission of its 2019 resolution plan by 1 July 2019, Morgan Stanley will contribute certain of its assets to the Funding IHC and enter into an updated secured amended and restated support agreement with the Funding IHC as well as certain other subsidiaries to facilitate the execution of its SPOE strategy. Similar to the existing secured amended and restated support agreement, the updated secured amended and restated support agreement will obligate Morgan Stanley to transfer capital and liquidity, as revised, to the Funding IHC, and that Morgan Stanley and/or the Funding IHC will recapitalize and provide liquidity to material entities in the event of Morgan Stanley's material financial distress or failure. Although an SPOE strategy, whether applied pursuant to Morgan Stanley's resolution plan or in a resolution proceeding under the orderly liquidation authority, is intended to result in better outcomes for creditors overall, there is no guarantee that the application of an SPOE strategy, including the provision of support to Morgan Stanley's material entities pursuant to the secured amended and restated support agreement, will not result in greater losses for holders of Morgan Stanley's securities compared to a different resolution strategy for the firm.

Regulators have taken and proposed various actions to facilitate an SPOE strategy under the U.S. Bankruptcy Code, the orderly liquidation authority or other resolution regimes. For example, the Federal Reserve requires top-tier bank holding companies of U.S. global systemically important banks, including

Morgan Stanley, to maintain minimum amounts of equity and eligible long-term debt ("**total loss-absorbing capacity**" or "**TLAC**") in order to ensure that such institutions have enough loss-absorbing resources at the point of failure to be recapitalised through the conversion of debt to equity or otherwise by imposing losses on eligible TLAC where the SPOE strategy is used. The combined implication of the SPOE resolution strategy and the TLAC requirement is that Morgan Stanley's losses will be imposed on the holders of eligible long-term debt and other forms of eligible TLAC issued by Morgan Stanley before any losses are imposed on the holders of the debt securities of Morgan Stanley's operating subsidiaries or before putting U.S. taxpayers at risk.

In addition, certain jurisdictions, including the United Kingdom ("**UK**") and other European Union ("**EU**") jurisdictions, have implemented, or are in the process of implementing, changes to resolution regimes to provide resolution authorities with the ability to recapitalise a failing entity organised in such jurisdiction by writing down certain unsecured liabilities or converting certain unsecured liabilities into equity. Such "bail-in" powers are intended to enable the recapitalisation of a failing institution by allocating losses to its shareholders and unsecured creditors. Non-U.S. regulators are also considering requirements that certain subsidiaries of large financial institutions maintain minimum amounts of total loss-absorbing capacity that would pass losses up from the subsidiaries to Morgan Stanley and, ultimately, to security holders of Morgan Stanley in the event of failure.

***Morgan Stanley may be prevented from paying dividends or taking other capital actions because of regulatory constraints or revised regulatory capital standards.***

Morgan Stanley is subject to comprehensive consolidated supervision, regulation and examination by the Federal Reserve, which requires Morgan Stanley to submit, on an annual basis, a capital plan describing proposed dividend payments to shareholders, proposed repurchases of its outstanding securities and other proposed capital actions that it intends to take. The Federal Reserve may object to, or otherwise require Morgan Stanley to modify, such plan, or may object or require modifications to a resubmitted capital plan, any of which would adversely affect shareholders. In addition, beyond review of the plan, the Federal Reserve may impose other restrictions or conditions on Morgan Stanley that prevent it from paying or increasing dividends, repurchasing securities or taking other capital actions that would benefit shareholders. Finally, the Federal Reserve may change regulatory capital standards to impose higher requirements that restrict Morgan Stanley's ability to take capital actions or may modify or impose other regulatory standards that increase Morgan Stanley's operating expenses and reduce its ability to take capital actions.

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

As a global financial services firm, Morgan Stanley faces the risk of investigations and proceedings by governmental and self-regulatory organisations in all countries in which it conducts its business. Investigations and proceedings initiated by these 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. These investigations and proceedings, as well as the amount of penalties and fines sought, continue to impact the financial services industry and certain U.S. and international governmental entities have brought criminal actions against, or have sought criminal convictions, pleas or deferred prosecution agreements from, financial institutions. Significant regulatory or law enforcement action against Morgan Stanley could materially adversely affect its business, financial condition or results of operations or cause it significant reputational harm, which could seriously harm its business. The Dodd-Frank Act also provides compensation to whistleblowers who present the United States Securities and Exchange Commission (the "**SEC**") or the United States Commodity Futures Trading Commission (the "**CFTC**") with information related to securities or commodities law violations that leads to a successful enforcement action. As a result of this compensation, it is possible Morgan Stanley could face an increased number of investigations by the SEC or CFTC.

Morgan Stanley has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, as well as investigations or proceedings brought by regulatory agencies, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal or regulatory actions include claims for substantial compensatory and/or punitive damages, claims for indeterminate amounts of damages, or may result in penalties, fines, or other results adverse to Morgan Stanley. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or are in financial distress. In other cases, including antitrust

litigation, Morgan Stanley may be subject to claims for joint and several liability with other defendants for treble damages or other relief related to alleged conspiracies involving other institutions. 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, or improper sales practices or conduct.

***Morgan Stanley may be responsible for representations and warranties associated with residential and commercial real estate loans and may incur losses in excess of its reserves.***

Morgan Stanley originates loans secured by commercial and residential properties. Further, Morgan Stanley securitises and trades in a wide range of commercial and residential real estate and real estate-related whole loans, mortgages and other real estate and commercial assets and products, including residential and commercial mortgage-backed securities. In connection with these activities, Morgan Stanley has provided, or otherwise agreed to be responsible for, certain representations and warranties. Under certain circumstances, Morgan Stanley may be required to repurchase such assets or make other payments related to such assets if such representations and warranties were breached. Morgan Stanley has also made representations and warranties in connection with its role as an originator of certain commercial mortgage loans that it securitised in commercial mortgage-backed securities.

Morgan Stanley currently has several legal proceedings related to claims for alleged breaches of representations and warranties. If there are decisions adverse to Morgan Stanley in those legal proceedings, it may incur losses substantially in excess of its reserves. In addition, Morgan Stanley's reserves are based, in part, on certain factual and legal assumptions. If those assumptions are incorrect and need to be revised, Morgan Stanley may need to adjust its reserves substantially.

***Morgan Stanley's commodities activities and investments subject it to extensive regulation, and environmental risks and regulation that may expose it to significant costs and liabilities.***

In connection with the commodities activities in its Institutional Securities business segment, Morgan Stanley executes transactions involving the storage, transportation and market-making of several commodities, including metals, natural gas, electric power, environmental attributes and other commodity products. In addition, Morgan Stanley is an electricity power marketer in the U.S. and owns a minority interest in Heidmar Holdings LLC, which owns a group of companies that provide international marine transportation and U.S. marine logistics services. These activities subject Morgan Stanley to extensive energy, commodities, environmental, health and safety and other governmental laws and regulations.

Although Morgan Stanley has attempted to mitigate its environmental risks by, among other measures, limiting the scope of activities involving storage and transportation, adopting appropriate policies and procedures, and implementing emergency response programs, these actions may not prove adequate to address every contingency. In addition, insurance covering some of these risks may not be available, and the proceeds, if any, from insurance recovery may not be adequate to cover liabilities with respect to particular incidents. As a result, Morgan Stanley's financial condition, results of operations and cash flows may be adversely affected by these events.

During the past several years, intensified scrutiny of certain energy markets by federal, state and local authorities in the U.S. and abroad and by the public has resulted in increased regulatory and legal enforcement, litigation and remedial proceedings involving companies conducting the activities in which Morgan Stanley is engaged. In addition, enhanced regulation of OTC derivatives markets in the U.S. and the EU, as well as similar legislation proposed or adopted elsewhere, will impose significant costs and requirements on Morgan Stanley's commodities derivatives activities.

Morgan Stanley may incur substantial costs or loss of revenue in complying with current or future laws and regulations and its overall businesses and reputation may be adversely affected by the current legal environment. In addition, failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties.

***A failure to address conflicts of interest appropriately could adversely affect Morgan Stanley's businesses and reputation.***

As a global financial services firm that provides products and services to a large and diversified group of clients, including corporations, governments, financial institutions and individuals, Morgan Stanley faces

potential conflicts of interest in the normal course of business. For example, potential conflicts can occur when there is a divergence of interests between Morgan Stanley and a client, among clients, between an employee on the one hand and Morgan Stanley or a client on the other, or situations in which Morgan Stanley may be a creditor of a client.

Morgan Stanley has policies, procedures and controls that are designed to identify and address potential conflicts of interest, and utilises various measures, such as the use of disclosure, to manage these potential conflicts. However, identifying and mitigating potential conflicts of interest can be complex and challenging and can become the focus of media and regulatory scrutiny. Indeed, actions that merely appear to create a conflict can put Morgan Stanley's reputation at risk even if the likelihood of an actual conflict has been mitigated. It is possible that potential conflicts could give rise to litigation or enforcement actions, which may lead to Morgan Stanley's clients being less willing to enter into transactions in which a conflict may occur and could adversely affect Morgan Stanley's businesses and reputation.

Morgan Stanley's regulators have the ability to scrutinise its activities for potential conflicts of interest, including through detailed examinations of specific transactions. For example, Morgan Stanley's status as a bank holding company supervised by the Federal Reserve subjects it to direct Federal Reserve scrutiny with respect to transactions between Morgan Stanley's U.S. Bank Subsidiaries and their affiliates. Further, the Volcker Rule subjects Morgan Stanley to regulatory scrutiny regarding certain transactions between Morgan Stanley and its clients.

***Uncertainties and ambiguities as to the interpretation and application of the U.S. Tax Cuts and Jobs Act ("Tax Act") could adversely affect Morgan Stanley.***

The Tax Act, enacted on 22 December 2017, significantly revised U.S. corporate income tax law by reducing the corporate income tax rate to 21%, partially or wholly eliminating tax deductions for certain expenses and implementing a modified territorial tax system. The modified territorial tax system includes a one-time transition tax on deemed repatriated earnings of non-U.S. subsidiaries and also imposes a minimum tax on global intangible low tax income ("**GILTI**") and an alternative base erosion and anti-abuse tax ("**BEAT**") on U.S. corporations with operations outside of the U.S.

The U.S. Treasury Department has issued proposed regulations on certain provisions in the Tax Act, some of which are not yet finalised and are therefore subject to change. In addition, there continue to be a number of uncertainties and ambiguities as to the interpretation and application of many of the provisions in the Tax Act, including the provisions relating to the modified territorial tax system, GILTI, and the BEAT. In the absence of further guidance on these issues, Morgan Stanley use what it believes are reasonable interpretations and assumptions in applying the Tax Act for purposes of determining its tax balances and results of operations, which may change as Morgan Stanley receive additional clarification and implementation guidance and as the interpretation of the Tax Act evolves over time. Morgan Stanley expects that the U.S. Treasury Department will continue to issue additional guidance on the application of various provisions in the Tax Act. It is possible that such additional guidance or positions taken by the IRS in an audit could differ from the interpretations and assumptions that Morgan Stanley previously made, which could have a material adverse effect on Morgan Stanley's results of operations and financial condition.

**Risk Management**

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

Morgan Stanley has devoted significant resources to develop its risk management capabilities and expects to continue to do so in the future. Nonetheless, Morgan Stanley's risk management strategies, models and processes, including its use of various risk models for assessing market exposures and hedging strategies, stress testing and other analysis, may not be fully effective in mitigating Morgan Stanley's risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. As Morgan Stanley's businesses change and grow, and the markets in which Morgan Stanley operates evolve, its risk management strategies, models and processes may not always adapt with those changes. Some of Morgan Stanley's methods of managing risk are based upon its use of observed historical market behaviour and management's judgment. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. In addition, many models Morgan Stanley uses are based on assumptions or inputs regarding correlations among prices of various

asset classes or other market indicators and therefore cannot anticipate sudden, unanticipated or unidentified market or economic movements, which could cause Morgan Stanley to incur losses.

Management of market, credit, liquidity, operational, model, legal, regulatory and compliance risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. Morgan Stanley's trading risk management strategies and techniques also seek to balance its ability to profit from trading positions with its exposure to potential losses. While Morgan Stanley employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. For example, to the extent that Morgan Stanley's trading or investing activities involve less liquid trading markets or are otherwise subject to restrictions on sales or hedging, Morgan Stanley may not be able to reduce its positions and therefore reduce its risk associated with such positions. Morgan Stanley may, therefore, incur losses in the course of its trading or investing activities.

***Expected replacement of London Interbank Offered Rate and replacement or reform of other interest rates could adversely affect Morgan Stanley's business, financial condition and results of operations.***

Central banks around the world, including the Federal Reserve, have commissioned working groups of market participants and official sector representatives with the goal of finding suitable replacements for LIBOR and replacements or reforms of other interest rate benchmarks, such as EURIBOR and EONIA (collectively, the "IBORs"). It is expected that a transition away from the widespread use of such rates to alternative rates based on observable market transactions and other potential interest rate benchmark reforms will occur over the course of the next few years. For example, the FCA, which regulates LIBOR, has announced that it has commitments from panel banks to continue to contribute to LIBOR through the end of 2021, but that it will not use its powers to compel contributions beyond such date. Accordingly, there is considerable uncertainty regarding the publication of LIBOR beyond 2021.

On 3 April 2018, the Federal Reserve Bank of New York commenced publication of three reference rates based on overnight U.S. Treasury repurchase agreement transactions, including the Secured Overnight Financing Rate, which has been recommended as an alternative to U.S. dollar LIBOR by the Alternative Reference Rates Committee. Further, the Bank of England is publishing a reformed Sterling Overnight Index Average, comprised of a broader set of overnight Sterling money market transactions, which has been selected by the Working Group on Sterling Risk-Free Reference Rates as the alternative rate to Sterling LIBOR. Central bank-sponsored committees in other jurisdictions, including Europe, Japan and Switzerland, have, or are expected to, select alternative reference rates denominated in other currencies.

The market transition away from IBORs to alternative reference rates is complex and could have a range of adverse impacts on Morgan Stanley's business, financial condition and results of operations. In particular, any such transition or reform could:

- adversely impact the pricing, liquidity, value of, return on and trading for a broad array of financial products, including any IBOR-linked securities, loans and derivatives that are included in Morgan Stanley's financial assets and liabilities;
- require extensive changes to documentation that governs or references IBOR or IBOR-based products, including, for example, pursuant to time-consuming renegotiations of existing documentation to modify the terms of outstanding securities and related hedging transactions;
- result in inquiries or other actions from regulators in respect of Morgan Stanley's preparation and readiness for the replacement of IBOR with one or more alternative reference rates;
- result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of provisions in IBOR-based products such as fallback language or other related provisions, including in the case of fallbacks to the alternative reference rates, any economic, legal, operational or other impact resulting from the fundamental differences between the IBORs and the various alternative reference rates;
- require the transition and/or development of appropriate systems and analytics to effectively transition Morgan Stanley's risk management processes from IBOR-based products to those based on one or more alternative reference rates in a timely manner, including by quantifying value and

risk for various alternative reference rates, which may prove challenging given the limited history of the proposed alternative reference rates; and

- cause Morgan Stanley to incur additional costs in relation to any of the above factors.

Depending on several factors including those set forth above, Morgan Stanley's business, financial condition and results of operations could be materially adversely impacted by the market transition or reform of certain benchmarks. Other factors include the pace of the transition to replacement or reformed rates, the specific terms and parameters for and market acceptance of any alternative reference rate, prices of and the liquidity of trading markets for products based on alternative reference rates, and Morgan Stanley's ability to transition and develop appropriate systems and analytics for one or more alternative reference rates.

## **Competitive Environment**

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

The financial services industry and all aspects of Morgan Stanley's businesses are intensely competitive, and Morgan Stanley expects them to remain so. Morgan Stanley competes with commercial banks, brokerage firms, insurance companies, exchanges, electronic trading and clearing platforms, financial data repositories, sponsors of mutual funds, hedge funds, energy companies, financial technology firms and other companies offering financial or ancillary services in the U.S., globally and digitally or through the internet. Morgan Stanley competes on the basis of several factors, including transaction execution, capital or access to capital, products and services, innovation, technology, reputation, risk appetite and price. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have left businesses, been acquired by or merged into other firms or have declared bankruptcy. Such changes could result in Morgan Stanley's remaining competitors gaining greater capital and other resources, such as the ability to offer a broader range of products and services and geographic diversity, or new competitors may emerge. Morgan Stanley has experienced and may continue to experience pricing pressures as a result of these factors and as some of its competitors seek to obtain market share by reducing prices or providing more favourable terms of business. In addition, certain of Morgan Stanley's competitors may be subject to different, and, in some cases, less stringent, legal and regulatory regimes, than Morgan Stanley is, thereby putting it at a competitive disadvantage. Some new competitors in the financial technology sector have sought to target existing segments of Morgan Stanley's businesses that could be susceptible to disruption by innovative or less regulated business models.

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

Morgan Stanley has experienced intense price competition in some of its businesses in recent years. In particular, the ability to execute securities, derivatives and other financial instrument trades electronically on exchanges, swap execution facilities, and other automated trading platforms has increased the pressure on bid-offer spreads, commissions, markups or comparable fees. The trend toward direct access to automated, electronic markets will likely continue and will likely increase as additional markets move to more automated trading platforms. Morgan Stanley has experienced and it is likely that it will continue to experience competitive pressures in these and other areas in the future as some of its competitors may seek to obtain market share by reducing bid-offer spreads, commissions, markups or comparable fees.

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

Morgan Stanley's people are its most important resource and competition for qualified employees is intense. If Morgan Stanley is unable to continue to attract and retain highly qualified employees, or do so at levels or in forms 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 has experienced and may continue to experience more stringent regulation of employee compensation, including limitations relating to incentive-based compensation, clawback requirements and special taxation, which could have an adverse effect on Morgan Stanley's ability to hire or retain the most qualified employees.



## **International Risk**

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

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

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

The emergence of a disease pandemic or other widespread health emergency, or concerns over the possibility of such an emergency as well as natural disasters, terrorist activities or military actions, could create economic and financial disruptions in emerging markets and other areas throughout the world, and could lead to operational difficulties (including travel limitations) that could impair 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 U.S. Treasury's Office of Foreign Assets Control and similar multi-national bodies and governmental agencies worldwide, as well as applicable anti-corruption laws in the jurisdictions in which Morgan Stanley operates, such as the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act. A violation of a sanction, embargo program, or anti-corruption law could subject Morgan Stanley, and individual employees, to a regulatory enforcement action as well as significant civil and criminal penalties.

***The UK's anticipated withdrawal from the EU could adversely affect Morgan Stanley.***

It is difficult to predict the future of the UK's relationship with the EU, the uncertainty of which may increase the volatility in the global financial markets in the short- and medium-term and may negatively disrupt regional and global financial markets. Additionally, depending on the outcome, such uncertainty may adversely affect the manner in which Morgan Stanley operates certain of its businesses in Europe.

On 23 June 2016, the UK electorate voted to leave the EU. On 29 March 2017, the UK invoked Article 50 of the Lisbon Treaty, which triggered a two-year period, subject to extension (which would need the unanimous approval of the EU Member States), during which the UK government negotiated a form of withdrawal agreement with the EU. The UK government and the EU have agreed to delay the UK's scheduled withdrawal from the EU until 31 October 2019. Absent any further changes to this time schedule, the UK is expected to leave the EU by 31 October 2019 at the latest.

The proposed withdrawal agreement includes a transition period until December 2020 and provides that the UK will leave the EU single market and will seek a phased period of implementation for a new UK-EU relationship that may cover the legal and regulatory framework applicable to financial institutions with significant operations in Europe, such as the Firm.

The withdrawal agreement was rejected by the UK Parliament on 15 January 2019 and on two subsequent occasions. As a result, the terms and conditions of the anticipated withdrawal from the EU remain uncertain. Discussions are ongoing within the UK Parliament on the negotiated withdrawal agreement and the alternatives to it, and between the UK government and the EU.

The ongoing political uncertainty in relation to the proposed withdrawal agreement in the UK means there is a risk that these arrangements may not be ready for implementation by 31 October 2019 or that there will be no transition period. Potential effects of the UK exit from the EU and potential mitigation actions may vary considerably depending on the timing of withdrawal, the nature of any transition, implementation or successor arrangements, and the future trading arrangements between the UK and the EU

If the withdrawal agreement (or any alternative agreement) is not agreed and as a result no transition period applies, Morgan Stanley's UK licensed entities may be unable to rely on EU passporting rights to provide services in a number of EU jurisdictions beginning on the date the UK leaves the EU, absent further regulatory relief. Even if a transition period is agreed, Morgan Stanley's UK licensed entities may lose their rights to provide services in a number of EU jurisdictions after such transition period unless the new UK-EU relationship provides for such rights.

In order to prepare for this risk, Morgan Stanley is taking steps to make changes to our European operations in an effort to ensure that it can continue to provide cross-border banking and investment and other services in EU Member States without the need for separate regulatory authorisations in each member state. However, as a result of the political uncertainty described above, it is currently unclear what the final post-Brexit structure of Morgan Stanley's European operations will be. Given the potential negative disruption to regional and global financial markets, and depending on the extent to which Morgan Stanley may be required to make material changes to its European operations beyond those currently planned, Morgan Stanley's results of operations and business prospects could be negatively affected.

#### **Acquisition, Divestiture and Joint Venture Risk**

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

In connection with past or future acquisitions, divestitures, joint ventures, minority stakes or strategic alliances (including with Mitsubishi UFJ Financial Group, Inc.), Morgan Stanley faces numerous risks and uncertainties combining, transferring, separating or integrating the relevant businesses and systems, including the need to combine or separate accounting and data processing systems and management controls and to integrate relationships with clients, trading counterparties and business partners. In the case of joint ventures and minority stakes, Morgan Stanley is subject to additional risks and uncertainties because it may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under its control.

In addition, conflicts or disagreements between Morgan Stanley and any of its joint venture partners may negatively impact the benefits to be achieved by the relevant joint venture.

There is no assurance that any of Morgan Stanley's acquisitions or divestitures will be successfully integrated or disaggregated or yield all of the positive benefits anticipated. If Morgan Stanley is not able to integrate or disaggregate successfully its past and future acquisitions or dispositions, there is a risk that its results of operations, financial condition and cash flows may be materially and adversely affected.

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

*For more information regarding the regulatory environment in which Morgan Stanley operates, see also "Supervision and Regulation" on page 2 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2018, which has been incorporated by reference on page 17 of this UK Prospectus.*

#### **Risk Factors relating to the Notes**

***Reform of LIBOR and EURIBOR and Other Interest Rate Index and Equity, Commodity and Foreign Exchange Rate Index "Benchmarks".***

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" are the subject of recent national, international and other

regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any securities linked to a "benchmark," including the Notes.

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks." The disappearance of a "benchmark" or changes in the manner of administration of a "benchmark" could have materially adverse consequences in relation to securities linked to such "benchmark." Under certain of the base rates described herein, the final alternative method sets the interest rate for an interest period at the same rate as the immediately preceding reset period, or, if there was no interest reset period, the rate of the interest payable will be the initial interest rate. Any such consequence could have a material adverse effect on the value of and return on any such Notes. See also "Description of the Notes".

### ***Foreign-Currency Risks***

Prospective investors should consult their financial and legal advisers as to any specific risks entailed by an investment in Notes that are denominated or payable in a currency other than the currency of the country in which they are resident or in which they conduct their business, referred to as their "home currency". Such Notes are not appropriate investments for investors who are not sophisticated in foreign currency transactions.

### ***Exchange rates and exchange controls may affect the Notes' value or return.***

*General Exchange Rate and Exchange Control Risks.* An investment in a Note denominated or payable in currencies other than the investor's home currency entails significant risks. The 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 entities. These risks generally depend on economic and political events over which Morgan Stanley has no control.

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

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

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

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

*Some Currencies May Become Unavailable.* Governments have imposed from time to time, and may in the future impose, exchange controls that could also affect the availability of a currency. 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 a payment currency is unavailable in respect of the Notes, Morgan Stanley would make required payments in U.S. dollars on the basis of the market exchange rate, which might be an extremely unfavourable rate at the time of any such unavailability.

***Currency conversions may affect payments.***

Payments on the Notes may be made in U.S. dollars if sterling is unavailable. In such a case, Morgan Stanley & Co. International plc, in its capacity as exchange rate agent, or a different exchange rate agent, will convert the currencies. The investor will bear the costs of conversion through deductions from those payments. Morgan Stanley & Co. International plc is an affiliate of Morgan Stanley.

***Secondary trading of the Notes may be limited.***

There may be little or no secondary market for the Notes. Even if there is a secondary market, it may not provide enough liquidity to allow the investor to sell or trade the Notes easily. Affiliates of Morgan Stanley may from time to time make a market in the Notes, but they are not required to do so. If at any time such affiliates of Morgan Stanley were to cease making a market in the Notes, it is likely that there would be little or no secondary market for the Notes.

***Exchange rates may affect the value of a New York judgment involving non-U.S. dollar securities.***

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

***The Notes are not insured deposits or savings accounts.***

The Notes are not deposits or savings accounts and are not insured by the FDIC or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

## INCORPORATION BY REFERENCE

The following documents (or parts thereof) shall be deemed to be incorporated into and form part of this UK Prospectus:

(A) the following sections of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2018 (as set out at <http://www.sec.gov>):

- Business on pages 1 to 10;
- Risk Factors on pages 11 to 23;
- Selected Financial Data on page 24;
- Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 25 to 63;
- Quantitative and Qualitative Disclosures about Market Risk on pages 64 to 82;
- Financial Statements and Supplementary Data on pages 83 to 163;
  - Report of Independent Registered Public Accounting Firm on page 83 for the years ended 31 December 2018 and 31 December 2017;
  - Consolidated Income Statements on page 84 for the years ended 31 December 2018 and 31 December 2017 (the column headed 2016 is specifically omitted from incorporation by reference);
  - Consolidated Comprehensive Income Statements on page 85 for the years ended 31 December 2018 and 31 December 2017 (the column headed 2016 is specifically omitted from incorporation by reference);
  - Consolidated Balance Sheets on page 86 for the years ended 31 December 2018 and 31 December 2017;
  - Consolidated Statements of Charges in Total Equity on page 87 for the years ended 31 December 2018 and 31 December 2017 (the rows from and including "Balance at December 31, 2016" to but excluding "Balance at December 31, 2016" are specifically omitted from incorporation by reference);
  - Consolidated Cash Flow Statements on page 88 for the years ended 31 December 2018 and 31 December 2017 (the column headed 2015 is specifically omitted from incorporation by reference); and
  - Notes to Consolidated Financial Statements on pages 89 to 163 for year ended 31 December 2018.
- Changes in and Disagreements with Accountants on Accounting and Financial Disclosure on page 166;
- Controls and Procedures on pages 166 to 167;
- Other Information on page 168;
- Unresolved Staff Comments on page 168;
- Properties on page 168;

Legal Proceedings on pages 169 to 173;

- Mine Safety Disclosures on page 173;

- Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchasers of Equity Securities on pages 174 to 175;
  - Directors, Executive Officers and Corporate Governance on page 176;
  - Executive Compensation on page 176;
  - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters on page 176;
  - Certain Relationships and Related Transactions, and Director Independence on page 177;
  - Principal Accountant Fees and Services on page 177;
  - Form 10-K Summary on page 177;
  - Signatures on pages S-1 to S-2; and
  - Exhibit 21 to Form 10-K;
- (B) the following sections of Morgan Stanley's 2019 Proxy Statement dated 5 April 2019 relating to the 2019 Annual Meeting of Shareholders of Morgan Stanley (as set out at <http://www.sec.gov>):
- Notice of 2019 Annual Meeting of Shareholders on page 4;
  - Overview of Voting Items on pages 5 to 10;
  - Corporate Governance Matters on pages 11 to 39;
  - Audit Matters on pages 40 to 42;
  - Compensation Matters on pages 43 to 73;
  - Ownership of Our Stock on pages 74 to 76;
  - Shareholder Proposal on pages 77 to 79;
  - Information About the Annual Meeting on pages 80 to 83;
- (C) the following sections of Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended 31 March 2019 (as set out at <http://www.sec.gov>):
- Financial Information on pages 1 to 72;
    - Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 1 to 23;
    - Quantitative and Qualitative Disclosures about Risk on pages 24 to 32;
    - Report of Independent Registered Public Accounting Firm on page 33;
    - Consolidated Financial Statements and Notes on pages 34 to 71;
    - Financial Data Supplement (Unaudited) on page 72;
  - Other Information on pages 73 to 77;
    - Glossary of Common Acronyms on pages 73-44;
    - Other Information on page 75;
    - Legal Proceedings on page 75;

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- Unregistered Sales of Equity Securities and Use of Proceeds on page 76; and
  - Controls and Procedures on page 77; and
  - Signatures on page S-1;
- (D) Morgan Stanley's Current Report on Form 8-K dated 17 January 2019 relating to the Results of Operations and Financial Condition, Regulation FD Disclosure and Financial Statements and Exhibits (as set out at <http://www.sec.gov>);
- (E) Morgan Stanley's Current Report on Form 8-K dated 18 January 2019 relating to Other Events (as set out at <http://www.sec.gov>);
- (F) Morgan Stanley's Current Report on Form 8-K dated 28 March 2019 relating to the Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers (as set out at <http://www.sec.gov>).
- (G) Morgan Stanley's Current Report on Form 8-K dated 17 April 2019 relating to the Results of Operations and Financial Condition and Financial Statements and Exhibits (as set out at <http://www.sec.gov>); and
- (H) Morgan Stanley's Current Report on Form 8-K dated 23 May 2019 relating to the Submission of Matters to a vote of Security Holders (as set out at <http://www.sec.gov>).

(For ease of reference, the documents listed in (A) to (H) above are available at <http://www.sec.gov/cgi-bin/browse-edgar?company=&CIK=0000895421&State=&SIC=&action=getcompany> and in electronic form on Morgan Stanley's website at <http://www.morganstanley.com/about-us-ir/>.) Any statement contained in this UK Prospectus, or any other documents incorporated by reference herein, shall be deemed to be modified or superseded to the extent that a statement contained in any later document subsequently incorporated by reference modifies or supersedes such statement.

The documents incorporated by reference in this UK Prospectus shall not include any documents which are themselves incorporated by reference in such incorporated documents ("daisy chained" documents). Such daisy chained documents shall not form part of this UK Prospectus. Where only part of the documents listed above have been incorporated by reference, only information expressly incorporated by reference herein shall form part of this UK Prospectus and the non-incorporated parts are either not relevant for the investor or covered elsewhere in this UK prospectus.

Morgan Stanley will, at its principal executive offices and during the period of twelve months after the date of publication of this UK Prospectus, make available for inspection during normal business hours and free of charge, upon oral or written request:

- (i) a copy of this UK Prospectus and any document containing the sections relating to Morgan Stanley incorporated by reference in this UK Prospectus;
- (ii) its certificate of incorporation;
- (iii) all reports, letters, and other documents, historical financial information, valuations and statements (if any) prepared by any expert at the request of Morgan Stanley which is included or referred to in this UK Prospectus; and
- (iv) the historical financial information of Morgan Stanley (or Morgan Stanley and its subsidiaries) for each of the two financial years preceding the publication of this UK Prospectus.

## DESCRIPTION OF MORGAN STANLEY

Information in relation to Morgan Stanley can be found in this section and on pages 1 to 24 of Morgan Stanley's Annual Report on Form 10-K for year ended 31 December 2018, incorporated by reference on page 16 of this UK Prospectus.

### History and development of Morgan Stanley

#### *Legal name, place of registration and registration number, date of incorporation*

Morgan Stanley was originally incorporated for an unlimited term under the laws of the State of Delaware on 1 October 1981 under registered number 0923632, and its predecessor companies date back to 1924. On 31 May 1997, Morgan Stanley Group, Inc. was merged with and into Dean Witter Discover & Co. ("**Dean Witter Discover**") in a merger of equals. At that time, Dean Witter Discover changed its corporate name to Morgan Stanley, Dean Witter, Discover & Co. ("**MSDWD**"). On 24 March 1998, MSDWD changed its corporate name to Morgan Stanley Dean Witter & Co, and to Morgan Stanley on 20 June 2002. Morgan Stanley is a financial holding company regulated by the Federal Reserve under the BHC Act.

#### *Registered office*

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

#### *Legal and commercial name*

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

### Board of directors

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



## DESCRIPTION OF THE NOTES

### *General*

The Notes comprise £100,000,000 aggregate principal amount of Global Medium-Term Notes, Series J Pounds Sterling Fixed/Floating Rate Senior Registered Notes Due 2021, which are debt securities of Morgan Stanley issued under a senior debt indenture dated as of 1 November 2004 between Morgan Stanley and The Bank of New York Mellon, a New York banking corporation (as successor to JPMorgan Chase Bank, N.A.) as trustee (as supplemented from time to time, the "**Senior Debt Indenture**"). The Notes priced on 24 May 2019 and the settlement date was 3 June 2019 (the original issue date) (the "**Date**").

Notes issued under the Senior Debt Indenture that are part of Morgan Stanley's Series J medium-term note program (including the Notes), Morgan Stanley's Series K medium-term note program and Morgan Stanley's Series I medium-term note program will constitute a single series under the Senior Debt Indenture, together with any medium-term notes Morgan Stanley issues in the future under the Senior Debt Indenture that Morgan Stanley designates as being part of that series. Morgan Stanley may create and issue additional notes with the same terms as the Notes so that the additional notes will be considered part of the same issuance as the Notes.

The issue price of the Notes was 100.00%. The Notes are denominated in sterling, meaning that the "specified currency" applicable to the Notes is sterling.

The material provisions of the Notes are summarised below.

*Definitions.* For the purpose of this UK Prospectus:

"**Base Rate**" means LIBOR.

A "**business day**" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close in The City of New York or in London, and that is also a TARGET Settlement Day.

"**Calculation Agent**" means The Bank of New York Mellon (as successor Calculation Agent to JPMorgan Chase Bank, N.A. (formerly known as JPMorgan Chase Bank)).

The "**CSS**" means the classic safekeeping structure for the Notes.

"**Clearstream, Luxembourg**" means Clearstream Banking, S.A.

"**Designated LIBOR Page**" means the display on Reuters, or any successor service, on page LIBOR01, or any other page as may replace that page on that service, for the purpose of displaying the London interbank rates of major banks for sterling.

"**Euroclear**" means Euroclear Bank SA/NV.

"**Fixed Rate Period**" means the period from and including the Issue Date up to but excluding 3 June 2020.

"**Floating Rate Period**" means the period from and including 3 June 2020 to but excluding the Notes Maturity Date.

"**LIBOR**" means, for any Notes Interest Determination Date, the arithmetic mean of the offered rates for deposits in sterling having the Index Maturity commencing on that Notes Interest Determination Date, that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that Notes Interest Determination Date, if at least two offered rates appear on the Designated LIBOR Page, provided that if the specified Designated LIBOR Page by its terms provides only for a single rate, that single rate shall be used.

The following procedures will be followed if the rate cannot be determined as described above:

- If (a) fewer than two offered rates appear or (b) no rate appears and the Designated LIBOR Page by its terms provides only for a single rate, then the Calculation Agent shall request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, after consultation with the Issuer, to provide the Calculation Agent with

its offered quotation for deposits in sterling for the period of the Index Maturity specified on the face hereof commencing on that Notes Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Notes Interest Determination Date and in a principal amount that is representative of a single transaction in sterling in that market at that time. If at least two quotations are provided, LIBOR determined on that Notes Interest Determination Date shall be the arithmetic mean of those quotations.

- If fewer than two quotations are provided, as described in the prior paragraph, LIBOR shall be determined for the applicable Notes Interest Reset Date as the arithmetic mean of the rates quoted at approximately 11:00 a.m., or some other time specified on the face hereof, in London on that Notes Interest Reset Date, by three major banks in that principal financial centre selected by the Calculation Agent (after consultation with the Issuer) for loans in sterling to leading European banks, having the Index Maturity specified on the face hereof and in a principal amount that is representative of a single transaction in sterling in that market at that time.
- If the banks so selected by the Calculation Agent are not quoting as set forth above, LIBOR for that Notes Interest Determination Date shall remain LIBOR for the immediately preceding Notes Interest Reset Period, or, if there was no Notes Interest Reset Period, the rate of interest payable shall be the Notes Initial Interest Rate.

Notwithstanding the terms set forth elsewhere in this UK Prospectus, if LIBOR has been permanently discontinued, the Calculation Agent will use, as a substitute for LIBOR and for each future Notes Interest Determination Date, the alternative reference rate selected by the central bank, monetary authority or any similar institution (including any committee or working group thereof) in the jurisdiction of the applicable index currency that is consistent with accepted market practice (the "**Alternative Rate**"). As part of such substitution, the Calculation Agent will, after consultation with Morgan Stanley, make such adjustments to the Alternative Rate or the spread thereon, as well as the business day convention, the Notes Interest Determination Dates and related provisions and definitions, in each case that are consistent with accepted market practice for the use of such Alternative Rate for debt obligations such as the Notes. If, however, the Calculation Agent determines, after consultation with Morgan Stanley, that no such Alternative Rate exists on the relevant date, it shall make a determination, after consultation with Morgan Stanley, of an alternative rate as a substitute for LIBOR for debt obligations such as such Notes, as well as the spread thereon, the business day convention and the Notes Interest Determination Dates, that is consistent with accepted market practice.

"**Notes Initial Floating Interest Rate**" means the Notes Floating Interest Rate as applicable to the period from 3 June 2020 up to the first Notes Interest Reset Date.

"**Notes Fixed Interest Rate**" means the interest rate in effect from the Date up to the end of the Fixed Rate Period, which will be 0.61%, calculated on an Actual/365 (Fixed) day count basis.

"**Notes Floating Interest Rate**" means the interest rate in effect from 3 June 2020 up to the end of the Floating Rate Period, which will be the Base Rate plus the Notes Spread, with the Base Rate applicable on each Notes Interest Payment Date to be determined by the Calculation Agent on the second TARGET Settlement Date immediately preceding each Notes Interest Reset Date.

"**Notes Interest Payment Date**" means each 3 March, 3 June, 3 September and 3 December commencing on 3 September 2019 to and including the Notes Maturity Date.

"**Notes Interest Reset Date**" means each Notes Interest Payment Date occurring during the Floating Rate Period.

"**Notes Maturity Date**" means 3 June 2021.

"**Index Maturity**" means three months.

For any definitive registered note, the "**record date**" for any Notes Interest Payment Date is the date 15 calendar days prior to that Notes Interest Payment Date, whether or not that date is a business day; *provided*, however, that any interest payable at maturity shall be payable to the person to whom the payment at maturity shall be payable. For any global registered note, the "**record date**" for any Notes Interest Payment Date is the date one clearing system business day before such Notes Interest Payment Date, where "**clearing system business day**" means a day on which each clearing system for which such global registered note is

being held is open for business; *provided*, however, that any interest payable at maturity shall be payable to the person to whom the payment at maturity shall be payable.

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system, which utilises a single platform and which was launched on 19 November 2007 is open for the settlement of payment in sterling.

References in this UK Prospectus to "**U.S. dollars**" and "**U.S.\$**" and "**\$**" are to the currency of the United States of America for the time being.

References in this UK Prospectus to "**sterling**" and "**£**" are to the currency of the United Kingdom for the time being.

## **Form**

The Notes will be in global registered form, represented by a global note registered in the name of a nominee of a common depositary under the CSS. Unless and until it is exchanged in whole for securities in definitive registered form, the registered global note may not be transferred except as a whole by and among the depositary for the registered global note, the nominees of the depositary or any successors of the depositary or those nominees.

## **Denomination of the Notes**

The minimum denomination of the Notes is of £100,000 and integral multiples of £100,000 in excess thereof.

## **Security Identification Number**

The security identification numbers of the Notes are as follows:

ISIN: XS2005653477

Common Code: 200565347

## **Ranking of the Notes**

The Notes constitute part of the senior debt of Morgan Stanley. The Notes are Morgan Stanley's unsecured indebtedness and will:

- rank equally in right of payment with all of Morgan Stanley's existing and future unsecured and unsubordinated indebtedness;
- rank senior in right of payment to all of Morgan Stanley's existing and future subordinated indebtedness;
- be effectively subordinated to all of Morgan Stanley's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and
- be structurally subordinated to all existing or future liabilities of Morgan Stanley's subsidiaries.

The Senior Debt Indenture does not limit the amount of additional indebtedness that Morgan Stanley may incur.

The Notes constitute "loss-absorbing capacity" within the meaning of the final rules issued by the Board of Governors of the Federal Reserve System. Morgan Stanley is a parent holding company and has no operations and depends on dividends, distributions and other payments from its subsidiaries to fund its debt obligations (including the Notes). Under a support agreement that Morgan Stanley has entered with its material subsidiaries, upon the occurrence of a resolution scenario, including a single-point-of-entry resolution strategy as contemplated in its resolution plan, Morgan Stanley would be obligated to contribute or loan on a subordinated basis all of its contributable material assets, other than shares in its subsidiaries and certain intercompany receivables, to provide capital and liquidity, as applicable, to its material subsidiaries. Those obligations will be in most cases secured, in accordance with an amended and restated

secured support agreement, on a senior basis by Morgan Stanley's assets (other than shares in Morgan Stanley's subsidiaries). As a result, claims of Morgan Stanley's material subsidiaries against Morgan Stanley's assets (other than shares in Morgan Stanley's subsidiaries) will be effectively senior to Morgan Stanley's unsecured obligations, including the Notes which would be at risk of absorbing Morgan Stanley's and Morgan Stanley's subsidiaries' losses.

### **Exchange and Transfer**

Morgan Stanley has initially designated The Bank of New York Mellon, London Branch (as successor to JPMorgan Chase Bank, N.A., London Branch), as a transfer and paying agent for the Notes and as Morgan Stanley's principal paying agent for the Notes outside the United States. Morgan Stanley may at any time appoint additional transfer agents for the Notes and may appoint additional paying agents for the Notes outside the United States. As long as any of the Notes are admitted to listing on the Official List of the FCA and to trading on the London Stock Exchange plc and the FCA requires it, Morgan Stanley will maintain a transfer agent and a paying agent in London. If any European Union Directive on the taxation of savings comes into force, Morgan Stanley will, to the extent possible as a matter of law, maintain a paying agent in a member state of the European Union that will not be obligated to withhold or deduct tax pursuant to any such Directive or any law implementing or complying with, or introduced in order to conform to, such Directive.

A holder may present the Notes for registration of transfer or exchange at the offices of the registrar or at the offices of any transfer agent that Morgan Stanley designates. Morgan Stanley has designated The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A.), acting through its principal corporate trust office in the Borough of Manhattan, The City of New York, as its registrar and transfer agent for the Notes and as its paying agent for the Notes in the United States. All references to a registrar will include any successor registrar that Morgan Stanley appoints. Morgan Stanley can rescind its initial designation of the registrar or a transfer agent at any time. However, so long as any of the Notes remain outstanding, Morgan Stanley will maintain in the Borough of Manhattan, The City of New York, one or more offices or agencies where the Notes may be presented for registration of transfer and exchange.

Morgan Stanley will not be required to:

- register the transfer of or exchange any Note to be redeemed for a period of fifteen calendar days preceding the first publication or other transmission, if applicable, of the relevant notice of redemption, or if any Notes are outstanding and there is no publication, the mailing of the relevant notice of redemption; or
- register the transfer of or exchange any Note selected for redemption, in whole or in part, except the unredeemed or unpaid portion of that registered note being redeemed or repaid in part.

No service charge will be made for any registration of transfer or exchange of the Notes, but Morgan Stanley may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the registration of transfer of the Notes.

### **Interest**

During the Fixed Rate Period, which runs from and including the Issue Date to but excluding 3 June 2020, the Notes bear interest at a fixed rate of 0.61% per annum, calculated on an Actual/365 (Fixed) day count basis.

During the Floating Rate Period, which runs from and including 3 June 2020 to but excluding the Notes Maturity Date, the Notes bear interest at a floating rate equivalent to the Base Rate plus the Notes Spread. The interest rate is reset quarterly. This period is the "**Notes Interest Reset Period**" and the first day of each Notes Interest Reset Period is the Notes Interest Reset Date. The interest rate in effect from 3 June 2020 to the first Notes Interest Reset Date will be the Notes Initial Floating Interest Rate.

The interest rate may not be higher than the maximum rate permitted by New York law, as that rate may be modified by United States law of general application. Under current New York law, the maximum rate of interest, subject to some exceptions, for any loan in an amount less than \$250,000 is 16% and for any loan in the amount of \$250,000 or more but less than \$2,500,000 is 25% per annum on a simple interest basis. These limits do not apply to loans of \$2,500,000 or more.

On the second TARGET Settlement Day prior to each Notes Interest Reset Date (the "**Notes Interest Determination Date**"), the Calculation Agent will determine the new interest rate at which the floating rate will reset. If a Notes Interest Reset Date for the Notes falls on a day that is not a business day, it will be postponed to the following business day, except that, if that business day is in the next calendar month, the Notes Interest Reset Date will be the immediately preceding business day.

The interest rate in effect for the ten calendar days immediately prior to maturity, redemption or repayment will be the one in effect on the tenth calendar day preceding the maturity, redemption or repayment date.

In the paragraphs which follow, the "**calculation date**" pertaining to a Notes Interest Determination Date means the earlier of (i) the tenth calendar day after that Notes Interest Determination Date, or, if that day is not a business day, the next succeeding business day, or (ii) the business day immediately preceding the applicable Notes Interest Payment Date or Notes Maturity Date or, for any principal amount to be redeemed or repaid, any redemption or repayment date.

Upon the request of the holder of any Note, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective on the next Notes Interest Reset Date. The Calculation Agent will notify the FCA and/or the London Stock Exchange plc, where the rules of the FCA and/or the London Stock Exchange plc require it, and the paying agents of each determination of the interest rate applicable to the Notes promptly after the determination is made.

All percentages used in or resulting from any calculation of the rate of interest on the Notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with .000005% rounded up to .00001%, and all U.S. dollar amounts used in or resulting from these calculations on Notes will be rounded to the nearest cent, with one-half cent rounded upward. All amounts denominated in any other currency used in or resulting from these calculations will be rounded to the nearest two decimal places in that currency, with .005 rounded up to .01.

Interest on the Notes will accrue from and including the most recent Notes Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from and including the Notes Issue Date. Interest will accrue to but excluding the next Notes Interest Payment Date or, if earlier, the date on which the principal has been paid or duly made available for payment.

Interest on the Notes will be calculated by multiplying the principal amount by an accrued interest factor. This accrued interest factor will be computed by adding the interest factors calculated for each day in the period for which interest is being paid. The interest factor for each day is computed by dividing the interest rate applicable to that day by 360. For these calculations, the interest rate in effect on any Notes Interest Reset Date will be the applicable rate as reset on that date. The interest rate applicable to any other day is the interest rate from the immediately preceding Notes Interest Reset Date or, if none, the Notes Initial Floating Interest Rate.

Morgan Stanley will pay interest on the Notes on the Notes Interest Payment Dates. If any scheduled Notes Interest Payment Date, other than the Notes Maturity Date or any earlier redemption or repayment date, for the Notes falls on a day that is not a business day, it will be postponed to the next business day, except that, if that business day would fall in the next calendar month, the Notes Interest Payment Date will be the immediately preceding business day. If the Notes Maturity Date or any earlier redemption or repayment date falls on a day that is not a business day, the payment of principal and interest will be made on the next succeeding business day, but interest on that payment will not accrue during the period from and after the Notes Maturity Date, redemption or repayment date.

### **Interest and Principal Payments**

Payments of principal and interest on the Notes will be in sterling. Unless alternative arrangements are made, Morgan Stanley will pay such principal and interest to an account at a bank outside the United States, which will be made by credit or transfer to a sterling account specified by the payee in a country for which the sterling is the lawful currency.

*Recipients of Payments.* The paying agent will pay interest to the person in whose name the Notes are registered at the close of business on the applicable record date. However, upon maturity, redemption or repayment, the paying agent will pay any interest due to the person to whom it pays the principal of the Notes. The paying agent will make the payment of interest on the Notes Maturity Date, redemption date

or repayment date, whether or not that date is a Notes Interest Payment Date. The paying agent will make the initial interest payment on the Notes on the first Notes Interest Payment Date falling after the date of issuance.

*Unavailability of Foreign Currency.* Sterling may not be available to Morgan Stanley for making payments of principal or interest on the Notes. This could occur due to the imposition of exchange controls or other circumstances beyond Morgan Stanley's control or if sterling is no longer used by the government of the country issuing sterling or by public institutions within the international banking community for the settlement of transactions. If sterling is unavailable, Morgan Stanley may satisfy its obligations to holders of the Notes by making those payments on the date of payment in U.S. dollars on the basis of the noon dollar buying rate in The City of New York for cable transfers of sterling, published by the Federal Reserve Bank of New York, which is referred to herein as the "market exchange rate." If that rate of exchange is not then available or is not published for sterling, the market exchange rate will be based on the highest bid quotation in The City of New York received by the exchange rate agent (initially Morgan Stanley & Co. International plc, an affiliate of Morgan Stanley) at approximately 11:00 a.m., New York City time, on the second business day preceding the applicable payment date from three recognised foreign exchange dealers for the purchase by the quoting dealer:

- of sterling for U.S. dollars for settlement on the payment date;
- in the aggregate amount of sterling payable to those holders or beneficial owners of the Notes; and
- at which the applicable dealer commits to execute a contract.

One of the dealers providing quotations may be the exchange rate agent unless the exchange rate agent is an affiliate of Morgan Stanley. If those bid quotations are not available, the exchange rate agent will determine the market exchange rate at its sole discretion.

*Unclaimed Principal or Interest.* If money is paid by Morgan Stanley and held by the trustee or any paying agent for payment of the principal or interest on the Notes that remain unclaimed at the end of two years after that principal or interest has become due and payable at maturity or otherwise:

- the trustee or the paying agent will notify the holders of the Notes that money will be repaid to Morgan Stanley and any person claiming that money will thereafter look only to Morgan Stanley for payment, and
- that money will be repaid to Morgan Stanley.

Upon repayment, the trustee or the paying agent for that money will not be liable for the money. However, Morgan Stanley's obligation to pay the principal or interest on the Notes as they become due will not be limited in any way.

### **Redemption and Repurchase of the Notes**

*Notes Maturity Date.* The Notes will be redeemed at 100% of their principal amount on the Notes Maturity Date.

*Open Market Purchases by Morgan Stanley.* Morgan Stanley may purchase the Notes at any price in the open market or otherwise. Notes so purchased by Morgan Stanley may, at its discretion, be held or resold or surrendered to the trustee for cancellation.

### *Tax Redemption*

The Notes may be redeemed as a whole at Morgan Stanley's option at any time prior to maturity, if Morgan Stanley determines that, as a result of:

- any change in or amendment to the laws (including a holding, judgment or order by a court of competent jurisdiction), or any regulations or rulings promulgated thereunder, of the United States or of any political subdivision or taxing authority of or in the United States affecting taxation, or
- any change in official position regarding the application or interpretation of the laws, regulations or rulings referred to above,

which change or amendment occurs, becomes effective or, in the case of a change in official position, is announced on or after 28 March 2018, Morgan Stanley has or will become obligated to pay additional amounts with respect to the Notes as described below under "—Payment of Additional Amounts." The redemption price will be equal to 100% of the principal amount of the Notes, together with accrued interest to the date fixed for redemption.

Prior to giving such notice of tax redemption, Morgan Stanley will deliver to the trustee:

- a certificate stating that Morgan Stanley is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to Morgan Stanley's right to so redeem have occurred; and
- an opinion of independent legal counsel satisfactory to the trustee to the effect that Morgan Stanley is entitled to effect the redemption based on the statement of facts set forth in the certificate.

*Morgan Stanley will give notice of any tax redemption.* Notice of tax redemption will be given not less than 30 nor more than 60 days prior to the date fixed for redemption. The date and the applicable redemption price will be specified in the notice, which will be given in accordance with "—Notices" below.

However, no notice of tax redemption will be given earlier than 60 days prior to the earliest date on which Morgan Stanley would be obligated to pay the additional amounts if a payment on the Notes were then due. The date on which the certificate is delivered to the trustee is referred to herein as the "redemption determination date."

On or before the redemption date, Morgan Stanley will deposit with the trustee money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on that date. If such money is so deposited, on and after the redemption date interest will cease to accrue on the Notes (unless Morgan Stanley defaults in the payment of the redemption price and accrued interest) and such Notes will cease to be outstanding.

The Notes do not contain any provisions affording the holders the right to require Morgan Stanley to purchase the Notes after the occurrence of any change in control event affecting Morgan Stanley.

#### **Payment of Additional Amounts**

Morgan Stanley will pay, subject to the exceptions and limitations set forth below, any additional amounts, which are referred to herein as the "additional amounts," to the beneficial owner of any of the Notes who is a U.S. Alien as may be necessary in order that every net payment of the principal of and interest on such note and any other amounts payable on such note, after withholding or deduction for or on account of any present or future tax, assessment or governmental charge imposed upon or as a result of that payment by the United States, or any political subdivision or taxing authority of or in the United States, will not be less than the amount provided for in the Note to be then due and payable.

Morgan Stanley will not, however, make any payment of additional amounts to any beneficial owner who is a U.S. Alien, as defined below, for or on account of:

- any present or future tax, assessment or other governmental charge that would not have been so imposed but for
  - the existence of any present or former connection between the beneficial owner of such Note, or between a fiduciary, settlor, beneficiary, member or shareholder of the beneficial owner, if the beneficial owner is an estate, a trust, a partnership or a corporation for U.S. federal income tax purposes, and the United States, including, without limitation, the beneficial owner, or the fiduciary, settlor, beneficiary, member or shareholder, being or having been a citizen or resident of the United States or being or having been engaged in the conduct of a trade or business or present in the United States or having, or having had, a permanent establishment in the United States; or
  - the presentation by or on behalf of the beneficial owner of such Note for payment on a date more than 15 days after the date on which payment became due and payable or the date on which payment of such note is duly provided for, whichever occurs later;

- any estate, inheritance, gift, sales, transfer, excise or personal property tax or any similar tax, assessment or governmental charge;
- any tax, assessment or other governmental charge imposed by reason of the beneficial owner's past or present status as a controlled foreign corporation or passive foreign investment company with respect to the United States or as a corporation that accumulates earnings to avoid U.S. federal income tax or as a private foundation or other tax-exempt organization;
- any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments on or in respect of such note;
- any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of, or interest on, such note, if payment can be made without withholding by at least one other paying agent;
- any tax, assessment or other governmental charge imposed solely because the holder or the beneficial owner (1) is a bank purchasing such note in the ordinary course of its lending business or (2) is a bank that is neither (A) buying such note for investment purposes nor (B) buying such note for resale to a third party that either is not a bank or holding such note for investment purposes only;
- any tax, assessment or other governmental charge that would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence, identity or connection with the United States of the beneficial owner of such note, if compliance is required by statute or by regulation of the United States or of any political subdivision or taxing authority of or in the United States as a precondition to relief or exemption from the tax, assessment or other governmental charge;
- any tax, assessment or other governmental charge imposed or collected pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended or superseded (the "**Code**"), any intergovernmental agreements entered into in connection with the implementation of such sections of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code;
- any tax, assessment or other governmental charge imposed pursuant to Section 871(m) of the Code and any applicable Treasury regulations promulgated thereunder or published administrative guidance implementing such section;
- any tax, assessment or other governmental charge imposed by reason of the beneficial owner's past or present status as the actual or constructive owner of 10% or more of the total combined voting power of all classes of Morgan Stanley's stock entitled to vote or as a direct or indirect subsidiary of Morgan Stanley; or
- any combination of the items listed above.

In addition, Morgan Stanley will not be required to make any payment of additional amounts with respect to any Note presented for payment:

- where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, any European Union Directive on the taxation of savings; or
- by or on behalf of a beneficial owner who would have been able to avoid such withholding or deduction by presenting the relevant note to another paying agent in a member state of the European Union.

Nor will Morgan Stanley pay additional amounts with respect to any payment on a note to a U.S. Alien who is a fiduciary or partnership or other than the sole beneficial owner of the payment to the extent the payment would be required by the laws of the United States (or any political subdivision of the United States) to be included in the income, for tax purposes, of a beneficiary of, or settlor with respect to the



fiduciary or a member of the partnership or a beneficial owner who would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner held its interest in the note directly.

As used in this UK prospectus, the term "**U.S. Alien**" means any person who is, for U.S. federal income tax purposes, (i) a nonresident alien individual, (ii) a foreign corporation, (iii) a nonresident alien fiduciary of a foreign estate or trust or (iv) a foreign partnership one or more of the members of which is, for U.S. federal income tax purposes, a nonresident alien individual, a foreign corporation or a nonresident alien fiduciary of a foreign estate or trust.

### **Covenants Restricting Pledges, Mergers and Other Significant Corporate Actions**

*Negative Pledge.* Because Morgan Stanley is a holding company, its assets consist primarily of the securities of its subsidiaries. The negative pledge provisions of the Senior Debt Indenture limit Morgan Stanley's ability to pledge some of these securities. The Senior Debt Indenture provides that Morgan Stanley will not, and will not permit any subsidiary to, create, assume, incur or guarantee any indebtedness for borrowed money that is secured by a pledge, lien or other encumbrance except for liens specifically permitted by the Senior Debt Indenture on:

- the voting securities of Morgan Stanley & Co. LLC, Morgan Stanley & Co. International plc, Morgan Stanley Smith Barney LLC or any subsidiary succeeding to any substantial part of the business now conducted by any of those corporations, which are collectively referred to herein as the "principal subsidiaries", or
- the voting securities of a subsidiary that owns, directly or indirectly, the voting securities of any of the principal subsidiaries, other than directors' qualifying shares,

without making effective provisions so that the Notes will be secured equally and rateably with indebtedness so secured.

For these purposes, "**subsidiary**" means any corporation, partnership or other entity of which at the time of determination Morgan Stanley owns or controls directly or indirectly more than 50% of the shares of the voting stock or equivalent interest, and "**voting securities**" means stock of any class or classes having general voting power under ordinary circumstances to elect a majority of the board of directors, managers or trustees of the relevant subsidiary, other than stock that carries only the conditional right to vote upon the happening of an event, whether or not that event has happened. (Senior Debt Indenture, Section 3.06).

*Merger or Consolidation.* The Senior Debt Indenture provides that Morgan Stanley will not merge or consolidate with any other person, unless:

- Morgan Stanley will be the continuing corporation; or
- the successor corporation:
  - will be a corporation organised under the laws of the United States, a state of the United States or the District of Columbia; and
  - will expressly assume all of Morgan Stanley's obligations under the Senior Debt Indenture and the debt securities issued under the Senior Debt Indenture; and
- immediately after the merger or consolidation, Morgan Stanley or that successor corporation, as the case may be, will not be in default in the performance of the covenants and conditions of the indenture applicable to it. (Senior Debt Indenture, Section 9.01).

*Sale, Lease or Conveyance.* The Senior Debt Indenture provides that Morgan Stanley will not sell, lease or convey all or substantially all of its assets to any other person (other than the sale, lease or conveyance of all or substantially all of Morgan Stanley's assets to one or more of Morgan Stanley's subsidiaries), unless:

- the person that acquires all or substantially all of the assets of Morgan Stanley:

- will be a corporation organised under the laws of the United States, a state of the United States or the District of Columbia; and
- will expressly assume all of Morgan Stanley's obligations under the Senior Debt Indenture and the debt securities issued under the Senior Debt Indenture; and
- immediately after the sale, lease or conveyance, that acquiring person will not be in default in the performance of the covenants and conditions of the indenture applicable to it. (Senior Debt Indenture, Section 9.01).

**For the avoidance of doubt, the sale, lease or conveyance of all or substantially all of Morgan Stanley's assets to one or more of Morgan Stanley's subsidiaries is not subject to any restrictions under the Senior Debt Indenture.**

For these purposes, "**subsidiary**" means any corporation, partnership or other entity of which at the time of determination Morgan Stanley owns or controls directly or indirectly more than 50% of the shares of the voting stock or equivalent interest, and "**voting securities**" means stock of any class or classes having general voting power under ordinary circumstances to elect a majority of the board of directors, managers or trustees of the relevant subsidiary, other than stock that carries only the conditional right to vote upon the happening of an event, whether or not that event has happened. (Senior Debt Indenture, Section 3.06).

*Absence of Protections against All Potential Actions of Morgan Stanley.* There are no covenants or other provisions in the Senior Debt Indenture that would afford the holders additional protection in the event of a recapitalization transaction, a change of control of Morgan Stanley or a highly leveraged transaction. The merger covenant described above would only apply if the recapitalization transaction, change of control or highly leveraged transaction were structured to include a merger or consolidation of Morgan Stanley or a sale, lease or conveyance of all or substantially all of Morgan Stanley's assets.

#### **Events of Default**

The Senior Debt Indenture provides holders of the Notes with remedies if Morgan Stanley fails to perform specific obligations or if it becomes bankrupt. Holders should review these provisions and understand which actions of Morgan Stanley trigger an event of default and which actions do not. The Senior Debt Indenture permits the issuance of debt securities in one or more series, and, in many cases, whether an event of default has occurred is determined on a series by series basis.

An event of default is defined under the Senior Debt Indenture, with respect to any series of debt securities issued under that indenture, as being:

- default for 30 days in payment of any principal of the debt securities of that series, either at maturity or upon any redemption, by declaration or otherwise;
- default for 30 days in payment of any interest on any debt securities of that series;
- events of bankruptcy, insolvency or reorganization of Morgan Stanley; or
- any other event of default provided in the supplemental indenture under which that series of debt securities is issued. (Senior Debt Indenture, Section 5.01).

The debt securities issued under the Senior Debt Indenture will not have the benefit of any cross-default or cross-acceleration provisions with other indebtedness of Morgan Stanley.

**In the case of a default in payment of any principal or any interest with respect to the debt securities issued under the Senior Indenture, including the Notes, there will only be an event of default, and therefore a right of acceleration, if such default continues for a period of 30 days.**

*Acceleration of the Notes upon an Event of Default.* The Senior Debt Indenture provides that:

- if an event of default due to the default in payment of principal of or interest on any series of debt securities issued under that indenture occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding debt securities of each affected series, voting as one class, by notice in writing to Morgan Stanley and to the trustee, if given by

security holders, may declare the principal of all debt securities of all affected series and interest accrued thereon to be due and payable immediately; and

- if an event of default due to specified events of bankruptcy, insolvency or reorganization of Morgan Stanley occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of all outstanding debt securities issued under that indenture, voting as one class, by notice in writing to Morgan Stanley and to the trustee, if given by security holders, may declare the principal of all those debt securities and interest accrued thereon to be due and payable immediately. (Senior Debt Indenture, Section 5.01).

The Notes will have the benefit of these acceleration provisions.

**There will be no event of default, and therefore no right of acceleration, in the case of a default in the performance of any covenant or obligation with respect to the debt securities issued under the Senior Debt Indenture, including the Notes (other than a covenant or warranty which is specifically dealt with above). If any such default occurs and is continuing, the trustee may pursue legal action to enforce the performance of any provision in the indenture to protect the rights of the trustee and the holders of the debt securities issued under the Senior Debt Indenture, including the Notes. (Senior Debt Indenture, Section 5.04).**

*Annulment of Acceleration and Waiver of Defaults.* The Senior Debt Indenture provides that:

In some circumstances, if any and all events of default under the Senior Debt Indenture, other than non-payment of the principal of the securities that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the holders of a majority in aggregate principal amount of all series of outstanding debt securities affected, voting as one class, may waive past defaults and rescind and annul past declarations of acceleration of the debt securities. (Senior Debt Indenture, Section 5.01)

Prior to the acceleration of any debt securities, the holders of a majority in aggregate principal amount of all series of outstanding debt securities with respect to which an event of default or a covenant breach has occurred and is continuing, voting as one class, may waive any past default or event of default or any past covenant breach, other than a default in the payment of principal or interest (unless such default has been cured and an amount sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the trustee) or a default in respect of a covenant or provision in that indenture that cannot be modified or amended without the consent of the holder of each debt security affected. (Senior Debt Indenture, Section 5.10).

*Indemnification of Trustee for Actions Taken on Behalf of Holders of the Notes.* The Senior Debt Indenture contains a provision entitling the trustee, subject to the duty of the trustee during a default to act with the required standard of care, to be indemnified by the holders of the Notes before proceeding to exercise any trust or power at the request of holders. (Senior Debt Indenture, Section 6.02). Subject to these provisions and some other limitations, the holders of a majority in aggregate principal amount of each series of outstanding debt securities of each affected series, voting as one class, may direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee. (Senior Debt Indenture, Section 5.09).

*Limitation on Actions by an Individual Holder.* The Senior Debt Indenture provides that no individual holder of Notes may institute any action against Morgan Stanley under that indenture, except actions for payment of overdue principal and interest, unless the following actions have occurred:

- the holder must have previously given written notice to the trustee of the continuing default;
- the holders of not less than 25% in aggregate principal amount of the outstanding debt securities of each affected series, treated as one class, must have (1) requested the trustee to institute that action and (2) offered the trustee reasonable indemnity;
- the trustee must have failed to institute that action within 60 days after receipt of the request referred to above; and

- the holders of a majority in principal amount of the outstanding debt securities of each affected series, voting as one class, must not have given directions to the trustee inconsistent with those of the holders referred to above. (Senior Debt Indenture, Sections 5.06 and 5.09).

*Annual Certification.* The Senior Debt Indenture contains a covenant that Morgan Stanley will file annually with the trustee a certificate of no default or a certificate specifying any default that exists. (Senior Debt Indenture, Section 3.05).

### **Discharge, Defeasance and Covenant Defeasance**

Morgan Stanley has the ability to eliminate most or all of its obligations on any series of debt securities prior to maturity if it complies with the following provisions. (Senior Debt Indenture, Section 10.01).

*Discharge of Indenture.* If at any time Morgan Stanley has:

- paid or caused to be paid the principal of and interest on all of the outstanding debt securities in accordance with their terms;
- delivered to the applicable trustee for cancellation all of the outstanding debt securities; or
- irrevocably deposited with the applicable trustee cash or, in the case of a series of debt securities payable only in U.S. dollars, U.S. government obligations in trust for the benefit of the holders of any series of debt securities issued under the Senior Debt Indenture that have either become due and payable, or are by their terms due and payable within one year or are scheduled for redemption within one year, in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and interest on and any mandatory sinking fund payments for, those debt securities;

and if, in any such case, Morgan Stanley also pays or causes to be paid all other sums payable by Morgan Stanley under the indenture with respect to the securities of such series, then the indenture shall cease to be of further effect with respect to the securities of such series, except as to certain rights and with respect to the transfer and exchange of securities, rights of the holders to receive payment and certain other rights and except that the deposit of cash or U.S. government obligations for the benefit of holders of a series of debt securities that are due and payable or are due and payable within one year or are scheduled for redemption within one year will discharge obligations under the Senior Debt Indenture relating only to that series of debt securities.

*Defeasance of a Series of Securities at Any Time.* Morgan Stanley may also discharge all of its obligations, other than as to transfers and exchanges, under any series of debt securities at any time, which is referred to herein as "defeasance".

Morgan Stanley may be released with respect to any outstanding series of debt securities from the obligations imposed by Sections 3.06 and 9.01 of the Senior Debt Indenture, which sections contain the covenants described above limiting liens and consolidations, mergers, asset sales and leases, and elect not to comply with those sections without creating an event of default, covenant breach or a default. Discharge under those procedures is called "covenant defeasance."

Defeasance or covenant defeasance may be effected only if, among other things:

- Morgan Stanley irrevocably deposits with the relevant trustee cash or, in the case of debt securities payable only in U.S. dollars, U.S. government obligations, as trust funds in an amount certified to be sufficient to pay on each date that they become due and payable or a combination of the above sufficient to pay the principal of and interest on, and any mandatory sinking fund payments for, all of the outstanding debt securities of the series being defeased.
- Morgan Stanley delivers to the relevant trustee an opinion of counsel to the effect that:
  - the holders of the series of debt securities being defeased will not recognise income, gain or loss for U.S. federal income tax purposes as a result of the defeasance or covenant defeasance; and

- the defeasance or covenant defeasance will not otherwise alter those holders' U.S. federal income tax treatment of principal and interest payments on the series of debt securities being defeased.

In the case of a defeasance, but not in the case of covenant defeasance, this opinion must be based on a ruling of the Internal Revenue Service or a change in U.S. federal income tax law occurring after 16 November 2017, since that result would not occur under current tax law.

### **Modification of the Senior Debt Indenture**

*Modification without Consent of Holders.* Morgan Stanley and the trustee may enter into supplemental indentures without the consent of the holders of the Notes to:

- secure any of the Notes;
- evidence the assumption by a successor corporation of Morgan Stanley's obligations;
- add covenants for the protection of the holders of the Notes;
- cure any ambiguity or correct any inconsistency;
- establish the forms or terms of the debt securities of any series; or
- evidence the acceptance of appointment by a successor trustee. (Senior Debt Indenture, Section 8.01).

*Modification with Consent of Holders.* Morgan Stanley and the trustee, with the consent of the holders of not less than a majority in aggregate principal amount of each affected series of outstanding debt securities, voting as one class, may add any provisions to, or change in any manner or eliminate any of the provisions of, the Senior Debt Indenture or modify in any manner the rights of the holders of those debt securities. However, Morgan Stanley and the trustee may not make any of the following changes to any outstanding Notes without the consent of each holder that would be affected by such change:

- extend the final maturity of the principal;
- reduce the principal amount;
- reduce the rate or extend the time of payment of interest;
- reduce any amount payable on redemption;
- change the currency in which the principal and any amount of original issue discount or interest thereon is payable;
- modify or amend the provisions for conversion of any currency into another currency;
- reduce the amount of any original issue discount security payable upon acceleration or provable in bankruptcy;
- alter certain provisions of the Senior Debt Indenture;
- impair the right of any holder to institute suit for the enforcement of any payment on the Notes when due; or
- reduce the percentage of Notes the consent of whose holders is required for modification of the Senior Debt Indenture. (Senior Debt Indenture, Section 8.02).

### **Replacement of Notes**

At the expense of the holder, Morgan Stanley may, in its discretion, replace any Notes that become mutilated, destroyed, lost or stolen or are apparently destroyed, lost or stolen. The mutilated Notes must be delivered to the trustee, the paying agent and the registrar, or satisfactory evidence of the destruction,

loss or theft of the Notes must be delivered to Morgan Stanley, the paying agent, the registrar and the trustee. At the expense of the holder, an indemnity that is satisfactory to Morgan Stanley, the principal paying agent, the registrar and the trustee may be required before a replacement Note will be issued.

#### **Notices**

Notices to holders of the Notes will be given by mailing the notices to each holder by first-class mail, postage prepaid, at the respective address of each holder as that address appears upon Morgan Stanley's books. Notices given to the Depositary, as holder of the registered global securities, will be passed on to the beneficial owners of the Notes in accordance with the standard rules and procedures of the Depositary and its direct and indirect participants, including Clearstream, Luxembourg and Euroclear.

#### **Concerning Morgan Stanley's Relationship with the Trustee**

Morgan Stanley and its subsidiaries maintain ordinary banking relationships and credit facilities with The Bank of New York Mellon, a New York banking corporation (as successor to JPMorgan Chase Bank, N.A. and J.P. Morgan Trust Company, National Association).

#### **Governing Law**

The Notes and the Senior Debt Indenture will be governed by, and construed in accordance with, the laws of the State of New York.

## UNITED STATES FEDERAL TAXATION

The following is a general discussion of the material U.S. federal income tax consequences and certain estate tax consequences of the ownership and disposition of the Notes.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which subsequent to the date of this UK Prospectus may affect the tax consequences described herein. This discussion does not describe all of the tax consequences that may be relevant to a holder in light of the holder's particular circumstances or to holders subject to special rules, as further discussed below. Additionally, any alternative minimum tax consequences or tax consequences resulting from the Medicare tax on investment income are not discussed in this UK Prospectus.

Persons considering the purchase of the Notes should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

### **Tax Consequences to Non-U.S. Holders**

This section applies only to a Non-U.S. Holder. As used herein, the term "**Non-U.S. Holder**" means a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- an individual who is classified as a nonresident alien;
- a foreign corporation; or
- a foreign estate or trust.

The term "**Non-U.S. Holder**" does not include any of the following holders:

- a holder who is an individual present in the United States for 183 days or more in the taxable year of disposition and who is not otherwise a resident of the United States for U.S. federal income tax purposes;
- certain former citizens or residents of the United States; or
- a holder for whom income or gain in respect of the Notes is effectively connected with the conduct of a trade or business in the United States.

Such holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Notes.

Subject to the discussions below concerning backup withholding and FATCA, a Non-U.S. Holder will not be subject to U.S. federal income tax, including withholding tax, on payments of principal or interest on a Note, or proceeds from or gain on the sale or disposition of a Note, provided that:

- the Non-U.S. Holder does not own, directly or by attribution, ten percent or more of the total combined voting power of all classes of Morgan Stanley's stock entitled to vote;
- the Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to Morgan Stanley through stock ownership;
- the Non-U.S. Holder is not a bank receiving interest under Section 881(c)(3)(A) of the Code; and
- the certification requirement described below has been fulfilled with respect to the beneficial owner.

**Certification Requirement.** The certification requirement referred to in the preceding paragraph will be fulfilled if the beneficial owner of the Note (or a financial institution holding the Note on behalf of the beneficial owner) furnishes to the applicable withholding agent an applicable U.S. Internal Revenue Service ("**IRS**") Form W-8 on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person.

## **U.S. Federal Estate Tax**

Individual Non-U.S. Holders and 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 exemption, the Notes will be treated as U.S. situs property subject to U.S. federal estate tax if payments on a Note, if received by the decedent at the time of death, would have been subject to U.S. federal withholding tax (even if the IRS Form W-8 certification requirement described above were satisfied and not taking into account an elimination of such U.S. federal withholding tax due to the application of an income tax treaty or withholding under FATCA).

Non-U.S. Holders should consult their tax advisers regarding the U.S. federal estate tax consequences of an investment in the Notes in their particular situations and the availability of benefits provided by an applicable estate tax treaty, if any.

## **Section 871(m) Withholding Tax on Dividend Equivalents**

The Notes will not be subject to Section 871(m) of the Code.

## **Backup Withholding and Information Reporting**

Information returns may be filed with the IRS in connection with payments on the Notes as well as in connection with the proceeds from a sale, exchange or other disposition of the Notes. A Non-U.S. Holder may be subject to backup withholding in respect of amounts paid to the Non-U.S. Holder, unless such Non-U.S. Holder complies with certification procedures to establish that it is not a U.S. person for U.S. federal income tax purposes or otherwise establishes an exemption. Compliance with the certification procedures described above under "—Tax Consequences to Non-U.S. Holders—Certification Requirement" will satisfy the certification requirements necessary to avoid backup withholding. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

## **Tax Consequences to U.S. Holders**

This section applies only to U.S. Holders (as defined below) of Notes who:

- purchased the Notes in their initial offering at their "issue price", which was the first price at which a substantial amount of the Notes is sold to the public (not including bond houses, brokers or similar persons or organizations acting to the capacity of underwriters, placement agents or wholesalers); and
- hold the Notes as capital assets within the meaning of Section 1221 of the Code.

As used herein, the term "**U.S. Holder**" means, for U.S. federal income tax purposes, a beneficial owner of a Note that is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States, any state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This section does not describe all of the tax consequences that may be relevant to a U.S. Holder in light of the holder's particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- certain dealers and traders in securities or commodities;



- investors holding the Notes as part of a "straddle," conversion transaction, integrated transaction or constructive sale transaction;
- U.S. Holders whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs" as defined in Section 408 or 408A of the Code, respectively; or
- holders subject to special tax accounting rules under Section 451(b) of the Code.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds a Note, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partnership holding the Notes or a partner in such a partnership, you should consult your tax adviser as to the particular U.S. federal tax consequences of holding and disposing of a Note to you.

*Tax Treatment.* The Notes should be treated as a variable rate debt instruments that provide for a single fixed rate followed by a single qualified floating rate. The Notes are denominated in foreign currency and were issued with original issue discount ("**OID**"), as described below in "—Original Issue Discount" and "—Rules for Notes Denominated in a Currency other than United States Dollars."

**Original Issue Discount.** Based on the Treasury Regulations applicable to variable rate debt instruments, each Note will be treated as issued with OID because the issue price is less than its "stated redemption price at maturity." The "stated redemption price at maturity" of a Note equals the sum of all payments required under the Note other than payments of "qualified stated interest" ("**QSI**"). QSI is stated interest unconditionally payable as a series of payments (other than in debt instruments of Morgan Stanley) at least annually during the entire term of the Note. QSI on the Notes was determined by converting the Note into an "equivalent" fixed rate debt instrument and applying the OID rules to the "equivalent" fixed rate debt instrument.

Pursuant to the Treasury Regulations applicable to variable rate debt instruments, to convert a Note into an "equivalent" fixed rate debt instrument, the fixed rate was initially converted into a qualified floating rate. The qualified floating rate that replaced the fixed rate was determined such that the fair market value of the Note as of the Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for the substitute qualified floating rate rather than the fixed rate. Subsequent to converting the fixed rate into a qualified floating rate, the qualified floating rate was substituted by a fixed rate equal to the value of the qualified floating rate as of the Note's issue date. QSI was then determined from stated interest on the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of QSI assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that such amounts differ from the actual amount of interest accrued or paid on the Note during the accrual period.

A U.S. Holder will be required to include any QSI payments in income in accordance with the holder's method of accounting for U.S. federal income tax purposes. A U.S. Holder of the Notes will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest, without regard to the timing of the receipt of cash payments attributable to this income. A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including QSI and OID) in accordance with a constant yield method based on the compounding of interest. Such election may be revoked only with the permission of the IRS.

For the QSI and the amount of OID on a Note, please contact Morgan Stanley at StructuredNotesTaxInfo@morganstanley.com. For a discussion of inclusion of income in a foreign currency please see "*Notes Denominated in a Currency other than United States Dollars*" below.

*Rules for Notes Denominated in a Currency other than United States Dollars.*

*General.* The rules applicable to debt instruments that are denominated in a currency other than the U.S. dollar could require gain or loss realised upon the sale, exchange or other disposition (including retirement) of the Notes that is attributable to fluctuations in currency exchange rates ("**foreign currency gain or loss**") to be recharacterised as ordinary income or loss. The rules applicable to the Notes are complex and their application may depend on the holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a holder should make any of these elections may depend on the holder's particular U.S. federal income tax situation. U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of the Notes.

*Treatment of QSI and OID.* A U.S. Holder who uses the cash method of accounting for U.S. federal income tax purposes and who receives a payment treated as QSI (or who receives proceeds from a sale, exchange or other disposition (including retirement) attributable to accrued interest) in sterling with respect to the Notes will be required to include in income the U.S. dollar value of the sterling payment regardless of whether the payment is in fact converted to U.S. dollars at that time, and this U.S. dollar value will be the U.S. Holder's tax basis in sterling.

In the case of a U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes, the holder will be required to include in income the U.S. dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to the Notes during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at an average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. Alternatively, a U.S. Holder may elect to translate interest income for an interest accrual period into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS. In addition to the interest income accrued as described above, the U.S. Holder will recognise foreign currency gain or loss as ordinary income or loss (which will not be treated as interest income or expense) with respect to accrued interest income on the date the interest payment or proceeds from the sale, exchange or other disposition attributable to accrued interest are actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the sterling payment received (determined based on a spot rate on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above).

With respect to OID, both cash and accrual method U.S. Holders should follow the foreign currency rules in the preceding paragraph. OID on the Notes was determined in sterling.

*Tax Basis in the Notes.* A U.S. Holder's tax basis in a Note will be the U.S. dollar value of the sterling amount paid for such Note determined on the date of the purchase plus any accrued OID and minus any amounts received by the holder that are not treated as QSI. A U.S. Holder who purchases a Note with previously owned sterling will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the sterling and the U.S. dollar fair market value of the Note on the date of purchase.

*Sale, Exchange or Retirement of the Notes.* Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the holder's adjusted tax basis in the Note. For these purposes, the amount realised does not include any amount attributable to accrued but unpaid QSI. Amounts attributable to accrued but unpaid QSI are treated as interest as described above. Foreign currency gain or loss recognised upon the sale, exchange or retirement of a Note will be ordinary income or loss that will not be treated as interest income or expense. The amount of foreign currency gain or loss generally will equal the difference between (i) the U.S. dollar value of the U.S. Holder's purchase price in sterling of the Note, determined on the date the payment is received in exchange for the Note or the Note is disposed of, and (ii) the U.S. dollar value of the U.S. Holder's purchase price in sterling of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on the Notes described above. Foreign currency gain or loss realised upon the sale, exchange or retirement of any Note will be recognised only to the extent of the total gain or loss realised by a U.S. Holder on the sale, exchange or retirement of the Note. Any gain or loss realised by a U.S. Holder in excess of the foreign currency gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange or retirement the Note has been held for more

than one year. If a U.S. Holder recognises an ordinary loss upon a sale or other disposition of a Note and such loss is above certain thresholds, the holder may be required to file a disclosure statement with the IRS. See "—Disclosure Requirements" below.

A U.S. Holder will have a tax basis in any sterling received on the sale, exchange or retirement of a Note equal to the U.S. dollar value of the sterling, determined at the time of such sale, exchange or retirement. A cash-method taxpayer who buys or sells a Note that is traded on an established market is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement of the purchase or sale. An accrual-method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations if such obligations are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realised by a U.S. Holder on a sale or other disposition of sterling (including the exchange of sterling for U.S. dollars or their use to purchase the Notes) will be ordinary income or loss.

### **Backup Withholding and Information Reporting**

Backup withholding may apply in respect of payments on the Notes and the payment of proceeds from a sale or other disposition of the Notes, unless a U.S. Holder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with applicable requirements of the backup withholding rules. The amounts withheld under the backup withholding rules are not an additional tax and may be refunded or credited against the U.S. Holder's U.S. federal income tax liability provided that the required information is furnished to the IRS. In addition, information returns may be filed with the IRS in connection with payments on the Notes and the payment of proceeds from a sale or other disposition of the Notes, unless the U.S. Holder provides proof of an applicable exemption from the information reporting rules.

### **Disclosure Requirements**

Applicable Treasury regulations require taxpayers that participate in certain "reportable transactions" to disclose their participation to the IRS by attaching Form 8886 to their tax returns and to retain a copy of all documents and records related to the transaction. In addition, organisers and sellers of such transactions are required to maintain records, including lists identifying investors in the transaction, and must furnish those records to the IRS upon demand. A transaction may be a "reportable transaction" based on any of several criteria. Whether an investment in a Note constitutes a "reportable transaction" for any holder depends on the holder's particular circumstances. Holders should consult their tax advisers concerning any possible disclosure obligation that they may have with respect to their investment in the Notes and should be aware that Morgan Stanley (or other participants in the transaction) may determine that the disclosure or investor list maintenance requirement applies to the transaction and comply accordingly with these requirements.

### **FATCA**

The Foreign Account Tax Compliance Act, commonly referred to as "FATCA", generally imposes a withholding tax of 30% on payments to certain non-U.S. entities (including financial intermediaries) with respect to certain financial instruments, unless various U.S. information reporting and due diligence requirements have been satisfied. An intergovernmental agreement between the United States and the non-U.S. entity's jurisdiction may modify these requirements. FATCA generally applies to certain financial instruments that are treated as paying U.S.-source interest or dividends (including dividend equivalents) or other U.S.-source "fixed or determinable annual or periodical" income ("**FDAP income**"). Withholding (if applicable) applies to any payment of U.S.-source FDAP income and to any payment of gross proceeds of the disposition (including upon retirement) of the Notes. Under recently proposed Treasury regulations (the preamble to which specifies that taxpayers are permitted to rely on them pending finalization), no withholding will apply on payments of gross proceeds (other than amounts treated as interest income). If withholding applies to the Notes, Morgan Stanley will not be required to pay any additional amounts with respect to amounts withheld. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the potential application of FATCA to the Notes.

## PLAN OF DISTRIBUTION

With respect to the Notes, the manager is Morgan Stanley & Co. International plc ("**MSIP**").

### United Kingdom

The manager which participated in the original distribution of the Notes has represented and agreed that:

- (1) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000, as amended or superseded (the "**FSMA**") with respect to anything done by it in relation to the relevant Notes in, from or otherwise involving the United Kingdom; and
- (2) 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 apply to Morgan Stanley.

### Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No.25 of 1948, as amended or superseded, the "**FIEA**"). The managers have agreed that, the Notes may not be offered or sold, directly or indirectly, in Japan or to or for the account or benefit of any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Law No. 228 of 1949, as amended or superseded)) or to others for re-offering or resale, directly or indirectly, in Japan or to or for the account or benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### France

The manager has represented and agreed that it will not offer or sell, directly or indirectly, any Notes in the Republic of France and will not distribute or cause to be distributed in the Republic of France this UK Prospectus or any other offering material relating to the Notes, except to qualified investors (*investisseurs qualifiés*) as defined in and in accordance with Articles L.411-2 and D.411-1 of the French *Code Monétaire et Financier*.

### Hong Kong

The contents of this UK Prospectus have not been reviewed or approved by any regulatory authority in Hong Kong. This UK Prospectus does not constitute an offer or invitation to the public in Hong Kong to acquire the Notes. Accordingly, no person may issue or have in its possession for the purpose of issue, this UK Prospectus or any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong except (i) where the Notes are only intended to be offered to "professional investors" (as such term is defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**") and the subsidiary legislation made thereunder), (ii) in circumstances which do not result in this UK Prospectus being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Cap. 32 of the Laws of Hong Kong) ("**CO**"), or (iii) in circumstances which do not constitute an offer or an invitation to the public for the purposes of the SFO or the CO. The offer of the Notes is personal to the person to whom this UK Prospectus has been delivered by or on behalf of Morgan Stanley, and a subscription for the Notes will only be accepted from such person. No person to whom a copy of this UK Prospectus is issued may copy, issue or distribute this UK Prospectus to any other person. You are advised to exercise caution in relation to the offer. If you are in any doubt about the contents of this UK Prospectus, you should obtain independent professional advice.

### Singapore

This UK Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes have not been offered or sold, or caused to be made the subject of an invitation for subscription or purchase and has not been circulated or distributed. The UK Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, has not been and will not be circulated or distributed, whether directly or indirectly, to any person

in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## Switzerland

The Notes may not be offered or sold, directly or indirectly, in or from Switzerland except in circumstances that will not result in the offer of the Notes being a public offering in Switzerland within the meaning of the Swiss Federal Code of Obligations ("CO"). Neither this UK Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as that term is understood pursuant to Article 652a or 1156 CO or a listing prospectus pursuant to the listing rules of SIX Swiss Exchange, and neither this UK Prospectus nor any other offering material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes are not authorised by or registered with the Swiss Financial Market Supervisory Authority as a foreign collective investment scheme. Therefore, investors do not benefit from protection under the Swiss Federal Act on Collective Investment Schemes or supervision by the Swiss Financial Market Supervisory Authority.

## European Economic Area

**IMPORTANT – EEA RETAIL INVESTORS** – the Notes are not intended, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended or superseded ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC, as amended or superseded (the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The agent has represented that, it will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression an "offer" includes 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 the investor to purchase or subscribe for the securities.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each manager has represented and agreed, and each further agent, dealer and underwriter appointed with respect to any securities will be required to represent 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 made and will not make an offer of securities which are the subject of the offering contemplated by this UK Prospectus in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such securities to the public in that Relevant Member State:

- (1) if the pricing supplement in relation to the securities specifies 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 Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the pricing supplement 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 pricing supplement, as applicable;
- (2) at any time to any legal entity which is a qualified investor as defined in the Prospective Directive;
- (3) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant agent, underwriter or dealer nominated by Morgan Stanley for any such offer; or
- (4) 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 (2) to (4) above shall require Morgan Stanley or any agent, underwriter or dealer to publish a prospectus pursuant to Article 3 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 for the securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended or superseded, including by Directive 2010/73/EU) and includes any relevant implementing measure in each Relevant Member State.

*MiFID II product governance for the Notes.* Solely for the purposes of the product governance requirements contained within: (a) MiFID II; (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Notes have been subject to a product approval process, which has determined that: (i) the target market for the Notes is eligible counterparties and professional clients

only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

## **Canada**

With respect to sales of the Notes in Canada, the Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Other than with respect to the admission to listing and trading as is specified in this UK Prospectus, no action has been or will be taken in any country or jurisdiction by Morgan Stanley or any manager that would permit a public offering of any securities or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this UK Prospectus comes are required by Morgan Stanley and the managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver securities or have in their possession or distribute such offering material, in all cases at their own expense.

The managers may make a market in the Notes as applicable laws and regulations permit. The managers are not obligated to do so, however, and the managers may cease to make a market at any time without notice. No assurance can be given as to the liquidity of any trading market for the securities or if separable, any other securities included in any units.

## **Conflicts of Interest**

MSIP is the wholly-owned subsidiary of Morgan Stanley. MSIP is not a U.S. registered broker-dealer and, therefore, to the extent that it intends to effect any sales of the notes in the United States, it will do so through Morgan Stanley & Co. LLC ("**MS & Co.**"). MS & Co. is a wholly-owned subsidiary of Morgan Stanley. MS & Co. will conduct this offering in compliance with the requirements of Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. MS & Co. or any of Morgan Stanley's other affiliates may not make sales in this offering to any discretionary account without the prior written approval of the customer.

## **USE OF PROCEEDS**

The Issuer intends to use the net proceeds from the sale of the Notes for general corporate purposes.



## BENEFIT PLAN INVESTOR CONSIDERATIONS

Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended or superseded ("**ERISA**"), which is referred to herein as a "plan," should consider the fiduciary standards of ERISA in the context of the plan's particular circumstances before authorizing an investment in these securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan.

In addition, Morgan Stanley and certain of its subsidiaries and affiliates, including MSI plc, may each be considered a "party in interest" within the meaning of ERISA, or a "disqualified person" within the meaning of the Code, with respect to many plans, as well as many individual retirement accounts and Keogh plans (such accounts and plans, together with other plans, accounts and arrangements subject to Section 4975 of the Code, also "plans"). Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if these securities are acquired by or with the assets of a plan with respect to which MSI plc or any of its affiliates is a service provider or other party in interest, unless the securities are acquired pursuant to an exemption from the "prohibited transaction" rules. A violation of these "prohibited transaction" rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued five prohibited transaction class exemptions ("**PTCEs**") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of these securities. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide an exemption for the purchase and sale of securities and the related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any plan involved in the transaction, and provided further that the plan pays no more, and receives no less, than "adequate consideration" in connection with the transaction (the so-called "service provider" exemption). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving these securities.

Because Morgan Stanley may be considered a party in interest with respect to many plans, these securities may not be purchased, held or disposed of by any plan, any entity whose underlying assets include "plan assets" by reason of any plan's investment in the entity (a "**plan asset entity**") or any person investing "plan assets" of any plan, *unless* such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a plan, transferee or holder of these securities will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of these securities that either (a) it is not a plan or a plan asset entity, is not purchasing such securities on behalf of or with "plan assets" of any plan, or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Law") or (b) its purchase, holding and disposition of these securities will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing these securities on behalf of or with "plan assets" of any plan consult with their counsel regarding the availability of exemptive relief.

Each purchaser and holder of these securities has exclusive responsibility for ensuring that its purchase, holding and disposition of the securities do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any of these securities to any plan or plan subject to Similar Law is in no respect a representation by Morgan Stanley or any of its affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any

particular plan, or that such an investment is appropriate for plans generally or any particular plan. In this regard, neither this discussion nor anything provided in this UK Prospectus is or is intended to be investment advice directed at any potential Plan purchaser or at Plan purchasers generally and such purchasers of these securities should consult and rely on their own counsel and advisers as to whether an investment in these securities is suitable.

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