**BASE PROSPECTUS FOR NOTES, WARRANTS AND CERTIFICATES**

**21 June 2012**

Morgan Stanley

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

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

***MORGAN STANLEY (JERSEY) LIMITED***
*as issuer*
(*incorporated with limited liability in Jersey, Channel Islands*)

***MORGAN STANLEY B.V.***
*as issuer*
(*incorporated with limited liability in The Netherlands*)

**Program for the**
**Issuance of Notes, Warrants and Certificates**

Under the program (the "**Program**") described in this base prospectus (the "**Base Prospectus**"), Morgan Stanley ("**Morgan Stanley**"), Morgan Stanley & Co. International plc ("**MSI plc**" or "**MSIP**"), Morgan Stanley (Jersey) Limited ("**Morgan Stanley Jersey**" or "**MSJ**") and Morgan Stanley B.V. ("**MSBV**") or any of Morgan Stanley's subsidiaries that accedes to the Program (each, an "**Additional Issuer**" and, together with Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV, the "**Issuers**" and each, an "**Issuer**") may offer from time to time Notes (the "**Notes**"), Warrants (the "**Warrants**") and Certificates (the "**Certificates**"). Notes, Warrants and Certificates shall be referred to collectively as "**Program Securities**" in this Base Prospectus. Each Additional Issuer shall prepare a base prospectus.

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

The payment of all amounts due in respect of Program Securities issued by Morgan Stanley Jersey, MSBV or an Additional Issuer will, unless specified otherwise in the appropriate Final Terms or, in the case of an Additional Issuer, in the accession agreement pursuant to which such Additional Issuer accedes to the Program, be unconditionally and irrevocably guaranteed by Morgan Stanley (in such capacity, the "**Guarantor**") pursuant to a guarantee dated as of 5 August 2011. Payment of amounts due in respect of Notes, Warrants and Certificates issued by MSI plc is not guaranteed by Morgan Stanley.

Each Issuer is offering the Program Securities on a continuing basis through Morgan Stanley & Co. International plc and Morgan Stanley & Co. LLC (the "**Distribution Agents**"), who have agreed to use reasonable efforts to solicit offers to purchase the Program Securities. Each Issuer may also sell Program Securities to the Distribution Agents as principal for their own accounts at a price to be agreed upon at the time of sale. The Distribution Agents may resell any Program Securities they purchase as principal at prevailing market prices, or at other prices, as they determine. Each Issuer or the Distribution Agents may reject any offer to purchase Program Securities, in whole or in part. See "*Subscription and Sale*" beginning on page 351.

**Any person (an "Investor") intending to acquire or acquiring any securities from any person (an "Offeror") should be aware that, in the context of an offer to the public as defined in section 102B of the Financial Services and Markets Act 2000 ("FSMA"), the Issuer may be responsible to the Investor for the Base Prospectus under section 90 of FSMA only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Base Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person**

**is**. **If the Investor is in any doubt about whether it can rely on the Base Prospectus and/or who is responsible for its contents it should take legal advice.**

**An Investor intending to acquire or acquiring any securities from an Offeror will do so, and offers and sales of the securities to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements**. **The Issuer will not be a party to any such arrangements with Investors (other than Distribution Agents) in connection with the offer or sale of the securities and, accordingly, this Base Prospectus and any Final Terms will not contain such information and an Investor must obtain such information from the Offeror**. **Information in relation to an offer to the public will be made available at the time such sub-offer is made, and such information will also be provided by the relevant Offeror.**

This Base Prospectus has been approved by (i) the Financial Services Authority (the "**FSA**") in its capacity as United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Program Securities under the Program issued by Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV, as applicable and (ii) the SIX Swiss Exchange (the "**SIX Swiss Exchange**") pursuant to points 14 et seq. of the directive of the SIX Swiss Exchange on the listing of notes for the purpose of giving certain information with regard to the Issuers, the Terms and Conditions applying to the Program Securities and certain other issues in connection with the issuance of Program Securities under the Program, in each case within 12 months following the date of this document.

Applications have been made for the Notes, the Warrants and the Certificates to be (i) admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"), which is a regulated market for the purpose of Directive 2004/39/EC and (ii) (other than in relation to Notes, Warrants or Certificates issued by Morgan Stanley Jersey) admitted to listing on the main segment of the SIX Swiss Exchange and to trading on SCOACH AG, in each case during the period from and including the date hereof up to but excluding 21 June 2013. Program Securities not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system may also be issued.

Program Securities may or may not be rated. Any credit rating applied for in relation to an issue of Program Securities will be specified in the applicable Final Terms. Whether or not such credit ratings applied for will be issued by a credit rating agency established in the European Union and registered under Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**") will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Economic Area ("**EEA**") and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. This Base Prospectus includes details of the long-term and short-term credit ratings assigned to Morgan Stanley by Dominion Bond Rating Service, Inc. ("**DBRS**"), Fitch, Inc., ("**Fitch**") Moody's Investors Service, Inc. ("**Moody's**"), Ratings and Investment Information Inc., and Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services ("**S&P**"). See "*Incorporation by Reference*" beginning on page 27.

The Morgan Stanley base prospectus (the "**Morgan Stanley Base Prospectus**") will comprise this base prospectus with the exception of (A) the information in the section entitled (i) Summary – MSIP, (ii) Summary – MSJ, (iii) Summary – MSBV (iv) Jersey Taxation and (v) Netherlands Taxation (B) information incorporated by reference herein from the Registration Document entitled (i) Description of Morgan Stanley & Co. International plc at pages 63-68 of the Registration Document, (ii) Selected Financial Information of Morgan Stanley & Co. International plc at pages 69-71 of the Registration Document, (iii) Description of Morgan Stanley (Jersey) Limited at pages 72-74 of the Registration Document and (iv) Description of Morgan Stanley B.V. at pages 75-55 of the Registration Document and

(C) items 11-16 incorporated by reference herein in the section "Incorporation by Reference" at pages 27 - 32 hereof.

The MSI plc base prospectus (the "**MSI plc Base Prospectus**") will comprise this base prospectus with the exception of (A) the information in sections entitled (i) Summary – Morgan Stanley, (ii) Summary – MSJ, (iii) Summary – MSBV, (iv) Jersey Taxation and (v) Netherlands Taxation (B) information incorporated by reference herein from the Registration Document entitled (i) Description of Morgan Stanley at pages 24-55 of the Registration Document, (ii) Selected Financial Information of Morgan Stanley at pages 56-62 of the Registration Document (iii) Description of Morgan Stanley (Jersey) Limited at pages 72-74 of the Registration Document, (iv) Description of Morgan Stanley B.V. at pages 75-77 of the Registration Document and (v) Subsidiaries of Morgan Stanley at pages 78-107 of the Registration Document and (C) items 2-10, 13-21 and 23-28 incorporated by reference herein in the section "Incorporation by Reference" at pages 27 - 32 hereof.

The Morgan Stanley Jersey base prospectus (the "**Morgan Stanley Jersey Base Prospectus**") will comprise this base prospectus with the exception of (A) the information in sections entitled (i) Summary – MSI plc, (ii) Summary – MSBV and (iii) Netherlands Taxation, (B) information incorporated by reference herein from the Registration Document entitled (i) Description of Morgan Stanley & Co. International plc at pages 63-68 of the Registration Document, (ii) Selected Financial Information of Morgan Stanley & Co. International plc at pages 69-71 of the Registration Document and (iii) Description of Morgan Stanley B.V. at pages 75-77 of the Registration Document and (C) items 11-12 and items 15-16 incorporated by reference herein in the section "Incorporation by Reference" at pages 27 - 32 hereof.

The MSBV base prospectus (the "**MSBV Base Prospectus**") will comprise this base prospectus with the exception of (A) the information in sections entitled (i) Summary – MSI plc, (ii) Summary – Morgan Stanley Jersey, and (iii) Jersey Taxation (B) information incorporated by reference herein from the Registration Document entitled (i) Description of Morgan Stanley & Co. International plc at pages 63-68 of the Registration Document, (ii) Selected Financial Information of Morgan Stanley & Co. International plc at pages 69-71 of the Registration Document and (iii) Description of Morgan Stanley (Jersey) Limited at pages 72-74 of the Registration Document and (C) items 7-10 incorporated by reference herein in the section "Incorporation by Reference" at pages 27 - 32 hereof.

The aggregate principal amount of Notes outstanding issued under the Program shall not at any time exceed U.S.$5,000,000,000.

The Notes, the Warrants and the Certificates will be governed by the laws of England and Wales.

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

***The Program Securities may not be a suitable investment for all investors***

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

Each potential investor should determine whether an investment in the Program Securities is appropriate in its particular circumstances. An investment in the Program Securities requires a thorough understanding of the nature of the relevant transaction. Potential investors should be experienced with respect to an investment in the Program Securities and be aware of the related risks.

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

- have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Program Securities and the information contained or incorporated by reference into this document;
- have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of the potential investor's particular financial situation and to evaluate the impact the Program Securities will have on their overall investment portfolio;

- understand thoroughly the terms of the Program Securities and are familiar with the behaviour of the Relevant Underlying or Relevant Factor as applicable and financial markets;
- are capable of bearing the economic risk of an investment in the Program Securities until the maturity date of the Notes or exercise date of the Warrants or Certificates;
- recognise that it may not be possible to dispose of the Program Securities for a substantial period of time, if at all before the maturity date; and
- are familiar with the behaviour of the Relevant Underlying or Relevant Factor, as applicable and relevant financial markets and be able to evaluate (either alone or with the help of a financial and legal adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Program Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Program Securities unless it has the expertise (either alone or with a financial and legal adviser) to evaluate how the Program Securities will perform under changing conditions, the resulting effects on the value of the Program Securities and the impact this investment will have on the potential investor's overall investment portfolio. Each Issuer, and MSI plc and/or Morgan Stanley & Co LLC as Distribution Agents disclaim any responsibility to advise prospective investors of any matters arising under the law of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments or deliveries on the Program Securities.

**Investing in the Program Securities involves risks. See "*Risk Factors Relating to the Program Securities*" beginning on page 6 of this Base Prospectus.**

**THE PROGRAM SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE PROGRAM SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE "*SUBSCRIPTION AND SALE*" AND "*NO OWNERSHIP BY U.S. PERSONS*".**

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

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

**This Base Prospectus includes details of the long-term and short-term credit ratings assigned to Morgan Stanley by DBRS Inc. ("DBRS"), Fitch, Inc., ("Fitch") Moody's Investors Service, Inc. ("Moody's"), Ratings and Investment Information Inc., and Standard & Poors Financial Services LLC through its business unit Standard & Poors Ratings Services ("S&P").**

**DBRS is not established in the European Economic Area but the ratings it has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited, a rating agency established in the European Economic Area 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 European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, a rating established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.**

**Moody's is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Limited and Moody's Deutschland GmbH, both rating agencies established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities.**

**Ratings and Investment Information Inc. is not incorporated in the European Economic Area and is not registered under the CRA Regulation in the EU.**

**S&P is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is, with effect from 9 April 2012, endorsed by Standard & Poors Credit Market Services Europe Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.**

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

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

**The previous paragraph should be read in conjunction with paragraph 5 on page (i) of this Base Prospectus, paragraph 1 on page (ii) and paragraphs 2 to 5 on page (iii) of this Base Prospectus.**

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

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

**Subject to the relevant Final Terms, the Issuers do not intend to provide post-issuance information in respect of the Program Securities.**

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

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

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

**The Program Securities do not qualify as units of a collective investment scheme according to the relevant provisions of the Swiss Federal Act on Collective Investments Scheme ("CISA"), as amended, and are not registered thereunder. Therefore, the Program Securities are neither governed by the CISA or supervised by the Swiss Financial Market Supervisory Authority**

**("FINMA"). Accordingly, investors do not have the benefit of the specific investor protection provided under the CISA.**

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

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

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

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## SUMMARY

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

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

**Morgan Stanley** was incorporated under the laws of the State of Delaware in 1981.

In September 2008, it became a bank holding company and a financial holding company. Its directors are James P. Gorman, Roy J. Bostock, Erskine B. Bowles, Howard J. Davies, Masaaki Tanaka, C. Robert Kidder, Klaus Kleinfeld, Donald T. Nicolaisen, Hutham S. Olayan, James W. Owens, O. Griffith Sexton, Ryosuke Tamakoshi and Laura D. Tyson..

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

At 31 December 2011, Morgan Stanley had 61,899 employees worldwide.

Its auditors are Deloitte & Touche LLP.

Its issued share capital at 31 December 2011 comprised 1,989,377,171 ordinary shares of nominal value U.S. $0.01.

As of 31 December 2011, Morgan Stanley's total assets were U.S.$ 749,898 million and total liabilities U.S.$ 679,820 million. As of 31 December 2010, Morgan Stanley's total assets were U.S.$ 807,698 million and total liabilities U.S.$ 742,291 million.

The following entities beneficially own more than 5 per cent of Morgan Stanley's common stock: Mitsubishi UFJ Financial Group, Inc. (22.0%); State Street Bank and Trust Company (8.4%) and China Investment Corporation (7.6%).

**Morgan Stanley & Co. International plc** ("**MSIP**") was incorporated in England and Wales in 1986 as a company limited by shares and re-registered as a public limited company in 2007. Its directors are P. Bailas, C. Bryce, C. Kelleher, F. Petitgas, I. Plenderleith, R. Rooney, D. Russell and C. Woodman.

Its principal activity is the provision of financial services to corporations, governments and financial institutions. Its auditors are Deloitte LLP.

As at 31 December 2011, its issued share capital comprised 6,884,105,148 ordinary shares of nominal value U.S.$1.00, 17,615,107 ordinary shares of nominal value GBP1.00, 1,500,000,000 Class A ordinary shares of nominal value U.S.$1.00, 50,000,000 Class C non-cumulative preference shares of nominal value U.S.$1.00 and 1,000,000,000 Class D1 non-cumulative preference shares of nominal value U.S.$0.40

As of 31 December 2011, its total assets were U.S.$ 575,585 million and total liabilities U.S.$ 562,107 million. As of 31 December 2010, its total assets were U.S.$ 508,935 million and total liabilities U.S.$ 499,804 million.

**Morgan Stanley (Jersey) Limited** ("**MSJ**") was incorporated in Jersey, Channel Islands in 1986 as a company with unlimited corporate capacity. Its directors are H. Herrmann and E.O. Alby. It has no employees or subsidiaries. Its auditors are Deloitte LLP.

MSJ's business primarily consists of issuing financial instruments and hedging its obligations. At 31 December 2011, its issued share capital equated to U.S.$ 14,000 comprising of 10,000 GBP denominated ordinary shares of no par value.

MSJ's profit or loss before tax for the financial years ended 31 December 2010 and 31 December 2011 was nil and nil respectively. Total assets decreased from U.S.$1,053,701,000 as at 31 December 2010 to U.S.$704,726,000 as at 31 December 2011, with total liabilities decreasing from U.S.$1,053,245,000 as at 31 December 2010 to US$704,270,000 as at 31 December 2011.

**Morgan Stanley B.V.** ("**MSBV**") was incorporated in The Netherlands in 2001 as a private company with limited liability. Its directors are H. Herrmann, P.J.G de Reus, R.H.L. de Groot, Z. Wu and TMF Management B.V. It has no employees or subsidiaries. Its auditors are Deloitte Accountants B.V.

MSBV's issued share capital comprises 150,180 ordinary shares of nominal value EUR 100.

The profit after tax for the financial years ended 31 December 2011 and 31 December 2010 was EUR3,026,000 and EUR1,638,000 respectively. The profit before tax for the financial years ended 31 December 2011 and 31 December 2010 was EUR4,020,000 and EUR2,188,000 respectively. The total assets of MSBV decreased from EUR5,494,136,000 at 31 December 2010 to EUR4,187,365,000 at 31 December 2011, with total liabilities decreasing from EUR5,465,943,000 at 31 December 2010 to EUR4,170,543,000 at 31 December 2011.

Archimedes Investments Cooperative U.A., (a group company) holds the majority of shares in MSBV. Morgan Stanley International Holding Inc and Morgan Stanley International Limited each holds one share.

**Risks**

***Morgan Stanley***

The factors set out below should not be regarded as a complete statement of all potential risks and uncertainties which face Morgan Stanley's business.

*Liquidity and funding risk*: Morgan Stanley is subject to the risk of being unable to finance its operations due to a loss of access to the capital markets or the secured lending markets. Its ability to raise funding could be impaired by factors it cannot control, such as disruption of the financial markets or negative views about the financial services industry (including concerns regarding the European sovereign debt crisis), or if lenders develop a negative perception of Morgan Stanley's financial prospects. If unable to raise funding as described above, it would likely need to finance or liquidate unencumbered assets, and could be adversely affected if it was unable to sell some of its assets, or was only able to sell assets at a discount from market value.

Continued uncertainty over the ability of certain European Union member states to service their sovereign debt obligations and further disruption of the U.S., international and global markets could adversely affect Morgan Stanley's liquidity and financial condition.

Morgan Stanley's borrowing costs and access to the debt capital markets depend significantly on its credit ratings, which can also have a significant impact on certain trading revenues. In the event of a credit ratings downgrade, Morgan Stanley may be required to provide additional collateral to certain counterparties, exchanges and clearing organizations. The rating agencies are continuing to monitor certain factors that are important to the determination of Morgan Stanley's ratings including governance, the level and quality of earnings, capital adequacy, funding and liquidity, risk appetite and management, asset quality, strategic direction, business mix and industry-wide factors, and it is possible that they could downgrade its ratings and those of similar institutions.

Morgan Stanley depends on payments from its subsidiaries to fund payments on its obligations, and regulatory and other legal restrictions may limit its ability to access funds that it may need to make payments on its obligations.

*Market Risk*: Morgan Stanley's results of operations may be materially affected by many factors, including political and economic conditions and geopolitical events; market conditions, the impact of legislation, regulation, and legal actions in the U.S. and worldwide; the level and volatility of equity, fixed income and commodity prices, interest rates, currency values and other market indices; the availability and cost of both credit and capital as well as Morgan Stanley's credit ratings; investor sentiment and confidence in the financial markets; the performance of Morgan Stanley's acquisitions, joint ventures, strategic alliances or other strategic arrangements; Morgan Stanley's reputation; inflation, natural disasters, acts of war or terrorism; actions and initiatives of current and potential competitors, as well as governments, regulators and self-regulatory organizations and technological changes; or a combination of these or other factors.

Morgan Stanley may experience further declines in value of its financial instruments and other losses related to volatile and illiquid market conditions and may be exposed to losses by holding large and concentrated positions.

Morgan Stanley has incurred, and may continue to incur, significant losses in the real estate sector. Among other things, over the last several years, the level of litigation and investigatory activity focused on residential mortgage and credit-crisis related matters has increased materially in the financial services industry and as a result, Morgan Stanley has been and expect that it may continue to become, the subject of increased claims regarding residential mortgages and related securities in the future.

*Credit Risk*: Morgan Stanley is exposed to the risk that third parties indebted to it will not perform their obligations and may be adversely affected by concerns about, or an actual or threatened default by, other financial institutions.

Holders of Program Securities are subject to the risk that the Issuer and, if applicable, the Guarantor, may be unable to meet its obligations under such Program Securities, even if the Program Securities are expressed to be principal protected. If the Program Securities are not Par Notes, an investor may suffer loss if the Program Securities are redeemed early.

*Operational Risk:* Morgan Stanley is exposed to the risk of financial or other loss, or damage to its reputation, resulting from inadequate or failed internal processes, people, resources, systems or from other internal or external events. Morgan Stanley could also be adversely affected as a result of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries it uses to facilitate securities transactions. A breakdown in systems or improper or unauthorised action by third parties or its employees could result in financial loss, impairment in liquidity, business disruption, regulatory sanctions or reputational damage for Morgan Stanley.

*Legal and Regulatory Risk*: Morgan Stanley is subject to legal and compliance risks including exposure to fines, penalties, judgments, damages and/or settlements in connection with regulatory or legal actions as a result of non-compliance with applicable legal or regulatory requirements or litigation; contractual and commercial risk; and exposure to regulatory change.

Morgan Stanley also faces the risk of investigations and proceedings by governmental and self-regulatory agencies in all countries where it conducts its business, which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

Legislators and regulators in the U.S. and worldwide, have adopted, or are considering enacting, financial market reforms that result in major changes to the regulation of Morgan Stanley's global operations. In particular, as a result of the Dodd-Frank Act, Morgan Stanley is subject to significantly revised and expanded regulation and supervision, more intensive scrutiny of its current and future businesses, new activities limitations, a systemic risk regime which will impose especially high capital and liquidity requirements, and to comprehensive new derivatives regulation. Whilst the exact impact of these changes continues to be uncertain, Morgan Stanley knows it will incur costs to comply with what will be a more complex regulatory framework.

Morgan Stanley has been named, as a defendant in various legal actions and investigations or proceedings brought by regulatory agencies. Certain actual or threatened legal or regulatory actions include claims for substantial or indeterminate damages, or may result in penalties, fines, or other adverse results.

Morgan Stanley is subject to the effect of governmental fiscal and monetary policies on its business, financial condition and results of operations; to risks and regulation in relation to its commodities activities; and to risks arising from failure to address conflicts of interest appropriately.

*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. Automated trading markets may adversely affect its business and increase competition. 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.

*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, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls, increased taxes and levies and other restrictive governmental actions; the outbreak of hostilities or political and governmental instability; uncertainty of local legal requirements; conditions in emerging market countries; an actual or potential pandemic or other widespread health emergency; terrorist acts or military actions; and compliance with economic sanctions and embargo programs.

*Acquisition and Joint Venture Risk*: Morgan Stanley may be unable to fully capture the expected value from acquisitions, joint ventures, minority stakes and strategic alliances.

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

**MSJ, MSBV and MSIP**

The principal risks for Morgan Stanley will also represent the principal risks for MSJ, MSBV and MSIP, either as individual entities or as part of the Morgan Stanley group of companies.

All material assets of MSJ and MSBV are obligations of one or more Morgan Stanley group companies and the ability of MSJ or MSBV to perform its obligations is dependent on such companies fulfilling their obligations.

*Program Securities*

Each Issuer may offer from time to time Notes, Warrants and Certificates. Applications have been made for Program Securities to be admitted to the Official List of the FSA and to the main segment of the SIX Swiss Exchange and to trading on the London Stock Exchange's Regulated Market and SCOACH AG.

Payment of all amounts due in respect of Program Securities issued by MSJ or MSBV will, unless specified otherwise in the applicable Final Terms, be guaranteed by Morgan Stanley.

Each Issuer is offering Program Securities on a continuing basis through the Distribution Agents, who have agreed to use reasonable efforts to solicit offers to purchase the same. Each Issuer may also sell Program Securities to the Distribution Agents as principal for their own accounts at prices agreed upon at the time of sale. The Distribution Agents may resell Program Securities purchased as principal. Each Issuer or the Distribution Agents may reject any offer to purchase Program Securities.

Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may issue Bearer Notes, Bearer Warrants and Bearer Certificates. Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may also issue Registered Notes, Registered Warrants and Registered Certificates. MSI plc may also issue Immobilised Bearer Notes. Program Securities in definitive bearer form will be serially numbered. Bearer Notes, Bearer Warrants and Bearer Certificates may be in either definitive form or global form. Registered Notes, Registered Warrants and Registered Certificates may be in either individual certificate form or in global certificate form.

MSBV and MSI plc may also issue Nordic Notes, Nordic Securities or Uncertificated Notes.

In order to avoid U.S. withholding taxes on payments by Morgan Stanley on Program Securities a beneficial owner is required to certify on IRS Form W-8BEN that it is not a U.S. person.

Notes may be denominated or payable in any currency, be issued at any price and have any maturity, in each case subject to all applicable consents being obtained and compliance with applicable legal and regulatory requirements.

Notes may be redeemed at par or at such other redemption amount (detailed in a formula or otherwise) or by delivery of securities of an issuer not affiliated with Morgan Stanley, as specified in the applicable Final Terms.

Early redemption will be permitted for taxation reasons but will otherwise be permitted only to the extent specified in the applicable Final Terms or as may be required in the event of a default by the Issuer. In the case of certain Notes, if such Notes are redeemed early for any reason, the amount payable by the Issuer may be less than the amount that would have been paid had the Notes been redeemed at maturity. In the event of default by the Issuer, the investor would have an unsecured claim against the Issuer or, if applicable, the Guarantor.

Notes may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed rate or a floating rate, or a rate which varies during the lifetime of the relevant Series.

Upon exercise, Warrants and Certificates may entitle the holder to receive from the relevant Issuer a Cash Settlement Amount, or may entitle the holder to receive delivery of or to deliver an amount of securities (each as specified or calculated in accordance with the applicable Final Terms), and may be American, European or Bermudan Style Securities, as specified in the applicable Final Terms.

Notes, Warrants and Certificates will be governed by the laws of England and Wales.

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

Program Securities may not be ordinary debt securities and the return and/or interest and/or principal may be linked to the performance of, amongst other things, one or more of an index or formula, changes in the prices of securities, funds or commodities, movements in currency exchange rates or to the credit of one or more entities not affiliated with the Issuers. The return on such Program Securities may be influenced by unpredictable factors, including the value of the underlying or factor which may in turn be linked to the creditworthiness of an underlying entity, market prices of underlying, market volatility, interest rates, currency exchange rates, inflation, the length of time until maturity and other economic, financial, environmental, legal, regulatory, social and political influences which may not be within the Issuers' control. Where Program Securities are linked to emerging market countries or currencies, the impact of the factors outlined previously are magnified. Such factors may cause a partial or total loss of an Investor's investment in Program Securities and may involve the Investor receiving a return that they might not have anticipated when purchasing Program Securities. Investors should also be aware of potential conflicts of interest with the determination agent.

Investment in Program Securities may carry similar risks to a direct investment in the underlying however investors will not have legal or beneficial ownership in such underlying. Further, investment in Program Securities may be illiquid and investors should be prepared to hold Program Securities to maturity or expiration as there may be no secondary market therefor. There may also be stamp duty implications for investors in the Warrants or Certificates.

Prospective investors should consult with their own professional advisors if they consider it necessary before purchasing any Program Securities. An investment in the Program Securities bears the risk that the relevant Issuer is not able to fulfil its obligations in respect of such Program Securities.

Certain documents relating to the Program Securities will be available at Citibank Europe plc, 1, North Wall Quay Dublin 1, Ireland and also at the principal executive offices of Morgan Stanley and the registered offices of MSIP, MSJ and MSBV.

## RISK FACTORS RELATING TO THE PROGRAM SECURITIES

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

*Prospective investors should consider the section entitled "Risk Factors" at pages 5 to 18 in the Registration Document in respect of Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV referred to in the section entitled "Incorporation by Reference" in this Base Prospectus and the factors described below and consult with their own professional advisors if they consider it necessary. Each of the Issuers and the Guarantor believe that such factors represent the principal risks inherent in investing in Program Securities issued under the Program but the inability of an Issuer to pay interest, principal or other amounts on or in connection with any Program Securities may occur for other reasons, which may not be considered significant risks by such Issuer based on information currently available to it or which it may not currently be able to anticipate.*

**The Issuers and MSI plc and/or Morgan Stanley & Co LLC as Distribution Agents disclaim any responsibility to advise prospective purchasers of any matters arising under the laws of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments on the Program Securities. These persons should consult their own legal and financial advisors concerning these matters. This section describes generally the most significant risks of investing in Program Securities linked to securities, indices or funds, to commodity prices, to currency prices, to preference shares of Sienna UK (as defined below) or Morgan Stanley Jersey, to the credit of one or more entities not affiliated with the Issuers or to other assets. Each investor should carefully consider whether the Program Securities, as described herein and in the applicable Final Terms, are suited to its particular circumstances before deciding to purchase any Program Securities.**

### Risk Factors relating to the Program Securities

***Program Securities linked to one or more securities, indices, funds, commodities, preference shares of Morgan Stanley Jersey or Sienna Finance UK Limited, currencies and/or underlying credits***

The Issuers may issue (i) Notes with principal and/or interest determined by reference to a single security, index, exchange traded fund ("**ETF**") or other funds, to baskets of securities, indices, ETFs or other funds, to currency prices, commodity prices, preference shares of Sienna Finance UK Limited ("**Sienna UK**"), interest rates, to the credit of one or more entities not affiliated with the Issuers, or other assets or instruments (each, a "**Relevant Underlying**") and (ii) Warrants and Certificates with a return determined by reference to an index or formula, to changes in the prices of securities, indices, ETFs, funds, preference shares of Morgan Stanley Jersey or commodities, to movements in currency exchange rates or other factors (each a "**Relevant Factor**"). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(a) they may lose all or a substantial portion of their principal or investment depending on the performance of each Relevant Underlying or Relevant Factor, as applicable;

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

(c) investors in Notes may receive no interest;

(d) payment or payment of principal or interest, if applicable, may occur at a different time or in a different currency than expected;

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

(f) if a Relevant Underlying is applied to Notes or a Relevant Factor is applied to Warrants and Certificates in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Underlying on principal or interest payable on such Notes or Relevant Factor, on such Warrants to Certificates, is likely to be magnified; and

(g) the timing of changes in a Relevant Underlying or Relevant Factor, as applicable may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Underlying or Relevant Factor, the greater the effect on yield.

***The Program Securities are not ordinary debt securities***

The terms of certain Notes and of the Warrants and Certificates differ from those of ordinary debt securities because the Notes may not pay interest, the Warrants and Certificates do not pay interest and, on maturity or exercise, as the case may be, depending on the performance of the Relevant Underlying or Relevant Factor, as applicable, may return less than the amount invested or nothing, or may return assets or securities of an issuer that is not affiliated with the Issuer, the value of which is less than the amount invested. Prospective investors who consider purchasing the Program Securities should reach an investment decision only after carefully considering the suitability of the Program Securities in light of their particular circumstances. The price of the Program Securities may fall in value as rapidly as it may rise, and investors in the Program Securities may potentially lose all of their investment. Investors in Warrants or Certificates will sustain a total loss of their investment if the Warrants or Certificates expire out of the money.

***The value of the Program Securities linked to the Relevant Underlying or Relevant Factor, as applicable may be influenced by unpredictable factors***

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

1. *Valuation of the Relevant Underlying or Relevant Factor*. The market price or value of a Program Security at any time is expected to be affected primarily by changes in the level of the Relevant Underlying or Relevant Factor to which the Program Securities are linked. It is impossible to predict how the level of the Relevant Underlying or Relevant Factor will vary over time. The historical performance value (if any) of the Relevant Underlying or Relevant Factor does not indicate the future performance of the Relevant Underlying or Relevant Factor. Factors which may have an effect on the value of the Relevant Underlying or Relevant Factor include the rate of return of the Relevant Underlying or Relevant Factor and, where relevant, the financial position and prospects of the issuer of the Relevant Underlying or Relevant Factor, the specified entity with respect to Credit-Linked Notes or the market price or value of the applicable underlying security index, ETF fund or basket of securities, indices, ETFs or funds. In addition, the level of the Relevant Underlying or Relevant Factor may depend on a number of inter-related factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Potential investors should also note that whilst the market value of the Program Securities is linked to the Relevant Underlying or Relevant Factor and will be influenced (positively or negatively) by the Relevant Underlying or Relevant Factor, any change may not be comparable and may be disproportionate. It is possible that while the Relevant Underlying or Relevant Factor is increasing in value, the value of the Program Securities may fall. Further, the Conditions of the Program Securities will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Program Securities or any exchanges or price sources are affected by market disruption, adjustment events or circumstances affecting normal activities;

2. *Volatility*. The term "**volatility**" refers to the actual and anticipated frequency and magnitude of changes of the market price with respect to a Relevant Underlying or Relevant Factor. Volatility is affected by a number of factors such as macroeconomic factors (i.e. those economic factors which have broad economic effects), speculative trading and supply and demand in the options, futures and other derivatives markets. Volatility of a Relevant Underlying or Relevant Factor will move up and down over time (sometimes more sharply than at other times) and different Relevant Underlyings or Relevant Factors will most likely have separate volatilities at any particular time;

3. *Dividend Rates and other Distributions*. The value of certain Equity-Linked Notes and Fund-Linked Notes and of the Warrants and Certificates could, in certain circumstances, be

affected by fluctuations in the actual or anticipated rates of dividend (if any) or other distributions on a Relevant Underlying or Relevant Factor;

4. *Interest Rates*. Investments in the Notes may involve interest rate risk. The interest rate level may fluctuate on a daily basis and cause the value of the Notes to change on a daily basis. The interest rate risk is a result of the uncertainty with respect to future changes of the market interest rate level. In general, the effects of this risk increase as the market interest rates increase;

5. *Remaining Term*. Generally, the effect of pricing factors over the term of the Program Securities will decrease as the maturity date approaches. However, this reduction in the effect of pricing factors will not necessarily develop consistently up until the maturity date, but may undergo temporary acceleration and/or deceleration. Even if the price of the Relevant Underlying or Relevant Factor rises or falls there may a reduction or increase, as the case may be, in the value of the Program Securities due to the other value determining factors. Given that the term of the Program Securities is limited, investors cannot rely on the price of the Relevant Underlying or Relevant Factor or the value of the Program Securities recovering again prior to maturity;

6. *Creditworthiness*. Any prospective investor who purchases the Program Securities is relying upon the creditworthiness of the Issuer and, if applicable, the Guarantor and has no rights against any other person. If the Issuer or the Guarantor, if applicable, becomes insolvent, investors may suffer potential loss of their entire investment irrespective of any favourable development of the other value determining factors, such as a Relevant Underlying or Relevant Factor; and

7. *Exchange Rates*. Even where payments in respect of the Program Securities are not expressly linked to a rate or rates of exchange between currencies, the value of the Program Securities could, in certain circumstances, be affected by such factors as fluctuations in the rates of exchange between any currency in which any payment in respect of the Program Securities is to be made and any currency in which a Relevant Underlying or Relevant Factor is traded, appreciation or depreciation of any such currencies and any existing or future or governmental or other restrictions on the exchangeability of such currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of the Program Securities will be representative of the relevant rates of exchange used in computing the value of the Program Securities at any time thereafter. Where Notes are described as being "quantoed", the value of the Relevant Underlying will be converted from one currency (the "**Relevant Underlying Currency**") into a new currency (the "**Settlement Currency**") on the date and in the manner specified in, or implied by, the Conditions using a fixed exchange rate. The cost to the Issuer of maintaining such a fixing between the Relevant Underlying Currency and the Settlement Currency will have an implication on the value of the Notes. The implication will vary during the term of the Notes. No assurance can be given as to whether or not, taking into account relative exchange rate and interest rate fluctuations between the Relevant Underlying Currency and the Settlement Currency, a quanto feature in a Note would at any time enhance the return on the Note over a level of a similar security issued without such a quanto feature, and a quanto feature may worsen the return.

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

***Credit risk***

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

***Currency exchange conversions may affect payments on some Warrants and Certificates***

The applicable Final Terms may provide for (i) payments on a non-U.S. dollar denominated Warrant or Certificate to be made in U.S. dollars or (ii) payments in respect of Warrants or Certificates to be made in a currency other than U.S. dollars. In these cases, Morgan Stanley & Co. International plc, in its capacity as Exchange Rate Agent (the "**Exchange Rate Agent**"), or such other exchange rate agent identified in the applicable Final Terms, will convert the applicable currency into U.S. dollars or U.S. dollars into the applicable currency. The investor will bear the costs of the conversion through deductions from those payments.

***Certain considerations regarding the use of the Program Securities as hedging instruments***

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

***Effect on the Program Securities of hedging transactions by the Issuer***

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

***Program Securities linked to a single emerging market security, a single emerging market ETF or other fund, or a basket of securities or a basket of indices composed, in part or in whole, of emerging market securities or a basket of ETFs or other funds composed, in part of in whole, of emerging market ETFs or funds***

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

***Program Securities linked to commodities***

Commodity markets are influenced by, among other things, changing supply and demand relationships, weather, governmental, agricultural, commercial and trade programs and policies designed to influence commodity prices, world political and economic events, changes in interest rates and factors affecting the exchange(s) or quotation system(s) on which any such commodities may be traded.

Where a Program Security linked to a commodity references a futures contract, this reference should be taken as if the futures contract had the specified commodity as the underlying commodity. Investments in futures and options contracts involve additional risks including, without limitation, leverage (margin is usually a percentage of the face value of the contract and exposure can be nearly unlimited).

A holder of a futures position may find such positions become illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a holder from promptly liquidating unfavourable positions and subject it to substantial losses. Futures contract prices in various commodities occasionally have exceeded the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the liquidation of unfavourable positions and subject an investor in a Note linked to such contract prices to substantial losses.

Commodity future prices reflect the expectations of the market players as to the future value of the commodity and may not be consistent with the current prices of the relevant commodity.

***Emerging markets currencies***

Where the Program Securities are denominated in an emerging market currency or linked to one or more emerging market currencies, such emerging market currencies can be significantly more volatile than currencies of more developed markets. Emerging markets currencies are highly exposed to the risk of a currency crisis happening in the future and this could trigger the need for the determination agent (Morgan Stanley & Co. International plc or an affiliate) to make adjustments to the terms and conditions of the Program Securities.

***Effect of the liquidity of the Relevant Underlying or Relevant Factor on Program Security pricing***

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

***No affiliation with underlying companies***

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

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

***Exchange rates and exchange controls may affect the value or return of the Program Securities***

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

*Exchange Rates Will Affect the Investor's Investment*. In recent years, rates of exchange between some currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Program Security. Depreciation against the investor's home currency or the currency in which a Program Security is payable would result in a decrease in the effective yield of the Program Security (in the case of a Note) below its coupon rate and could result in an overall loss to an investor on the basis of the investor's home currency. In addition, depending on the specific terms of a Currency-Linked Note or Warrant or Certificate, changes in exchange rates relating to any of the relevant currencies could result in a decrease in its effective yield and in the investor's loss of all or a substantial portion of the value of that Program Security.

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

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

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

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

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

***Secondary trading of the Program Securities may be limited***

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

Further, although an Issuer may apply to have certain issuances of Program Securities admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange, admitted to listing on the main segment of the SIX Swiss Exchange and to trading on SCOACH AG or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, approval for any listing is subject to meeting the relevant listing requirements. Even if there is a secondary market, it may not provide enough liquidity to allow the investor to sell or trade the Program Securities easily. Morgan Stanley & Co. International plc and other affiliates of Morgan Stanley may from time to time, make a market in the Program Securities, but they are not required to do so. If at any time Morgan Stanley & Co. International plc and other affiliates of the Issuers were to cease making a market in the Program Securities, it is likely that there would be little or no secondary market for the Program Securities.

***Investors have no shareholder rights***

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

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

The Notes and the Warrants and Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by English law. Although an English court has the power to grant judgment in the currency in which a Program Security is denominated, it may decline to do so in its discretion. If judgment were granted in a currency other than that in which a Program Security is denominated, the investor will bear the relevant currency risk.

***Potential conflicts of interest between the investor and the determination agent***

As determination agent for Program Securities linked to a single security, index, ETF or other fund or a basket of securities, indices, ETFs or other funds or Credit-Linked Notes, or Program Securities linked to commodities or other underlying instruments, assets or obligations, Morgan Stanley & Co. International plc or an affiliate will determine the payout to the investor at maturity. Morgan Stanley & Co. International plc and other affiliates may also carry out hedging activities related to any Program Securities linked to a single security, index, ETF or other fund or a basket of securities, indices, ETFs, other funds, Credit-Linked Notes, or Program Securities linked to commodities or to other instruments, assets or obligations including trading in the underlying securities, indices, ETFs or commodities as well as in other instruments related to the underlying securities, indices, ETFs or commodities. Morgan Stanley & Co. International plc and some of Morgan Stanley's other subsidiaries may also trade the applicable underlying securities, indices or commodities and other financial instruments related to the underlying securities, indices or commodities on a regular basis as part of their general broker-dealer and other businesses. Any of these activities could influence the Determination Agent's determination of adjustments made to any Program Securities linked to a single security, index, ETF or other fund or a basket of securities, indices, ETFs or other funds, Credit-Linked Notes, or Program Securities linked to commodities or other underlying instruments, assets or obligations and any such trading activity could potentially affect the price of the underlying securities, indices, ETFs, other funds, commodities or other underlying instruments, assets or obligations and, accordingly, could affect the investor's payout on any Program Securities.

***Actions taken by the Determination Agent may affect the Relevant Underlying or Relevant Factor***

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

***Program Securities in Global Form***

***Because the Global Notes, Global Note Certificates, Immobilised Bearer Global Notes, Global Warrants, Global Registered Warrants, Global Certificates and Global Registered Certificates (each as defined below) may be held by or on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer.***

Program Securities (other than Uncertificated Notes and other Program Securities issued in uncertificated and dematerialised form) issued under the Program may be represented by, (i) in the case of Bearer Notes, one or more temporary global notes (each, a "**Temporary Global Note**") or permanent global notes (each, a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Notes**") or in the case of Immobilised Bearer Notes, an immobilised bearer global note (an "**Immobilised Bearer Global Note**"), book entry interests ("**Book Entry Interests**") and certificated depositary interests ("**CDIs**"), (ii) in the case of Registered Notes, interests in a global note certificate (a "**Global Note Certificate**"), (iii) in the case of Bearer Warrants, one or more temporary global warrants (each a "**Temporary Global Warrant** ") or permanent global warrants (each a "**Permanent Global Warrant**" and together with the Temporary Global Warrant, the "**Global Warrants**"), (iv) in the case of Bearer Certificates, one or more temporary global bearer certificates (each a "**Temporary Global Certificate**") or permanent global bearer certificates (each a "**Permanent Global Certificate**" and together with the Temporary Global Certificate, the "**Global Certificates**"), (v) in the case of Registered Warrants, interests in a global registered warrant (each a "**Global Registered Warrant**") or (vi) in the case of Registered Certificates, interests in a global registered certificate (each a "**Global Registered Certificate**"). Such Global Notes, Global Certificates, Global Warrants, Global Registered Warrants and Global Registered Certificates (together, the "**Global Instruments**") may be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Instrument, investors will not be entitled to receive definitive Notes, Warrants or Certificates, as the case may be. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Instruments. While the Program Securities are represented by one or more Global Instruments, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

While the Program Securities are represented by one or more Global Instruments, the Issuer will discharge its payment obligations under the Program Securities by making payments through Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in a Global Instrument must rely on the procedures of Euroclear or Clearstream, Luxembourg, as the case may be, to receive payments under the relevant Program Securities. Neither the relevant Issuer nor the Guarantor has responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Instruments.

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

***Modification and waiver***

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

***Change of law***

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

***Restricted secondary trading if the electronic trading system is unavailable***

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

***Risk associated with estimating the price of the Relevant Underlying or Relevant Factor if its domestic market is closed while secondary trading in the Program Securities is open***

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

***Provision of information***

None of the Issuer or any of its Affiliates makes any representation as to the issuer for any single security or basket security, fund or Fund Service Provider, the publisher of an underlying index, or any specified entity with respect to Credit-Linked Notes. Any of such persons may have acquired, or during the term of the Program Securities may acquire, non-public information with respect to any such issuer, publisher or specified entity, their respective affiliates or any guarantors that is or may be material in the context of the Program Securities. The issue of Program Securities will not create any obligation on the part of any such persons to disclose to the Noteholders and Securityholders or any other party such information (whether or not confidential).

***Independent review and advice***

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

***Selling Agent remuneration***

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

***Subscription periods***

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

***Settlement risk***

If (with respect to any Program Securities that are physically settled) prior to the delivery of any specified asset(s), the Determination Agent for the Notes determines that a settlement disruption event (as defined) in Condition 23.3.3 (*Settlement Disruption of Physical Settlement*) and Condition 23.4 (*Delivery Disruption of Physical Settlement*) and in Condition 11.1.3 (in respect of the Warrants and Certificates), a "**Settlement Disruption Event**") is subsisting, then the obligation to deliver such asset(s) shall be postponed to the first following business day on which no Settlement Disruption Event is subsisting. Prospective investors should note that any such determination may affect the value of the Program Securities and/or may delay settlement in respect of the Program Securities.

Prospective investors should note that for so long as any delivery of any part of the specified asset(s) is not practicable by reason of a Settlement Disruption Event, then the Issuer may, in its sole and absolute discretion, satisfy its obligations to deliver such part of the specified asset(s) by payment of a disrupted cash settlement price. Prospective investors should note that the disrupted cash settlement price will reflect the fair market value of the Program Securities less the cost to the Issuer and/or any of its Affiliates of unwinding any Relevant Underlying or Relevant Factor related hedging arrangements and that any such determination may affect the value of the Program Securities.

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

If applicable in respect of certain types of Program Securities, the Determination Agent may determine that a Market Disruption Event or a failure to open of an Exchange or Related Exchange has occurred or exists on a relevant date of valuation, and any consequential postponement of such date of valuation may have an adverse effect on the value of the Program Securities.

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

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

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

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

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is set out in the section entitled "*Incorporation by Reference*" of this Base Prospectus and will be disclosed in the Final Terms.

***Legal investment considerations may restrict certain investments***

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

***Representations and acknowledgments by Noteholders and Securityholders***

*Representations and acknowledgments by Noteholders and Securityholders*. Each Noteholder and Securityholder shall be deemed to represent and acknowledge to the relevant Issuer on acquiring any Program Security that:

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

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

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

***Disclosure***

Neither the issuer of any single security or basket security, an ETF, other fund, any Fund Service Provider, the publisher of an underlying index, nor any specified entity with respect to Credit Linked Notes has participated in the preparation of this document or in establishing the Conditions of the Program Securities and neither the Issuers nor any of their Affiliates will make any investigation or enquiry in connection with such offering with respect to any information concerning any such issuer, ETF, other fund, Fund Service Provider, publisher or specified entity contained in this document or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the issue date (including events that would affect the accuracy or completeness of any publicly available information described in this document) that would affect the trading price and/or level of the Relevant Underlying or Relevant Factor will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer, ETF, other fund, Fund Service Provider publisher or specified entity could affect the trading price and/or level of the Relevant Underlying or Relevant Factor and therefore the trading price of the Program Securities.

***Program Securities linked to the performance of funds***

The Issuers may issue Program Securities where the redemption amount or, if applicable, the interest amount in relation to Fund-Linked Notes or the return, in relation to Fund Securities (together with the Fund-Linked Notes, "**Fund-Linked Program Securities**") is linked to the performance of a unit, share or other interest in a fund (each a "**Fund Interest Unit**") or a basket of Fund Interest Units. Such funds may include mutual funds or any other types of fund in any jurisdiction, or any combination of the foregoing. Investments offering direct or indirect exposure to the performance of funds are generally considered to be particularly risky and may bear similar risks, including but not limited to, market risks to a direct investment in funds.

Prospective investors should note that payments on redemption or termination of Fund-Linked Program Securities at maturity, expiration, early redemption or early termination may be postponed, in accordance with the Conditions, up to a specified long stop date and if the specified long stop date is reached, for the purposes of determining the Redemption Amount or any other such redemption amounts, as applicable, the affected fund interest units or shares may be deemed to have a zero value. Prospective investors should also be aware that if one or more events occurs in relation to the Fund or any Fund Service Provider, including insolvency of the Fund or Fund Service Provider, then the Issuer, may in its sole and absolute discretion, determine whether the Fund-Linked Program Securities will continue or whether they will be redeemed or terminated early. If the Issuer determines that the Fund-Linked Program Securities will continue, this may result in the substitution of the affected Fund Interest Unit with other Fund Interest Units with similar characteristics or adjustments to the Conditions of the Program Securities to account for the occurrence of the relevant event. These actions may have an adverse effect on the return and risk profile of the relevant Fund-Linked Program Securities, and consequently, the value of such Fund-Linked Program Securities and if the Fund-Linked Program Securities are redeemed or terminated early the amount investors receive may be considerably less than their original investment and may even be zero.

The risks associated with investing in Fund-Linked Program Securities are similar to the risks attached to a direct investment in the underlying fund or funds. There are substantial risks in directly or indirectly investing in funds including, without limitation, the risks set out below. Prospective investors should note that references to funds below can refer both to the funds referenced in any Fund-Linked Program Securities and also to any funds in which any of those funds invests its assets from time to time:

Investments risks that prospective investors should be aware of include the following:

1. Different types of funds are subject to differing levels of regulatory supervision.

2. Funds may have varying restrictions on leverage. Leverage presents the potential for a higher rate of return but also increases the volatility of the fund and increases the risk of a total loss of the amount invested.

3. Funds may have differing investment restrictions and some funds may invest in assets which are illiquid or difficult to transfer. This may have an effect on the realisation of such assets and in turn, the value and performance of the fund. In addition, a fund's assets or investments may be concentrated in a few markets, countries, industries, commodities, sectors of an economy or issuers. If so, adverse movements in a particular market, country, industry, commodity, economy or industry or in the value of the securities of a particular issuer could have a severely negative effect on the value of such a fund. In addition, a fund may use a single advisor or employ a single strategy, which could mean a lack of diversification and higher risk.

4. Substantial redemptions by holders of Fund Interest Units in a fund within a short period of time could require the fund's investment manager(s) and/or adviser(s) to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the value of the fund's assets.

5. The performance of a fund will be heavily dependent on the performance of investments selected by its advisers or investment managers and the skill and expertise of such fund service providers in making successful and profitable investment decisions. Such skill and expertise may be concentrated in a number of the adviser's or investment manager's key personnel. Should these key personnel leave or become no longer associated with the fund's adviser or investment manager, the value or profitability of the fund's investments may be adversely affected as a result.

***Program Securities linked to property indices***

The Issuers may issue Notes with principal and/or interest, or Warrants and Certificates whose return is, determined by reference to a residential or commercial property index or indices ("**Property Indices**"). Property Indices may only be a reference guide to a certain property market and may not be representative of the relevant property market as a whole. The relevant Property Index may only measure the capital growth component of property only and may not include any income return component. A Property Index may be based on valuation data only; as such, a Property Index may not necessarily reflect actual market prices and may rely on the ability of the index provider to gather property valuations and conduct continuous, close monitoring of such property valuations.

Property markets are illiquid and complex. The impact of price fluctuations in the property market may not immediately be reflected in the relevant Property Index (if at all). Properties may only be valued on an annual basis for the purposes of calculating the relevant Property Index and, as such, the level at which the Property Index stands may not be representative of actual market prices or transactions in the relevant property market. The provider of a Property Index may reserve the right to change the constituents of the relevant Property Index and the methodology used in its calculation. The publication of the Property Index may be delayed and/or subject to correction. Any of the foregoing may affect the return of the Notes.

***Potential Withholding Tax under Recent U.S. Federal Income Tax Legislative and Regulatory Developments***

As discussed in "United States Federal Taxation" below, recently enacted legislation, as interpreted in proposed regulations (which are not yet effective) and other published guidance, generally imposes a withholding tax of 30% on payments made after 31 December 2013 to certain foreign entities (including financial intermediaries) with respect to certain "obligations" issued after 31 December 2012, unless various U.S. information reporting and due diligence requirements have been satisfied.

Furthermore, the U.S. Treasury Department recently released proposed regulations under Section 871(m) of the Code, which requires withholding (up to 30 per cent depending on whether an income tax treaty applies) on payments or deemed payments made to non-U.S. persons on certain financial instruments to the extent that such payments are treated, under the applicable Treasury regulations, as being contingent upon or adjusted to reflect any U.S.-source dividend paid.

If withholding is so required, Morgan Stanley or the Issuers will not be required to pay any additional amounts with respect to the amounts so withheld. Either of the foregoing rules may affect the amounts paid to an investor on the Notes.

**Risk factors specific to the Notes**

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

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the relevant Issuer or the Guarantor (if applicable) would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any relevant jurisdiction, the relevant Issuer may redeem all outstanding Notes in accordance with the Conditions at the redemption price specified in the applicable Final Terms.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the relevant Issuer's option in certain other circumstances the relevant Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

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

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

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

***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

***Notes issued at a substantial discount or premium***

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

***Notes linked to the credit of one or more specified entities entail significant risks not associated with similar investments in conventional debt securities***

Because the payment of principal and interest on Credit-Linked Notes is contingent on the credit of one or more specified entities and such specified entities' satisfaction of their present and future financial obligations, investors will take credit risk with respect to such specified entities in addition to credit risk with respect to the relevant Issuer and, where applicable, the Guarantor. If one or more of such specified entities becomes bankrupt or subject to other insolvency procedures or fails to make payments on, repudiates or restructures any of the debt or other obligations described in the applicable Final Terms, a credit event may occur.

If a credit event occurs, the maturity of the Credit-Linked Notes will be accelerated. Upon acceleration of the Credit-Linked Notes, the investor will receive the deliverable obligations, or a cash amount calculated by reference to the value of certain obligations, each as described in the applicable Final Terms instead of the principal amount of the Credit-Linked Notes and, if so provided in the applicable Final Terms, interest payments on the Credit-Linked Notes will cease. The market value of those deliverable obligations following a credit event will probably be significantly less than the principal amount of the Credit-Linked Notes. Such obligations may even be worthless. Thus, if a credit event occurs, the investor may lose all of its investment in the Credit-Linked Notes.

Several factors, many of which are beyond the relevant Issuer's and, where applicable, the Guarantor's control will influence the value of the Credit-Linked Notes and the possibility of early acceleration, including: (i) the creditworthiness of the specified entity or entities underlying the Credit-Linked Notes, (ii) the relevant Issuer's and, where applicable, the Guarantor's creditworthiness and (iii) economic, financial and political events that affect the markets in which such specified entity or entities and the relevant Issuer and, where applicable, the Guarantor do business and the markets for the debt or other obligations of such specified entity or entities and of the relevant Issuer and, where applicable, the Guarantor.

**Notes linked to Sienna UK Preference Shares**

***General Risks relating to Notes linked to preference shares of Sienna UK***

Morgan Stanley and MSBV may issue Notes with principal determined by reference to the changes in the value of the preference shares issued by Sienna UK ("**Sienna UK Preference Shares**"), which may fluctuate up or down depending on the performance of the relevant underlying asset(s) or basis of reference to which the Sienna UK Preference Shares are linked (the "**Sienna UK Preference Share Underlying**") as set out in the terms and conditions of the Sienna UK Preference Shares (the "**Terms of the Sienna UK Preference Shares**"). If, as a result of the performance of the Sienna UK Preference Share Underlying, the performance of the Sienna UK Preference Shares is negative the value of the Preference Share-Linked Notes will be adversely affected. Purchasers of Preference Share-Linked Notes risk losing all or a part of their investment if the value of the Sienna UK Preference Shares falls.

An investment in Preference Share-Linked Notes will entail significant risks not associated with a conventional debt or equity security. Purchasers of Preference Share-Linked Notes should conduct their own investigations and, in deciding whether or not to purchase the Preference Share-Linked Notes, prospective purchasers should form their own views of the merits of an investment related to the Sienna UK Preference Shares based upon such investigations and not in reliance on any information given in this document.

As set out below, Preference Share-Linked Notes will be subject to early redemption if an Extraordinary Event or, if applicable, an Additional Disruption Event occurs or if an Early Redemption Event occurs. In these circumstances the Issuer may redeem the Notes at the Early Redemption Amount or the Early Share Redemption Note Amount, as applicable. The Early Redemption Amount or Early Preference Share Redemption Note Amount may be less (and in certain circumstances, significantly less) than investors' initial investment.

***Exposure to the Sienna UK Preference Share Underlying***

The Sienna UK Preference Share Underlying may be a specified index or basket of indices, a specified equity or basket of equities, a specified currency or basket of currencies, a specified commodity or basket of commodities, a specified fund share or unit or basket of fund shares or units or such other underlying instruments, bases of reference or factors as may be determined by Sienna UK and specified in the terms and conditions of the relevant series of Sienna UK Preference Shares. ***Consequently potential investors should also consider the risk factors set out on pages 6 to 25 in respect of the risks involved in investing in Program Securities (in this case the Sienna UK Preference Shares) linked to certain Relevant Underlying(s).***

The Terms of the Sienna UK Preference Shares provide that the Sienna UK Preference Shares will be redeemable on their final redemption date (or otherwise in accordance with the Terms of the Sienna UK Preference Shares). On redemption, the Sienna UK Preference Shares will carry preferred rights to receive an amount calculated by reference to the Sienna UK Preference Share Underlying.

Investors should review the Terms of the Sienna UK Preference Shares and consult with their own professional advisers if they consider it necessary.

***Credit and Fraud Risk of Sienna UK***

Preference Share-Linked Notes are linked to the performance of the relevant Sienna UK Preference Shares. Investors bear the risk of an investment in Sienna UK. The value of the Preference Share-Linked Notes is dependent on the value of the Sienna UK Preference Shares, which will depend in part on the creditworthiness of Sienna UK, which may vary over the term of the Preference Share-Linked Notes. Sienna UK is not an operating company. Its sole business activity is the issue of redeemable preference shares. Sienna UK does not have any trading assets and does not generate any significant net income. As its funds are limited any misappropriation of funds or other fraudulent action by Sienna UK or person acting on its behalf would have a significant effect on the value of the Sienna UK Preference Shares and will affect the value of the Preference Share-Linked Notes.

***Potential Conflicts of Interest***

The calculation agent in respect of the Sienna UK Preference Shares (the "**Preference Share Calculation Agent**") is a member of Morgan Stanley group of companies. As a result, potential conflicts of interest may arise in acting in its capacity as Preference Share Calculation Agent and other capacities in which it acts under the Preference Share-Linked Notes. Subject to any relevant regulatory obligations, the Preference Share Calculation Agent owes no duty or responsibility to any Noteholder to avoid any conflict or to act in the interests of any Noteholder. Sienna UK may also rely on members of Morgan Stanley (including the Preference Share Calculation Agent) or other service providers to perform its operational requirements. In the event any relevant Morgan Stanley entities or other service providers fail to perform any obligations, this may adversely affect the value of the Sienna UK Preference Shares and potentially the amounts payable under the Preference Share-Linked Notes. In addition to providing calculation agency services to Sienna UK, Morgan Stanley or any of its affiliates may perform further or alternative roles relating to Sienna UK and any series of Sienna UK Preference Shares including, but not limited to, for example, being involved in arrangements relating to any of the underlying reference assets (for example as a calculation agent). Further, Morgan Stanley or any of its affiliates may contract with Sienna UK and/or enter into transactions, including hedging transactions, which relate to Sienna UK or the Sienna UK Preference Shares and as a result Morgan Stanley may face a conflict between its obligations as Preference Share Calculation Agent and its and/or its affiliates' interests in other capacities.

***Determination of Extraordinary Events and Additional Disruption Events***

The Determination Agent may determine the occurrence of a Merger Event, Tender Offer, Insolvency or Additional Disruption Event in relation to the Preference Share-Linked Notes. Upon such determination, the relevant Issuer may, at its option redeem the Preference Share-Linked Notes in whole at the Early Redemption Amount which may be less than the amount invested in the Preference Share-Linked Notes. Noteholders will not benefit from any appreciation of the Sienna UK Preference Shares that may occur following such redemption.

***No ownership rights***

An investment in Preference Share-Linked Notes is not the same as an investment in the Sienna UK Preference Shares and does not confer any legal or beneficial interest in the Sienna UK Preference Shares or any Sienna UK Preference Share Underlying or any voting rights, right to receive dividends or other rights that a holder of the Sienna UK Preference Shares or any Sienna UK Preference Share Underlying may have. The Preference Share-Linked Notes are unsubordinated and unsecured obligations of the Issuer.

***Hedging activities of the Issuer and affiliates***

The Issuer or its affiliates may carry out hedging activities related to the Preference Share-Linked Notes, including purchasing the Sienna UK Preference Shares and/or the Sienna UK Preference Share

Underlying, but will not be obliged to do so. Certain of the Issuer's affiliates may also purchase and sell the Sienna UK Preference Shares and/or purchase and sell the Sienna UK Preference Share Underlying on a regular basis as part of their securities businesses. Any of these activities could potentially affect the value of the Sienna UK Preference Share Underlying and, accordingly, the value of the Sienna UK Preference Shares and the Preference Share-Linked Notes.

**Risk factors specific to the Notes linked to Morgan Stanley Jersey Warrants exercisable for Morgan Stanley Jersey Preference Shares ("Physically Settled Warrant-Linked Notes").**

***Adjustments by the Determination Agent***

The terms and conditions of the Physically Settled Warrant-Linked Notes and the warrants into which they may be exercised ("**Exchanged Warrants**" and together with the Physically Settled Warrant-Linked Notes, the "**Linked-Securities**") allow the Determination Agent in certain circumstances to make adjustments or take any other appropriate action required or permitted therein if circumstances occur where the Linked-Securities or a Relevant Factor is affected by market disruption, adjustment events or circumstances affecting normal activities.

***Credit Risk***

The holder of the Linked-Securities or Morgan Stanley Jersey Preference Shares will be exposed to the credit risk of the relevant Issuer, and where the Linked-Securities are guaranteed, the Guarantor.

***Early Redemption or Termination***

In certain circumstances (including for taxation reasons or an event of default or, if specified as applicable in the applicable Final Terms, in the event of all the Exchanged Warrants being purchased and cancelled and the Issuer electing to redeem the Notes or other early redemption) the Notes may be redeemed early. In such cases, the amount payable will be an amount in cash determined by the Determination Agent to be equal to the fair market value of the Notes less the reasonable cost to the Issuer and/or its affiliates of unwinding, or the loss realised by the Issuer and/or its affiliates on, any related hedging arrangements. If the Exchanged Warrants or the Morgan Stanley Jersey Preference Shares cannot be delivered through the clearing systems because of a continuing Settlement Disruption Event (as defined in the Terms and Conditions of the Notes and the Terms and Conditions of the Warrants, as applicable), the relevant Issuer may deliver the Warrants or the Morgan Stanley Jersey Preference Shares, as the case may be, at a later date or in another commercially reasonable manner. It is possible that the Warrants could be terminated early for reasons of illegality. In such a case, the Issuer of the Warrants will pay to each holder of Warrants an amount in respect of each Warrant held by such holder, which amount shall be the fair market value of a Warrant notwithstanding such illegality less the cost to the Issuer and/or its affiliates of, or the loss realised by the Issuer and/or its affiliates on, unwinding any underlying related hedging arrangements, all as determined by the Determination Agent in its sole and absolute discretion.

***Exit Risk***

The secondary market price of the Linked-Securities will depend on many factors, including the value and volatility of the Relevant Factor and the time left until the redemption or expiration, as applicable, of the Linked-Securities, interest rates, and the creditworthiness of the relevant Issuers. Therefore on disposal in the secondary market the holder may receive an amount which may be less than the then intrinsic market value of the Linked-Securities and which may also be less than the amount the holder would have received had the holder held the Linked-Securities through to redemption or expiration, as applicable.

***Hedging Risk***

On, prior to and after the Trade Date, in respect of a Series of Physically Settled Warrant-Linked Notes, the Issuer through its affiliates or others will likely hedge its anticipated exposure under the Linked-Securities by entering into derivative contracts in respect of the Relevant Factor (or the constituents thereof). In addition, the Issuer and its affiliates are likely to trade the derivatives contracts relating to the Relevant Factor (or the constituents thereof) as part of their general businesses. Any of these activities could potentially affect the level or price of the Relevant Factor (or the constituents thereof) and accordingly, could significantly affect the overall return to holders on the Linked-Securities. The relevant Issuer makes no representation and gives no assurance as to the manner or method by which it or any of its affiliates may establish, maintain, adjust or unwind any hedge positions with respect to its obligations under the Linked-Securities and gives no assurance that it will establish or maintain hedge positions at all with respect to such obligations. The decision to engage in hedging activities with respect to the relevant Issuer's obligations under the Linked-Securities is in the sole discretion of such Issuer and the Issuer may commence or, once commenced, suspend or cease the hedging activities at such time as it may solely determine.

***Liquidity Risk***

The liquidity of the Linked-Securities largely reflects the liquidity of the Relevant Factor (or the constituents thereof) and even while there may be a secondary market in the Linked-Securities it may not be liquid enough to facilitate a sale by the holder and will at all times be subject to market conditions. Neither the Exchanged Warrants nor the Morgan Stanley Jersey Preference Shares will be traded on an organised exchange.

Assuming no change in market conditions or any other relevant factors, the price, if any, at which the Dealer is willing to purchase Linked-Securities in secondary market transactions may be lower than the original issue price, since the original issue price includes, and secondary market prices are likely to exclude, commissions paid with respect to the Linked-Securities as well as the projected profit included in the cost of hedging the relevant Issuer's obligations under the Linked-Securities and the Morgan Stanley Jersey Preference Shares. In addition, any such prices may differ from values determined by pricing models used by the Dealer, as a result of dealer discounts, mark-ups or other transaction costs.

***No Interest***

Unlike ordinary debt securities, the Linked-Securities do not bear or pay interest, unless otherwise provided in the applicable Final Terms.

***Other considerations***

The original issue price of the Physically Settled Warrant-Linked Notes may include the agent's commissions paid with respect to the Notes and the cost of hedging the relevant Issuer's obligations under the Linked-Securities and the Morgan Stanley Jersey Preference Shares.

***Underlying Reference Risk***

The exercise price for the Exchanged Warrants will be an amount determined by reference to the performance of the Relevant Factor and such performance will therefore affect the nature and value of the investment return on the Warrants. The holders of Exchanged Warrants and prospective purchasers of Exchanged Warrants should conduct their own investigations and, in deciding whether or not to purchase Exchanged Warrants, prospective purchasers should form their own views of the merits of an investment related to the Relevant Factor based upon such investigations.

***Representations***

In purchasing Physically Settled Warrant-Linked Notes, each purchaser will be deemed to represent and undertake to the relevant Issuer and the Issuer of the Exchanged Warrants, Morgan Stanley Jersey, the Dealer and each of their affiliates (i) that it is purchasing the Notes as principal or as agent in its own name for the account of its investors (and not in any other capacity); (ii) that none of the Issuers, Morgan Stanley Jersey, the Dealer or their affiliates is acting as a fiduciary or an advisor to it in respect of the Linked-Securities and the Preference Shares; (iii) that it is not relying on any representations made by the Issuers, Morgan Stanley Jersey, the Dealer or any of their affiliates; (iv) that it has consulted with its own legal, regulatory, tax, business, investments, financial and accounting advisers to the extent that it has deemed necessary, and it has made its own investment, hedging and trading decisions, evaluating the risks involved in, and the consequences of, purchasing the Notes, based upon its own judgement and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuers, Morgan Stanley Jersey or any of their affiliates or agents; (v) that it is neither located in the United States nor a U.S. person and that its not purchasing for, or for the account or benefit of, any such person; and (vi) that it is purchasing the Notes with a full understanding (on its own behalf or through independent financial advice) of the terms, conditions, risks and potential consequences associated with the purchase of the Notes and, if exchanged, the Exchanged Warrants and, if exercised, the Morgan Stanley Jersey Preference Shares or a direct or indirect interest (including by way of participation) in the same, believes them to be a suitable investment for itself and is capable of and willing to assume those risks.

**Risk factors specific to Immobilised Bearer Notes**

***Certain Consideration Relating to Book-Entry Interests***

Until and unless definitive Notes in registered form are issued in exchange for Book-Entry Interests, holders of Book-Entry Interests will not be considered the owners or holders of Notes with regard to payment. To the extent the Notes are issued in the form of an Immobilised Bearer Global Note, the Book-Entry Depositary or its nominee will be the sole holder of such Notes. The relevant Issuer, the Paying Agent and the CDI Registrar will treat the bearer of an Immobilised Bearer Global Note as the owner thereof for the purposes of receiving payments and for all other purposes. Upon receipt of amounts owing in respect of an Immobilised Bearer Global Note, the Book-Entry Depositary will pay the amounts so received to the relevant clearing system(s) for onward payment to applicable owners of Book-Entry Interests in accordance with their procedures. Accordingly, holders of a Book-Entry Interest must rely on the procedures of the relevant clearing system(s) to exercise any rights and remedies of a Noteholder under the Notes.

***Limitations on ownership of Book-Entry Interests***

Ownership of Book-Entry Interests will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be affected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream, Luxembourg will credit (on their respective book-entry registration and transfer systems) a participant's account with the interest beneficially owned by such participant. However, while the Immobilised Bearer Notes are in global form, holders of Book-Entry Interests will not be considered the owners or Noteholders of such Notes for any purpose.

***An Issuer may amend the terms and conditions of the Notes, the Guarantee and the applicable Deed of Covenant without Noteholder consent if, in its opinion, such amendments are not materially prejudicial to Noteholders.***

Condition 31.2 (*Modification*) of the terms and conditions of the Notes allows an Issuer to amend the terms and conditions of the Notes, the Guarantee and the Deeds of Covenant without the consent of the Noteholders if, in that Issuer's opinion, the amendment is to correct a manifest error, where the effect of the amendment is of a formal, minor or technical nature or the amendment is not materially prejudicial to Noteholders. Prospective investors should be aware that an Issuer is not required to consult with any other party, including the Noteholders, prior to amending the terms and conditions of the Notes, the Guarantee and/or the Deeds of Covenant pursuant to this Condition. An Issuer is entitled to exercise its discretion in making these determinations and Noteholders will be bound by any such amendments made pursuant to this Condition.

***CDI Record Date***

Whenever the Book-Entry Depositary shall receive notice of any action to be taken by it as holder of an Immobilised Bearer Global Note and the relevant Issuer deems it appropriate, including in respect of any payment to be made in respect of an Immobilised Bearer Global Note, the Issuer shall determine and notify the Book-Entry Depositary of a record date (each a "**Record Date**") for the determination of the principal amount represented by the corresponding registered certificated depositary interests ("**CDI**"). Subject to the provisions of the Depositary Agreement, only the holder in whose name the relevant CDIs are recorded in the books and records of the CDI Registrar at the close of business on the relevant Record Date shall be entitled to (i) receive any such payment, (ii) give instructions as to any such action or (iii) act in respect of any such matter, as the case may be.

## Risk factors specific to the Warrants and Certificates

### *United Kingdom stamp duty and stamp duty reserve tax*

Potential purchasers of Warrants or Certificates should note that each Warrant or Certificate may constitute an instrument which is subject to United Kingdom stamp duty on issue by reference to the amount of the consideration given for the Warrants or Certificates so represented. If stamp duty is payable on the Warrants or Certificates, interest will be payable (in addition to the stamp duty) in respect of the period from 30 days after the date of execution of the Warrants or Certificates to the date of payment. Penalties may also be payable if the Warrants or Certificates are not stamped within 30 days of the date of execution of the Warrants or Certificates. If a Warrant or Certificate is subject to United Kingdom stamp duty, it would be inadmissible in evidence in an English court unless duly stamped. Potential purchasers should note that UK stamp duty reserve tax may become payable upon the issue of the Warrants or Certificates depending on the nature of the underlying securities and the precise terms of the Warrants or Certificates. Furthermore, potential purchasers should also note that UK stamp duty or stamp duty reserve tax may be payable on the transfer and / or exercise of the Warrants or Certificates depending on the nature of the Relevant Factor and the precise terms of the Warrants or Certificates.

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

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

## INCORPORATION BY REFERENCE

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

| | Document filed | Information incorporated by reference | | Page |
|---|---|---|---|---|
| 1. | Registration Document dated 7 June 2012 | The entire document (with the exception of documents and/or information incorporated by reference into the Registration Document by way of the section entitled "Information Incorporated by Reference" therein) | | - |
| | **Morgan Stanley** | | | |
| 2. | Current Report on Form 8-K dated 15 May 2012 (relating to matters approved at the Annual General Meeting of the shareholders of Morgan Stanley, held on 15 May 2012, including appointment of directors). | Whole document | | |
| 3. | Proxy Statement dated 5 April 2012 | Whole document | | |
| 4. | Quarterly Report on Form 10-Q dated 7 May 2012 for the quarterly period ended 31 March 2012 | Whole document | | |
| 5. | Annual Report on Form 10-K for the year ended 31 December 2011 | (a) | Report of Independent Registered Public Accounting Firm | 125 |
| | | (b) | Consolidated Statements of Financial Condition | 126-127 |
| | | (c) | Consolidated Statements of Income | 128-129 |
| | | (d) | Consolidated Statements of Comprehensive Income | 129 |
| | | (e) | Consolidated Statements of Cash Flow | 130 |
| | | (f) | Consolidated Statements of Changes in Total Equity | 131-132 |
| | | (g) | Notes to the Consolidated Financial Statements | 133-260 |
| 6. | Annual Report on Form 10-K for the year ended 31 December 2010 | (a) | Report of Independent Registered Public Accounting Firm | 119 |
| | | (b) | Consolidated Statements of Financial Condition | 120-121 |
| | | (c) | Consolidated Statements of Income | 122-123 |
| | | (d) | Consolidated Statements of | 129 |

**Morgan Stanley (Jersey) Limited**



**Morgan Stanley B.V.**

13. The terms and conditions set out on pages 41 to 132 of the base prospectus for notes, series A and B, warrants and certificates dated 5 August 2011 relating to the Program under the heading "Terms and Conditions of the Notes" (the "**2011 English Law Note Conditions**").

14. The terms and conditions set out on pages 177 to 246 of the base prospectus for notes, series A and B, warrants and certificates dated 5 August 2011 relating to the Program under the heading "Terms and Conditions of the Warrants and Certificates" (the "**2011 Warrants and Certificates Conditions**")

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

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

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

The information about Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV incorporated by reference in this Base Prospectus (the "**Incorporated Information**") is considered to be part of this Base Prospectus. Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the FSA in accordance with Article 16 of the Prospectus Directive and approved by the SIX Swiss Exchange in accordance with Article 23 para. 2 of the additional rules for the listing of derivatives. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

In relation to item 4 incorporated by reference above, ratings of Morgan Stanley Derivative Products Inc.'s senior long term, unsecured debt have been given by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and Moody's Investor Service, Inc. and appear on page 70 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2012.

In relation to item 5 incorporated by reference above, ratings of Morgan Stanley Derivative Products Inc.'s senior long term, unsecured debt have been given by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and Moody's Investor Services, Inc. and appear on page 220 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2011.

In relation to item 6 incorporated by reference above, ratings of Morgan Stanley Derivative Products Inc.'s senior long term, unsecured debt have been given by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and Moody's Investor Services, Inc. and appear on page 210 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2010.

S&P is not established in the European Economic Area but the rating it has assigned to Morgan Stanley, with effect from 9 April 2012, is endorsed by Standard & Poors Credit Market Services Europe Limited, a rating established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Moody's is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Limited and Moody's Deutschland GmbH, both rating agencies established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities.

In relation to item 4 incorporated by reference above, ratings of Morgan Stanley's senior unsecured debt have been given by Dominion Bond Rating Service, Inc., Fitch, Inc., Moody's Investors Service, Inc., Rating and Investment Information Inc. and Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and appear on pages 58 and 118 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2012.

DBRS is not established in the European Economic Area but the rating it has assigned to Morgan Stanley may be endorsed by Dominion Bond Rating Service Ratings Limited, a rating agency established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Fitch is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, a rating established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Moody's is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Limited and Moody's Deutschland GmbH, both rating agencies established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities.

Ratings and Investment Information Inc. is not incorporated in the European Economic Area and is not registered under the CRA Regulation in the E.U.

S&P is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is, with effect from 9 April 2012, endorsed by Standard & Poors Credit Market Services Europe Limited, a rating established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

In relation to item 4 incorporated by reference above, ratings of Morgan Stanley Bank N.A.'s senior unsecured debt have been given by Fitch, Inc., Moody's Investors Service, Inc. and Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services and appear on page 118 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2012.

Fitch is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, a rating established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Moody's is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is endorsed by Moody's Investors Service Limited and Moody's Deutschland GmbH, both rating agencies established in the European Economic Area and registered under the CRA Regulation by the relevant competent authorities.

S&P is not established in the European Economic Area but the rating it has assigned to Morgan Stanley is, with effect from 9 April 2012, endorsed by Standard & Poors Credit Market Services Europe Limited, a rating established in the European Economic Area and registered under the CRA Regulation by the relevant competent authority.

Any information or documents incorporated by reference into the documents listed above do not form part of this Base Prospectus. Where only certain portions of the documents listed above have been incorporated by reference in this Base Prospectus, such portions of these documents which are not so incorporated are either not relevant to the investor or are covered elsewhere in this Base Prospectus or in the Registration Document (item 1 above).

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

## KEY FEATURES OF THE NOTES

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

| | |
|---|---|
| **Issuers**........................................... | Morgan Stanley, MSI plc, Morgan Stanley Jersey, MSBV and any Additional Issuer. |
| **Guarantor** ..................................... | In the case of Notes issued by Morgan Stanley Jersey, MSBV or an Additional Issuer, unless specified otherwise in the applicable Final Terms or, in the case of an Additional Issuer, the accession agreement pursuant to which such Additional Issuer accedes to the Program, Morgan Stanley. |
| **Distribution Agents** ...................... | Morgan Stanley & Co. International plc and Morgan Stanley & Co. LLC. |
| **Fiscal Agent and Transfer Agent** | Citibank Europe plc |
| **Registrar**....................................... | Citigroup Global Markets Deutschland AG |
| **Euroclear Registrar**...................... | Computershare Investor Services (Guernsey) Limited. |
| **CDI Registrar** ............................... | Citigroup Global Markets Deutschland AG |
| **Program Amount**.......................... | U.S.$5,000,000,000 or the equivalent amount thereof in other currencies. The maximum aggregate amount of Notes permitted to be outstanding at any one time under this Program may be increased from time to time. |
| **Issuance in Series**.......................... | Notes will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches and each Series may comprise Notes of different denominations. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations. |
| **Forms of Notes**............................. | Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may, issue Notes in bearer form to the extent it has been determined that such Notes should be in registered form for U.S. federal income tax purposes ("**Bearer Notes**"). Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may also issue Notes in registered form ("**Registered Notes**"). Bearer Notes may be in either definitive form or global form. Notes in definitive bearer form will be serially numbered. Registered Notes may be in either individual certificate form or in global certificate form. MSI plc may also issue Notes in immobilised bearer form ("**Immobilised Bearer Notes**") which will be issued through Citibank N.A., London Branch in its capacity as Book-Entry Depositary pursuant to the Depositary Agreement dated 21 June 2012 between, among others, MSI plc and the Book-Entry Depositary. MSBV and MSI plc may also issue Notes in dematerialised and uncertificated book-entry form with a Nordic central securities depositary ("**Nordic Notes**") and in uncertificated registered form in accordance with the Uncertificated Securities Regulations 2001 (as amended, modified or re-enacted and such other regulations made under Sections 783, 784(3), 785 and 788 of the Companies Act 2006 as are |

applicable to the Euroclear Registrar) ("**Uncertificated Notes**").

(i) ***Bearer Notes***

Bearer Notes issued by Morgan Stanley with maturities of more than 183 days and Bearer Notes issued by MSIP, MSJ and MSBV with maturities of more than one year initially will be represented by a temporary global bearer note that the relevant Issuer will deposit with a common depositary or (if in new global note form (a "**New Global Note**" or "**NGN**")) a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**"), and/or any other relevant clearing system. Interests in each temporary global Bearer Note will be exchangeable for interests in permanent global Bearer Notes or for definitive bearer notes.

Bearer Notes issued by Morgan Stanley with maturities of 183 days or less and Bearer Notes issued by MSIP, MSJ and MSBV with maturities of one year or less initially will be represented by a permanent global Bearer Note that the relevant Issuer will deposit with a common depositary or (if in New Global Note form) a common safekeeper for Euroclear, Clearstream, Luxembourg, and/or any other relevant clearing system.

Bearer Notes will only be issued if it has been determined that they should be classified as being in registered form for U.S. federal income tax purposes.

(ii) ***Immobilised Bearer Notes***

Immobilised Bearer Notes will be represented or issued by an Immobilised Bearer Global Note. An Immobilised Bearer Global Note will initially be issued in bearer form, without interest coupons, and title thereto will pass by delivery. Pursuant to the Depositary Agreement between MSI plc, the Book-Entry Depositary, the Custodian and the CDI Registrar (acting for this purpose as agent for the Book-Entry Depositary), the Immobilised Bearer Global Note for each Series will on issue be deposited with the Book-Entry Depositary and held by the Custodian on behalf of the Book-Entry Depositary.

In respect of Immobilised Bearer Notes, the Book-Entry Depositary will issue CDIs to a common depositary for Euroclear and Clearstream, Luxembourg or its nominee, and will record the CDIs in the books and records of the CDI Registrar in the name of the common depositary or its nominee, as applicable. Ownership of interests in the Immobilised Bearer Global Note deposited with the Book-Entry Depositary (the "**Book-Entry Interests**") will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream, Luxembourg will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. However, while the Immobilised Bearer Notes are in global form, holders of Book-Entry Interests will not be considered the owners or Noteholders of such Notes for any purpose.

(iii) ***Registered Notes***

Registered Notes will be in the form of either individual note certificates or global note certificates, in each case as specified in the relevant Final Terms. Each global note certificate will either be: (a) in the case of Registered Notes which are not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a nominee of a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant global note certificate will be deposited on or about the issue date with the common depositary; or (b) in the case of Registered Notes which are to be held under the New Safekeeping Structure, registered in the name of nominee of a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant global note certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

(iv) ***Uncertificated Notes***

Uncertificated Notes will be held in uncertificated form in accordance with the Uncertificated Securities Regulations 2001, including any modification or re-enactment thereof for the time being in force (the "**Regulations**"). The Uncertificated Registered Notes are participating securities for the purposes of the Regulations. Title to the Uncertificated Notes is recorded on the relevant Operator register of eligible debt securities (as defined in the Regulations) and the relevant "Operator" (as such term is used in the Regulations) in Euroclear UK & Ireland Limited or any additional or alternative operator from time to time approved by the Issuer and the Euroclear Registrar and in accordance with the Regulations. Notes in definitive registered form will not be issued (either upon issue or in exchange for Uncertificated Notes).

The Euroclear Registrar will make all payments in respect of Uncertificated Notes.

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| **Terms and Conditions** .................. | Final Terms will be prepared in respect of each Tranche of Notes (each, a "**Final Terms**"). The terms and conditions applicable to each Tranche will be those set out herein under the heading "*Terms and Conditions of the Notes*", as supplemented, modified or replaced, in each case, by the applicable Final Terms. The terms and conditions applicable to each Tranche issued by an Additional Issuer will be those set out in the relevant Supplemental Base Prospectus, as supplemented, modified or replaced by the applicable Final Terms.<br><br>Any Issuer may issue Notes that are Equity-Linked Notes, Commodity-Linked Notes, Currency-Linked Notes, Inflation-Linked Notes, Credit-Linked Notes, Property-Linked Notes and Fund-Linked Notes and/or any combination thereof (each as defined in Condition 9 (*Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked, Credit-Linked, Property-Linked, Fund-Linked, Preference Share-Linked and Physically Settled Warrant-Linked Notes*) of "*Terms and Conditions of the Notes*").<br><br>Each Issuer (other than Morgan Stanley Jersey) may issue Notes that are Preference Share-Linked Notes (as defined in Condition 9 (*Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked, Credit-Linked, Property-Linked, Fund-Linked, Preference Share-Linked and Physically Settled Warrant-Linked Notes*) of "*Terms and Conditions of the Notes*") and each Issuer (other than MSI plc and Morgan Stanley Jersey) may issue Physically Settled Warrant-Linked Notes (as defined in Condition 9 (*Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked, Credit-Linked, Property-Linked, Fund-Linked, Preference Share-Linked and Physically Settled Warrant-Linked Notes*) of "*Terms and Conditions of the Notes*"). |
| **Specified Currency** ....................... | Notes may be denominated or payable in any currency as set out in the applicable Final Terms, subject to all applicable consents being obtained and compliance with all applicable legal and regulatory requirements. |
| **Status** ............................................ | Notes will be direct and general obligations of the relevant Issuer. |
| **Guarantee** ..................................... | The payment of all amounts due in respect of Notes issued by Morgan Stanley Jersey, MSBV or an Additional Issuer will, unless specified otherwise in the applicable Final Terms or, in the case of an Additional Issuer, in the accession agreement pursuant to which such Additional Issuer accedes to the Program, be unconditionally and irrevocably guaranteed by Morgan Stanley pursuant to a guarantee dated as of 5 August 2011. Payment of amounts due in respect of MSI plc Notes is not guaranteed by Morgan Stanley. |
| **Issue Price** .................................... | Notes may be issued at any price, as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements. |
| **Maturities** ..................................... | Notes will have maturities as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements. |

Where Notes have a maturity of less than one year and either (i) the issue proceeds are received by the relevant Issuer in the United Kingdom or (ii) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the relevant Issuer.

**Redemption**.................................. Notes may be redeemed at par or at such other redemption amount (detailed in a formula or otherwise) or by delivery of securities of an issuer that is not affiliated with Morgan Stanley, as may be specified in the applicable Final Terms.

**Early Redemption**........................ Early redemption will be permitted for taxation reasons as mentioned in Condition 18 (*Redemption and Purchase*) of "*Terms and Conditions of the Notes*" but will otherwise be permitted only to the extent specified in the applicable Final Terms.

**Interest**.......................................... Notes may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed rate, which may be zero, or floating rate, or at a rate which varies during the lifetime of the relevant Series.

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

**Taxation**........................................ Unless otherwise provided in the applicable Final Terms, payments made by the Issuer, or if applicable, the Guarantor, in respect of any Notes will be made without withholding or deduction for, or on account of, any present or future tax, assessment or governmental charge ("**Taxes**") imposed or levied by or on behalf of the United States or (i) the United Kingdom, in the case of payment by MSI plc in respect of Notes issued by MSI plc (ii) Jersey, in the case of payments by Morgan Stanley Jersey in respect of Notes issued by Morgan Stanley Jersey, or (iii) the Netherlands, in the case of payments by MSBV in respect of Notes issued by MSBV, or any representative political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of those Taxes is required by law. In the case of payments by Morgan Stanley, the beneficial owner of a Note (or a financial institution holding a Note on behalf of the beneficial owner) is required under current applicable law to furnish the U.S. Internal Revenue Service Form W-8BEN on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person. In the event that any Issuer or the Guarantor determines that withholding or deduction of taxes is required by the United States, or any representative political subdivision thereof or any authority or agency therein having power to tax, on any payment on any Notes, such Issuer or Guarantor will (subject to customary exceptions) pay those Additional Amounts (as defined herein) as will result in those Noteholders who are United States Aliens (as defined herein) receiving such amounts as they would have received in respect of the Notes had no withholding or deduction been required only if so specified in the applicable Final Terms.

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| **Benefit Plan Investors** ................. | The Notes may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include "plan assets" within the meaning of Section 3(42) of ERISA by reason of any such employee benefit plan's account or plan's investment therein. |
| **Use of Proceeds** ............................ | The net proceeds from the sale of Notes will be used by the relevant Issuer for general corporate purposes, in connection with hedging the relevant Issuer's obligations under the Notes, or both. |
| **Listing** ........................................... | Applications have been made to admit the Notes offered under the Program by Morgan Stanley, MSI plc, Morgan Stanley Jersey or MSBV to (i) the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange and (ii) (other than in relation to Notes issued by Morgan Stanley Jersey) listing on the main segment of SIX Swiss Exchange and to trading on SCOACH AG. The applicable Final Terms will specify whether an issue of Notes will be admitted to the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange, admitted to listing on the main segment of the SIX Swiss Exchange and to trading on SCOACH AG, admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system or will be unlisted, as the relevant Issuer and any Distribution Agent may agree. |
| **Clearing Systems** .......................... | Euroclear, Clearstream, Luxembourg and/or any other clearing system as may be specified in the applicable Final Terms. |
| **Governing Law** ............................ | Unless otherwise specified in the applicable Final Terms, the Notes and any non-contractual obligations arising out of or in connection with them shall be governed by English law. |
| **Enforcement of Notes in Global Form** ............................................ | In the case of Notes issued by Morgan Stanley in global form, individual holders' rights will be governed by a deed of covenant entered into by Morgan Stanley dated 21 June 2012 (the "**Morgan Stanley Deed of Covenant**"), in the case of Notes issued by MSI plc in global form or dematerialised form, individual holders' rights will be governed by a deed of covenant entered into by MSI plc dated 21 June 2012, (the "**MSI plc Deed of Covenant**") in the case of Notes issued by Morgan Stanley Jersey in global form, individual holders' rights will be governed by a deed of covenant entered into by Morgan Stanley Jersey dated 21 June 2012 (the "**MSJ Deed of Covenant**") and in the case of Notes issued by MSBV in global form or dematerialised form, individual holders' rights will be governed by a deed of covenant entered into by MSBV dated 21 June 2012 (the "**MSBV Deed of Covenant**"), copies of which, in each case, will be available for inspection at the specified office of the Fiscal Agent.<br><br>In the case of Notes issued by an Additional Issuer in global form, individual holders' rights will be governed by a deed of covenant to be executed by such Additional Issuer on or around the date on which such Additional Issuer accedes to the Program, a copy of which will be available for inspection at the specified office of the |

Fiscal Agent.

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| **Selling Restrictions** ....................... | **The Notes may not be offered, sold or delivered *at any time*, directly or indirectly, within the United States or to or for the account of U.S. Persons (as defined in Regulation S under the Securities Act)**. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States and in certain other countries, see "*Subscription and Sale*" and "*No Ownership by U.S. Persons*". |

## KEY FEATURES OF THE WARRANTS AND CERTIFICATES

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

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| **Issuers**........................................... | Morgan Stanley, MSI plc, Morgan Stanley Jersey, MSBV and any Additional Issuer. |
| **Guarantor** .................................... | In the case of Warrants and Certificates issued by Morgan Stanley Jersey, MSBV or an Additional Issuer, unless specified otherwise in the applicable Final Terms or, in the case of an Additional Issuer, the accession agreement pursuant to which such Additional Issuer accedes to the Program, Morgan Stanley. |
| **Distribution Agents** ..................... | Morgan Stanley & Co. International plc and Morgan Stanley & Co. LLC. |
| **Principal Securities Agent** .......... | Citibank Europe plc |
| **Securities Registrar** ..................... | Citigroup Global Markets Deutschland AG |
| **Securities Transfer Agent** ........... | Citibank Europe plc |
| **Issuance in Series**......................... | Warrants and Certificates will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") issued on different issue dates. |
| **Terms and Conditions**................. | A Final Terms (a "**Final Terms**") will be prepared in respect of each Tranche of Warrants and Certificates. The terms and conditions applicable to each Tranche issued by Morgan Stanley, MSI plc, Morgan Stanley Jersey or MSBV will be those set out herein under the heading "*Terms and Conditions of the Warrants and Certificates*" as supplemented, modified or replaced by the applicable Final Terms. The terms and conditions applicable to each Tranche issued by an Additional Issuer will be those set out in the relevant Supplemental Base Prospectus, as supplemented, modified or replaced by the applicable Final Terms.<br><br>Any Issuer may issue Warrants and Certificates that are Share Securities, Share Basket Securities, Index Securities, Index Basket Securities, ETF Securities, ETF Basket Securities, Currency Securities, Commodity Securities, Bond Securities, Inflation Securities, Property Securities, Fund Securities and Fund Basket Securities (each as defined in Condition 1 of "*Terms and Conditions of the Warrants and Certificates*"). Morgan Stanley Jersey may issue Warrants linked to preference shares of Morgan Stanley Jersey. |
| **Forms of Warrants and Certificates**.................................... | Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may issue Warrants and Certificates either in bearer form to the extent that it has been determined that such Warrants and Certificates should be in registered form for U.S. federal income tax purposes ("**Bearer Warrants**" and "**Bearer Certificates**") or in registered form ("**Registered Warrants**" and "**Registered Certificates**"). Bearer Warrants and Bearer Certificates may be in either definitive form or global form. Bearer Warrants and Bearer Certificates in definitive bearer form will be serially numbered. Registered Warrants and Registered Certificates may be in either individual certificate form or global certificate form. |

MSBV and MSI plc may also issue Warrants and Certificates in dematerialised and uncertificated book-entry form with a Nordic central securities depositary ("**Nordic Securities**").

(i) ***Bearer Warrants and Bearer Certificates***

Bearer Warrants and Bearer Certificates issued by Morgan Stanley with maturities of more than 183 days and Bearer Warrants and Bearer Certificates issued by MSIP, MSJ and MSBV with maturities of more than one year initially will be represented by a temporary global bearer security that the relevant Issuer will deposit with a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**"), and/or any other relevant clearing system. Interests in each temporary global Bearer Warrant or Bearer Certificate will be exchangeable for interests in permanent global Bearer Warrants or permanent global Bearer Certificates or for Bearer Warrants or Bearer Certificates in definitive form.

Bearer Warrants and Bearer Certificates issued by Morgan Stanley with maturities of 183 days or less and Bearer Warrants and Bearer Certificates issued by MSIP, MSJ and MSBV with maturities of one year or less initially will be represented by a permanent global Bearer Warrant or global Bearer Certificate that the relevant Issuer will deposit with a common depositary for Euroclear, Clearstream, Luxembourg, and/or any other relevant clearing system.

Bearer Warrants and Bearer Certificates will only be issued if it has been determined that they should be classified as being in registered form for U.S. federal income tax purposes.

(ii) ***Registered Warrants and Registered Certificates***

Registered Warrants and Registered Certificates will be either in individual certificate form or global certificate form. Registered Warrants and Registered Certificates represented by a global registered warrant or a global registered certificate will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for individual warrant certificates or individual registered certificates in accordance with its terms.

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

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| **Settlement of Warrants and Certificates** .................................... | Upon exercise, Warrants and Certificates may entitle the Securityholder to receive from the relevant Issuer a Cash Settlement amount (as specified or calculated in accordance with the applicable Final Terms) ("**Cash Settlement Securities**"), or may entitle the Securityholder to receive delivery of or to deliver an amount of securities (as specified or calculated in accordance with the relevant Supplement) ("**Physical Settlement Securities**"), as specified in the applicable Final Terms. |
| **Minimum Exercise Number** ........ | Warrants and Certificates are exercisable in the minimum number (or, if so specified, integral multiples thereof) specified in the applicable Final Terms. |
| **Status** ............................................ | The Warrants and Certificates will be direct and general obligations of the relevant Issuer. |
| **Guarantee** ...................................... | The payment of all amounts due in respect of Warrants and Certificates issued by Morgan Stanley Jersey, MSBV or an Additional Issuer will, unless specified otherwise in the applicable Final Terms or, in the case of an Additional Issuer, in the accession agreement pursuant to which such Additional Issuer accedes to the Program, be unconditionally and irrevocably guaranteed by Morgan Stanley pursuant to a guarantee dated as of 19 June 2008. Payment of amounts due in respect of Certificates issued by MSI plc is not guaranteed by Morgan Stanley. |
| **Taxation** ......................................... | The Securityholders shall be liable for any applicable taxes, duties and other charges due in relation to, *inter alia*, the issue, transfer, transmission and/or settlement of the Warrants and Certificates. In the case of Cash Settlement Securities, the relevant Issuer shall be entitled to withhold or deduct from any amounts otherwise payable to the Securityholders such amount as is necessary for the payment of such taxes, duties and other charges. In the case of Physical Settlement Securities, the relevant Issuer's obligation to deliver an amount of securities shall be subject to payment by the relevant Securityholders, or shall be reduced by such amount to take account, of an amount in respect of such taxes, duties and other charges. |
| **Benefit Plan Investors** .................. | The Warrants and Certificates may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include "plan assets" within the meaning of Section 3(42) of ERISA by reason of any such employee benefit plan's account or plan's investment therein. |
| **Listing** ............................................ | Applications have been made for the Warrants and Certificates issued under the Program during the period of 12 months from the date of this Base Prospectus to be admitted (i) to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange and (ii) (other than in relation to Warrants and Certificates issued by Morgan Stanley Jersey) to listing on the main segment of the SIX Swiss Exchange and to trading on SCOACH AG. The applicable Final Terms will specify whether an issue of Warrants and Certificates will be admitted to the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange, admitted |

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| | to the main segment of the SIX Swiss Exchange and trading on SCOACH AG or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as the relevant Issuer and any Distribution Agent may agree. Warrants and Certificates issued under the Program may also be unlisted. |
| **Clearing Systems** .......................... | Euroclear, Clearstream, Luxembourg and/or any other clearing systems as may be specified in the applicable Final Terms. |
| **Governing Law** ............................. | Unless otherwise specified in the applicable Final Terms, the Warrants and Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by English law. |
| **Enforcement of Warrants and Certificates in Global Form**......... | In the case of Warrants and Certificates issued by Morgan Stanley in global form, individual holders' rights will be governed by a deed of covenant entered into by Morgan Stanley dated 21 June 2012 (the "**Morgan Stanley Deed of Covenant**"), in the case of Warrants and Certificates issued by MSI plc in global form or dematerialised form, individual holders' rights will be governed by a deed of covenant dated 21 June 2012 (the "**MSI plc Deed of Covenant**"), in the case of Warrants and Certificates issued by Morgan Stanley Jersey in global form, individual holders' rights will be governed by a deed of covenant entered into by Morgan Stanley Jersey dated 21 June 2012 (the "**MSJ Deed of Covenant**") and in the case of Warrants and Certificates issued by MSBV in global form or dematerialised form, individual holders' rights will be governed by a deed of covenant entered into by MSBV dated 21 June 2012 (the "**MSBV Deed of Covenant**"), copies of which, in each case, will be available for inspection at the specified office of the Principal Securities Agent.<br><br>In the case of Warrants and Certificates issued by an Additional Issuer in global form, individual holders' rights will be governed by a deed of covenant to be executed by such Additional Issuer on or around the date on which such Additional Issuer accedes to the Program, a copy of which will be available for inspection at the specified office of the Principal Securities Agent. |
| **Selling Restrictions**....................... | **The Warrants and Certificates may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account of U.S. Persons (as defined in each of Regulation S under the Securities Act or the United States Commodity Exchange Act)**. For a description of certain restrictions on offers, sales and deliveries of the Warrants and Certificates and on the distribution of offering material in the United States and in certain other countries, see "*Subscription and Sale*" and "*No Ownership by U.S. Persons*." |

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented by the applicable Final Terms, will be endorsed on each Note in definitive form (if any) issued under the Program that is specified as being governed by English law. The terms and conditions applicable to any Note issued in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

### 1. INTRODUCTION

1.1 **Program**: Morgan Stanley ("**Morgan Stanley**"), Morgan Stanley & Co. International plc ("**MSI plc**"), Morgan Stanley (Jersey) Limited ("**Morgan Stanley Jersey**") and Morgan Stanley B.V. ("**MSBV**") have established a Program (the "**Program**") for the issuance of up to U.S.$5,000,000,000 in aggregate principal amount, *inter alia*, of notes which are expressed to be governed by English law (the "**Notes**"). References to the "**Issuer**" in these terms and conditions shall mean (i) if the Notes to which these terms and conditions apply are issued by Morgan Stanley, Morgan Stanley, (ii) if the Notes to which these terms and conditions apply are issued by MSI plc, MSI plc, (iii) if the Notes to which these terms and conditions apply are issued by Morgan Stanley Jersey, Morgan Stanley Jersey or (iv) if the Notes to which these terms and conditions apply are issued by MSBV, MSBV. The payment obligations of each of Morgan Stanley Jersey and MSBV in respect of Notes issued by it under the Program are (unless otherwise specified in the applicable Final Terms) guaranteed by Morgan Stanley (in its capacity as Guarantor (the "**Guarantor**")) under the terms of a guarantee dated as of 5 August 2011 (the "**Guarantee**").

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

1.3 **Issue and Paying Agency Agreement**: The Notes are the subject of an issue and paying agency agreement dated 5 August 2011 (such issue and paying agency agreement as modified and restated on 21 June 2012 and as from time to time further modified and/or restated, the "**Issue and Paying Agency Agreement**") between Morgan Stanley, MSI plc, Morgan Stanley Jersey, MSBV, Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and Citibank Europe plc as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes and together with any additional paying agents appointed pursuant thereto, the "**Paying Agents**", which expression includes any successor paying agents appointed from time to time in connection with the Notes and Citibank N.A., Las Vegas, Zurich Branch acting as Paying Agent in connection with Notes listed on the SIX Swiss Exchange). The Fiscal Agent is also appointed as initial calculation agent. In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

1.4 **Euroclear Agreement**: In relation to issues of Uncertificated Notes (as defined below), MSBV and the Guarantor have entered into an agreement dated 21 June 2012 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Euroclear Agreement**") with Computershare Investor Services (Guernsey) Limited as registrar in respect of Uncertificated Notes (the "**Euroclear Registrar**", which expression shall include any successor or additional Euroclear registrar appointed in respect of Uncertificated Notes).

1.5 **Depositary Agreement**: In relation to Immobilised Bearer Notes, MSI plc has entered into an agreement (such agreement as amended and/or supplemented and/or restated from time to time, the "**Depositary Agreement**") dated 21 June 2012 between MSI plc, Citibank N.A., London

Branch (the "**Book-Entry Depositary**" which expression shall include any successor or additional book-entry depositary appointed in respect of Immobilised Bearer Notes), Citibank N.A., London Branch (the "**Custodian**" which expression shall include any successor or additional custodian appointed in respect of Immobilised Bearer Notes) and Citigroup Global Markets Deutschland AG (the "**CDI Registrar**", which expression shall include any successor or additional registrar appointed in respect of Immobilised Bearer Notes).

1.6 **Deed of Covenant***:* Notes issued by Morgan Stanley in global form are constituted by a deed of covenant entered into by Morgan Stanley dated 21 June 2012 (the "**Morgan Stanley Deed of Covenant**"). Notes issued by MSI plc in global form or in dematerialised form are constituted by a deed of covenant entered into by MSI plc dated 21 June 2012 (the "**MSI plc Deed of Covenant**"). Notes issued by Morgan Stanley Jersey in global form are constituted by a deed of covenant entered into by Morgan Stanley Jersey dated 21 June 2012 (the "**MSJ Deed of Covenant**"; and Notes issued by MSBV in global form or in dematerialised form are constituted by a deed of covenant entered into by MSBV dated 21 June 2012 (the "**MSBV Deed of Covenant**", together with the Morgan Stanley Deed of Covenant, the MSI plc Deed of Covenant and the MSJ Deed of Covenant, the "**Deeds of Covenant**" and each a "**Deed of Covenant**").

1.7 **The Notes**: All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the applicable Final Terms including, in the case of MSI plc, Immobilised Bearer Notes. Copies of the applicable Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.

1.8 **Summaries**: Certain provisions of these Conditions are summaries of the Issue and Paying Agency Agreement, the Euroclear Agreement, the Depositary Agreement and the Guarantee and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Issue and Paying Agency Agreement, the Euroclear Agreement, the Depositary Agreement and the Guarantee applicable to them. Copies of the Issue and Paying Agency Agreement, the Euroclear Agreement, the Depositary Agreement and the Guarantee are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

## 2. INTERPRETATION

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

"**Accrual Yield**" has the meaning given in the applicable Final Terms;

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

"**Book-Entry Depositary**" has the meaning given in Condition 1.5;

"**Book-Entry Interest**" has the meaning given in Condition 3.3.2;

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

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

(ii) for Notes denominated in euro, that is also a TARGET Settlement Day and a day that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close in each (if any) Additional Business Centre;

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

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

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

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

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided**, **however**, **that**:

(a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means, in respect of any Notes, the Fiscal Agent or such other Person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or, if agreed between the relevant Issuer and the Fiscal Agent, such other amount(s) as may be specified in the applicable Final Terms;

"**Calculation Amount**" means the Specified Denomination unless otherwise specified in the applicable Final Terms;

"**Cash Settlement Notes**" means Notes specified as being Notes to which Cash Settlement applies in the applicable Final Terms or Notes specified as being Notes to which either Physical Settlement or Cash Settlement applies in the applicable Final Terms and in respect of which the Noteholder or the Issuer, as the case may be, has not elected for Physical Settlement to apply;

"**CDI**" has the meaning given in Condition 3.3.2;

"**CDI Registrar**" has the meaning given to it in Condition 1.5;

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

"**Custodian**" has the meaning given to it in Condition 1.5;

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

(i) if "**Actual/Actual**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

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

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

where:

**"$Y_1$"** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**"$Y_2$"** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"$M_1$"** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**"$M_2$"** is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

**"$D_1$"** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

**"$D_2$"** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and $D_1$ is greater than 29, in which case $D_2$ will be 30;

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

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

where:

**"$Y_1$"** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**"$Y_2$"** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"$M_1$"** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**"$M_2$"** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"$D_1$"** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case $D_1$ will be 30; and

**"$D_2$"** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case $D_2$ will be 30; and

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

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

where:

**"$Y_1$"** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**"$Y_2$"** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"$M_1$"** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**"$M_2$"** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"$D_1$"** is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case $D_1$ will be 30; and

**"$D_2$"** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case $D_2$ will be 30,

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

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

"**Early Redemption Amount**" means, in the case of acceleration of the Notes under Condition 26 (*Events of Default*) and unless specified otherwise in the Relevant Final Terms, (1) in the case of Zero Coupon Notes, such amount as may be specified in the applicable Final Terms or, if applicable, determined in accordance with Condition 18.10 (*Early Redemption of the Zero Coupon Notes*) and (2) in the case of any other Notes such amount as may be specified in the applicable Final Terms or, if no other amount is specified, (a) if the Final Redemption Amount which would have been payable on the Maturity Date is a fixed amount, such fixed amount together with accrued interest (if any), (b) if the Final Redemption Amount which would have been payable on the Maturity Date is an amount calculated taking into account any value(s) (of any rate, property, index and/or other underlying) to be determined at any time after the date on which the Notes are declared to be due and payable under Condition 26 (*Events of Default*), the Final Redemption Amount so calculated assuming that all future values to be determined are equal to the value of the relevant underlying(s) as of the date on which the Notes are declared to be immediately due and payable as determined by the Determination Agent acting good faith and in a commercially reasonable manner or, if greater, any minimum amount which would have been unconditionally payable as the Final Redemption Amount, together with accrued interest (if any) or (c) in any other case (including, without limitation, where the amount and/or time for payment of the Final Redemption Amount would vary according to whether one or more specified conditions were satisfied), the fair value of such Note on such day as is selected by the Determination Agent acting in good faith and in a commercially reasonable manner, less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent acting in good faith and in a commercially reasonable manner and disregarding any change in the creditworthiness of the Issuer and, if applicable, the Guarantor since the initial Issue Date of Notes of the relevant Series, or, if greater, any minimum amount which would have been unconditionally payable as the Final Redemption Amount;

"**Euroclear Registrar**" has the meaning given in Condition 1.4;

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

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms;

"**Finnish CSD**" means a duly authorised Finnish central securities depository (Fi.: *Arvopaperikeskus*) under the Finnish Act on Book-Entry Securities System (Fi.: *laki arvo-osuujärjestelmästä 17.5.1991/826*), which is expected to be Euroclear Finland Oy, Urho Kekkosen katu 5 C Box 1110, FI-00101 Helsinki, Finland;

"**Finnish Notes**" means any Tranche of Notes issued by MSBV or, as applicable, MSI plc and designated by the Issuer as "Finnish Notes" in paragraph 37 ("Form of the Notes") of the applicable Final Terms;

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

"**Immobilised Bearer Notes**" means Notes issued by MSI plc as described in Condition 3.3 below and this term will include the relevant Immobilised Bearer Global Note, CDIs, Book-Entry Interests and any related Definitive Registered Notes;

"**Immobilised Bearer Global Note**" has the meaning given in Condition 3.3.1.

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

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

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

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms and, if a Business Day Convention is specified in the applicable Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

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

"**Interest Period**" means, subject as otherwise provided in these Conditions or the applicable Final Terms, each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date, **provided that** if "Unadjusted" is specified in the applicable Final Terms, no adjustment will be made to the

Interest Period, notwithstanding the adjustment to the relevant Interest Payment Date following the application of the relevant Business Day Convention;

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

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

"**Margin**" has the meaning given in the applicable Final Terms;

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

"**Morgan Stanley Notes**" means all notes issued by Morgan Stanley;

"**MSBV Notes**" means all Notes issued by MSBV;

"**MSI plc Notes**" means all Notes issued by MSI plc;

"**MSJ Notes**" means all Notes issued by Morgan Stanley Jersey;

"**NCSD**" means the Finnish CSD or the Swedish CSD, as applicable;

"**NCSD Issuing Agent**" means a duly authorised issuing agent under the relevant NCSD Rules and designated as such by the Issuer in Part B, paragraph 9 of the relevant Final Terms;

"**NCSD Register**" means the book entry register maintained by the relevant NCSD on behalf of the Issuer in respect of the relevant Tranche of Nordic Notes;

"**NCSD Rules**" means any Finnish or, as applicable, Swedish legislation, regulations, rules and operating procedures applicable to and/or issued by the relevant NCSD (including but not limited to, the Finnish Act on Book-Entry Securities System (Fi.: *laki arvo-osuujärjestelmästä 17.5.1991/826*) and the Swedish Financial Instruments Accounts Act (Sw.: *lag (1998:1479) om kontoföring av finansiella instrument*));

"**Nordic Notes**" means Finnish Notes or Swedish Notes, as applicable;

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

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

"**Optional Redemption Date (Call)**" has the meaning given in the applicable Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the applicable Final Terms;

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

"**Payment Business Day**" means:

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

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

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

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

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

(b) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Business Centre;

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

"**Physical Settlement Notes**" means Notes specified as being Notes to which Physical Settlement applies, or Notes specified as being Notes to which either Physical Settlement or Cash Settlement applies in the applicable Final Terms and in respect of which the Noteholder or the Issuer, as the case may be, has not elected for Cash Settlement to apply;

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

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(ii) in relation to Australian dollars, it means Sydney and Melbourne and, in relation to New Zealand dollars, it means Wellington and Auckland;

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

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

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

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Redemption Amount, Physical Delivery Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms;

"**Redemption Expenses**" means, in respect of any Note or Notes, any expenses (other than in relation to Taxes) payable on or in respect of or in connection with the redemption of such Note or Notes;

"**Reference Asset**" means in respect of any Note, any Underlying Security or other non-cash asset, the price or level of which determines the Redemption Amount of such Note;

"**Reference Banks**" has the meaning given in the applicable Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the applicable Final Terms;

"**Reference Rate**" has the meaning given in the applicable Final Terms;

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

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

"**Relevant Financial Centre**" has the meaning given in the applicable Final Terms;

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

"**Relevant Time**" has the meaning given in the applicable Final Terms;

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

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

"**Specified Denomination(s)**" has the meaning given in the applicable Final Terms;

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

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

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

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

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

"**Swedish CSD**" means a duly authorised Swedish central securities depository (Sw.: *central värdepappersförvarare*) under the Swedish Financial Instruments Accounts Act (Sw.: *lag (1998:1479) om kontoföring av finansiella instrument*), which is expected to be Euroclear Sweden AB, Klarabergsviadukten 63, Box 191, SE 101 23, Stockholm, Sweden;

"**Swedish Notes**" means any Tranche of Notes issued by MSBV or, as applicable, MSI plc and designated by the Issuer as "**Swedish Notes**" in paragraph 37 ("Form of the Notes") of the applicable Final Terms;

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

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

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

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

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

"**Transfer Documentation**" means, for each Series of Notes, such documentation as is generally acceptable for settlement of transfer of Underlying Shares on the relevant Exchange or through the Relevant Clearing System including, without limitation, stock notes and/or stock transfer forms in the case of settlement on the London Stock Exchange;

"**Treaty**" means the Treaty establishing the European Community, as amended;

"**Underlying Securities**" means shares, bonds, warrants, preference shares, other debt securities, other securities or other property specified as such in the relevant Final Terms, and "Underlying Security" shall be construed accordingly; and

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

2.2 **Interpretation**: In these Conditions:

(i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;

(ii) in respect of Notes in bearer form, if Talons are specified in the applicable Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

(iii) in respect of Notes in bearer form, if Talons are not specified in the applicable Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;

(iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 25 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

(v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 25 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

(vi) references to Notes being "outstanding" shall be construed in accordance with the Issue and Paying Agency Agreement; and

(vii) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the applicable Final Terms, but the applicable Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes.

3. **FORM, DENOMINATION AND TITLE**

3.1 **Form**: Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may issue Notes in bearer form ("**Bearer Notes**"). Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may also issue Notes in registered form ("**Registered Notes**"). MSBV and MSI plc may also issue Notes in dematerialised and uncertificated book-entry form with a Nordic central securities depositary ("**Nordic Notes**") and Notes in uncertificated registered form ("**Uncertificated Notes**"). MSI plc may also issue Immobilised Bearer Notes (as defined above) which will be deemed to be Registered Notes except where otherwise specified or the context so requires.

3.2 **Bearer Notes**

3.2.1 ***Form:*** Bearer Notes in definitive form will be serially numbered in the Specified Denomination(s) with Coupons and, if specified in the applicable Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

3.2.2 ***Title:*** Title to the Bearer Notes and the Coupons attaching thereto will pass by delivery. "**holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

3.2.3 ***Ownership:*** The holder of any Bearer Note or Coupon attaching thereto shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.

3.3 **Immobilised Bearer Notes**

3.3.1 ***Form***: In respect of each Series of Immobilised Bearer Notes, MSI plc will issue a global security in bearer form (an **Immobilised Bearer Global Note**), without interest coupons, and title thereto will pass by delivery. Pursuant to the Depositary Agreement, the Immobilised Bearer Global Note for each Series will on issue be deposited with the Book-Entry Depositary. Pursuant to the terms of the Depositary Agreement, the Book-Entry Depositary will hold each Immobilised Bearer Global Note for the holders of the related CDIs (as defined below) and owners of the related Book-Entry Interests as bare trustee and the owners of the related Book-Entry Interests will accordingly be tenants in common in respect of the CDIs to the extent of the Book-Entry Interests of which they are owners. The Book-Entry Depositary shall have only those rights, discretions, duties, obligations and responsibilities expressly specified in the Depositary Agreement and these Conditions and, other than holding any Immobilised Bearer Global Note as bare trustee, as aforesaid, does not assume any relationship of trust for or with the owners of the Book-Entry Interests or any other person. In particular, the Book-Entry Depositary may not extinguish, cancel or otherwise terminate this arrangement other than pursuant to the terms of the Depositary Agreement and these Conditions. Holders of Book-Entry Interests are deemed to have notice of and shall be bound by the terms of the Depositary Agreement.

3.3.2 ***Title***: Immobilised Bearer Notes are settled through Euroclear and/or Clearstream, Luxembourg. The relevant Immobilised Bearer Global Note will be deposited with the Book-Entry Depositary, which will then issue registered certificated depositary interests ("**CDIs**") to a common depositary for Euroclear and Clearstream, Luxembourg or its nominee, and record the CDIs in the books and records of the CDI Registrar in the name of the nominee of the common depositary. Ownership of interests in Immobilised Bearer Global Notes deposited with the Book-Entry Depositary (the "**Book-Entry Interests**") will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

"**holder**" means, in the case of Immobilised Bearer Notes, the person in whose name the relevant CDIs or (if Notes in definitive registered form are issued as described below) the relevant Notes in definitive registered form are registered and Noteholder and Couponholder will be construed accordingly.

3.3.3 ***Transfers***: Transfers of Book-Entry Interests will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and in turn by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A Book-Entry Interest will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive registered form only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Issue and Paying Agency Agreement and the Depositary Agreement.

Pursuant to the Depositary Agreement, an Immobilised Bearer Global Note may be transferred only to a successor to the relevant Book-Entry Depositary.

Unless and until Book-Entry Interests are exchanged for Notes in definitive registered form, the CDIs held by the common depositary or its nominee for Euroclear and Clearstream, Luxembourg may not be transferred except as a whole to a nominee or a successor approved by the Issuer.

Book-Entry Interests will be subject to certain restrictions on transfer and certification requirements and may bear a legend regarding such restrictions.

All transfers of Book-Entry Interests between participants in Euroclear or Clearstream, Luxembourg participants in will be effected by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, Luxembourg and their respective participants.

Book-Entry Interests in an Immobilised Bearer Global Note may in certain circumstances be exchanged for Notes in definitive registered form upon receipt by the CDI Registrar of instructions from a Paying Agent. It is expected that such instructions of the Paying Agent will be based upon directions received by Euroclear or Clearstream, Luxembourg, as applicable, from the participant which owns the relevant Book-Entry Interests. Notes in definitive registered form issued in exchange for a Book-Entry Interest will except as otherwise determined by the Issuer in compliance with applicable law, be subject to certain restrictions on transfer and certification requirements and may bear a legend regarding such restrictions.

3.4 **Registered Notes**

3.4.1 ***Form***: Registered Notes may be in either individual certificate form or in global certificate form. Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Final Terms and higher integral multiples of a smaller amount specified in the relevant Final Terms.

3.4.2 ***Title:*** Title to the Registered Notes passes by registration in the Register which is kept by the Registrar in accordance with the provisions of the Issue and Paying Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. "**holder**" means, in the case of Registered Notes, the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

***Ownership:*** The holder of any Registered Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.

3.4.3 ***Transfers:*** Subject to Conditions 3.4.6 (*Closed Periods*) and 3.4.7 (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided**, **however**, **that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

3.4.4 ***Registration and Delivery:*** Within five business days of the surrender of a Note Certificate in accordance with Condition 3.4.3 (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 3.4.4, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

3.4.5 ***No charge:*** The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

3.4.6 ***Closed Periods:*** Holders of Registered Notes may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

3.4.7 ***Regulations concerning transfers and registration***: All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Issue and Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any holder of Registered Notes who requests in writing a copy of such regulations.

### 3.5 Nordic Notes

Notes designated as "**Finnish Notes**" or "**Swedish Notes**" in the applicable Final Terms will be issued in uncertificated and dematerialised book-entry form in accordance with the NCSD Rules. In respect of Nordic Notes, "**Noteholder**" and "**holder**" means the person in whose name a Nordic Note is registered in the NCSD Register and the reference to a person in whose name a Nordic Note is registered shall include also any person duly authorised to act as a nominee and so registered for the Nordic Note. Title to Nordic Notes shall pass by registration in the NCSD Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined above) of any Nordic Note shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it and no person shall be liable for so treating the holder. The Issuer shall be entitled to obtain information from the NCSD Register in accordance with the NCSD Rules.

The Issuer shall be entitled to obtain information from the NCSD Register in accordance with the NCSD Rules. The Nordic Notes will be constituted further on a NCSD agreement and the relevant book entry registration actions being fulfilled. No physical global or definitive warrants or certificates will be issued in respect of Nordic Securities and the provisions relating to presentation, surrender or replacement of bearer instruments shall not apply.

3.6 **Uncertificated Notes**

3.6.1 ***Title:*** Uncertificated Notes shall be issued in uncertificated registered form in accordance with the Uncertificated Securities Regulations 2001, including any modification or re-enactment thereof for the time being in force (the "**Regulations**" and such other regulations made under Sections 783, 784(3), 785 and 788 of the Companies Act 2006 as are applicable to the Euroclear Registrar). Uncertificated Notes are participating securities for the purposes of the Regulations. Title to the Uncertificated Notes is recorded on the relevant Operator register of eligible debt securities. The Euroclear Registrar on behalf of the Issuer shall maintain a record of uncertificated eligible debt securities (the "**Record**") in relation to the Uncertificated Notes and shall procure that the Record is regularly updated to reflect the Operator register of eligible debt securities in accordance with the rules of the Operator. Subject to this requirement, (i) each person who is for the time being shown in the Record as the holder of a particular number of Uncertificated Notes shall be treated by the Issuer, the Guarantor, the Euroclear Registrar and any other Person as the holder of such number of Uncertificated Notes for all purposes (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions in the context of Uncertificated Notes shall be construed accordingly), and (ii) none of the Issuer, the Guarantor, the Euroclear Registrar and any other Person shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Record which the Euroclear Registrar maintains are in accordance with particulars entered in the Operator register of eligible debt securities relating to the Uncertificated Notes.

No provisions of these Conditions as amended in accordance with the applicable Final Terms shall (notwithstanding anything contained therein) apply or have effect to the extent that it is in any respect inconsistent with (I) the holding of title to Uncertificated Notes in uncertificated form, (II) the transfer of title to Uncertificated Notes by means of a relevant system or (III) the Regulations. Without prejudice to the generality of the preceding sentence and notwithstanding anything contained in these Conditions or the applicable Final Terms, so long as the Uncertificated Notes are participating securities, (A) the Operator register of eligible debt securities relating to the Uncertificated Notes shall be maintained at all times outside the United Kingdom, (B) the Uncertificated Notes may be issued in uncertificated form in accordance with and subject as provided in the Regulations, and (C) for the avoidance of doubt, the Conditions and the applicable Final Terms in relation to any Uncertificated Note shall remain applicable notwithstanding that they are not endorsed on any certificate for such Uncertificated Note.

As used herein each of "**Operator register of eligible debt securities**", "**participating securities**" and "**relevant system**" is as defined in the Regulations and the relevant Operator (as such term is used in the Regulations) is Euroclear UK & Ireland Limited or any additional or alternative operator from time to time approved by the Issuer and the Euroclear Registrar in relation to the Uncertificated Notes and in accordance with the Regulations. Any reference herein to the "**Operator**" shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator from time to time and notified to the Uncertificated Noteholders in accordance with Condition 33 (*Notices*).

Notes in definitive registered form will not be issued, either initially or in exchange for an Uncertificated Note.

3.6.2 ***Transfers***: Title to Uncertificated Notes will pass upon registration of the transfer in the Operator register. All transactions in relation to Uncertificated Notes (including transfers of Uncertificated Notes) in the open market or otherwise must be effected through an account at the Operator subject to and in accordance with the rules and procedures for the time being of the Operator.

4. **STATUS**

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

4.2 **Status of Guarantee**: The Guarantor's obligations in respect of the Notes issued by Morgan Stanley Jersey and MSBV (other than Notes the Final Terms relating to which specifies that such Notes are not guaranteed by Morgan Stanley) constitute direct and general obligations of the Guarantor which rank *pari passu* among themselves.

5. **FIXED RATE NOTE PROVISIONS**

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

5.2 **Accrual of interest**: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 19 (*Payments – Bearer Notes*), 20 (*Payments – Immobilised Bearer Global Notes*), 21 (*Payments – Registered Notes*) and 22 (*Payments – Uncertificated Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation or, in the case of a Registered Note, upon such due date, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

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

5.4 **Regular Interest Periods**: If all of the Interest Payment Dates fall at regular intervals between the Issue Date and the Maturity Date, then:

5.4.1 the Notes shall for the purposes of this Condition 5 (*Fixed Rate Note Provisions*) be "**Regular Interest Period Notes**";

5.4.2 the day and month (but not the year) on which any Interest Payment Date falls shall, for the purposes of this Condition 5 (*Fixed Rate Note Provisions*), be a "**Regular Date**"; and

5.4.3 each period from and including a Regular Date falling in any year to but excluding the next succeeding Regular Date shall, for the purposes of this Condition 5 (*Fixed Rate Note Provisions*), be a "**Regular Period**".

5.5 **Irregular first or last Interest Periods**: If the Notes would be Regular Interest Period Notes but for the fact that either or both of:

5.5.1 the interval between the Issue Date and the first Interest Payment Date; and

5.5.2 the interval between the Maturity Date and the immediately preceding Interest Payment Date

is longer or shorter than a Regular Period, then the Notes shall nevertheless be deemed to be Regular Interest Period Notes, **provided**, **however**, **that** if the interval between the Maturity Date and the immediately preceding Interest Payment Date is longer or shorter than a Regular Period, the day and month on which the Maturity Date falls shall not be a "**Regular Date**".

5.6 *Irregular Interest Amount*: If the Notes are Regular Interest Period Notes, the amount of interest payable in respect of each Note for any period which is not a Regular Period shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

5.7 *Day Count Fraction*: In respect of any period which is not a Regular Period the relevant day count fraction (the "**Day Count Fraction**") shall be determined in accordance with the following provisions:

5.7.1 if the Day Count Fraction is specified in the applicable Final Terms as being 30/360, the relevant Day Count Fraction will be the number of days in the relevant period (calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed) divided by 360;

5.7.2 if the Day Count Fraction is specified in the applicable Final Terms as being Actual/Actual (ICMA) and the relevant period falls during a Regular Period, the relevant Day Count Fraction will be the number of days in the relevant period divided by the product of (A) the number of days in the Regular Period in which the relevant period falls and (B) the number of Regular Periods in any period of one year; and

5.7.3 the Day Count Fraction is specified in the applicable Final Terms as being Actual/Actual (ICMA) and the relevant period begins in one Regular Period and ends in the next succeeding Regular Period, interest will be calculated on the basis of the sum of:

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

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

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

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

5.10 **Interest on Swedish Notes**: For the purposes of calculation of any amount of interest on Swedish Notes, the provisions of this Condition 5 (*Fixed Rate Note Provisions*) shall be amended so that all periods shall consist of the period from (but excluding) the first day of the relevant period up to (and including) the last day of the relevant period.

## 6. FLOATING RATE NOTE, EQUITY-LINKED, COMMODITY-LINKED, CURRENCY-LINKED, INFLATION-LINKED, PROPERTY-LINKED AND FUND-LINKED INTEREST NOTE PROVISIONS

6.1 **Application**: This Condition 6 (*Floating Rate Note, Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked, Property-Linked and Fund-Linked Interest Note Provisions*) is applicable to the Notes only if one or more of the Floating Rate Note Provisions, the

Equity-Linked, Commodity-Linked, the Currency-Linked, Inflation-Linked, Property-Linked or Fund-Linked Interest Note Provisions are specified in the applicable Final Terms as being applicable.

6.2 **Accrual of interest**: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 19 (*Payments – Bearer Notes*), 20 (*Payments – Immobilised Bearer Global Notes*), 21 (*Payments – Registered Notes*) and 22 (*Payments – Uncertificated Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation or, in the case of a Registered Note, upon such due date, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Floating Rate Note, Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked, Property-Linked and Fund-Linked Interest Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment). The Rate of Interest in respect of all or any Interest Periods shall, if so specified in the applicable Final Terms, be zero.

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

6.3.1 if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

6.3.2 in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

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

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

(b) determine the arithmetic mean of such quotations; and

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

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

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

6.4.1 the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the applicable Final Terms;

6.4.2 the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable Final Terms; and

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

6.5 **Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked, Property-Linked and Fund--Linked Interest Note Provisions**: If one or more of the Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked, Property-Linked or Fund-Linked Interest Note Provisions are specified in the applicable Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the applicable Final Terms.

6.6 **Maximum or Minimum Rate of Interest**: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the applicable Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

6.7 **Calculation of Interest Amount**: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**"means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

6.8 **Calculation of other amounts**: If the applicable Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the applicable Final Terms.

6.9 **Publication**: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

6.10 **Notifications etc**: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 (*Floating Rate Note, Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked, Property-Linked and Fund-Linked Interest Note Provisions*)by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

6.11 **Interest on Swedish Notes**: For the purposes of calculation of any amount of interest on Swedish Notes, the provisions of this Condition 6 (Floating Rate Note, Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked, Property-Linked and Fund-Linked Interest Note Provisions) shall be amended so that all periods shall consist of the period from (but excluding) the first day of the relevant period up to (and including) the last day of the relevant period.

## 7. ZERO COUPON NOTE PROVISIONS

7.1 **Application**: This Condition 7 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the applicable Final Terms as being applicable.

7.2 **Late payment on Zero Coupon Notes**: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

7.2.1 the Reference Price; and

7.2.2 the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

7.3 **Interest on Swedish Notes**: For the purposes of calculation of any amount of interest on Swedish Notes, the provisions of this Condition 7 (*Zero Coupon Note Provisions*) shall be amended so that the relevant period shall consist of the period from (but excluding) the Issue Date up to (and including) the earlier of the dates specified in Condition 7.2.2(i) and (ii).

## 8. DUAL CURRENCY-LINKED NOTE PROVISIONS

8.1 **Application**: This Condition 8 (*Dual Currency-Linked Note Provisions*) is applicable to the Notes only if the Dual Currency-Linked Note Provisions are specified in the applicable Final Terms as being applicable.

8.2 **Rate of Interest**: If the rate or amount of interest fails to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

9. **EQUITY-LINKED, COMMODITY-LINKED, CURRENCY-LINKED, INFLATION-LINKED, CREDIT-LINKED, PROPERTY-LINKED, FUND-LINKED, PREFERENCE SHARE-LINKED AND PHYSICALLY SETTLED WARRANT-LINKED NOTES**

9.1 Morgan Stanley, MSI plc, Morgan Stanley Jersey or MSBV may issue Notes:

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

9.1.2 the payment of principal of which and/or interest on which are to be determined by reference to one or more commodity prices ("**Commodity-Linked Notes**");

9.1.3 the payment of principal of which and/or interest on which are to be determined by reference to one or more currencies as compared to the value of one or more other currencies ("**Currency-Linked Notes**");

9.1.4 the payment of principal of which and/or interest on which are linked to one or more inflation indices ("**Inflation-Linked Notes**");

9.1.5 the payment of principal of which and/or interest on which are linked to the credit of one or more specified entities ("**Credit-Linked Notes**");

9.1.6 the payment of principal of which and/or interest on which are linked to one or more property indices ("**Property-Linked Notes**");

9.1.7 the payment of principal of which or/interest on which are linked to interests in a fund or basket of funds (respectively "**Single Fund Notes**" and "**Fund Basket Notes**", together "**Fund-Linked Notes**"); or

9.1.8 upon any other terms and conditions,

in each case, in accordance with the Conditions herein which are specified as applicable to Equity-Linked Notes, Commodity-Linked Notes, Currency-Linked Notes, Inflation-Linked Notes, Credit-Linked Notes, Property-Linked Notes or Fund-Linked Notes, as the case may be, and the detailed terms and conditions set out in the applicable Final Terms.

9.2 Morgan Stanley, MSI plc and MSBV may issue Notes the payment of principal of which is linked to the preference shares of Sienna Finance UK Limited ("**Preference Share-Linked Notes**") in accordance with the Conditions herein which are specified as applicable to Preference Share-Linked Notes and the detailed terms and conditions set out in the applicable Final Terms.

9.3 Morgan Stanley and MSBV may issue Notes which are exchangeable for warrants issued by Morgan Stanley Jersey which are exercisable for preference shares of Morgan Stanley Jersey ("**Physically Settled Warrant-Linked Notes**") in accordance with the Conditions herein which are specified as applicable to Physically Settled Warrant-Linked Notes and the detailed terms and conditions set out in the applicable Final Terms.

10. **PROVISIONS RELATING TO EQUITY-LINKED NOTES**

This Condition 10 (*Provisions relating to Equity-Linked Notes*) is applicable only in relation to Notes specified in the relevant Final Terms as being Single Share Notes, Share Basket Notes, Single Index Notes, Index Basket Notes, Single ETF Notes or ETF Basket Notes.

10.1 **Valuation, Market Disruption and Averaging Dates**:

10.1.1 "**Valuation Date**" means each date specified as such in the applicable Final Terms or, if no date is specified, each date specified as an Observation Date or a Determination Date in the applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 10.1.2. If any Valuation Date is a Disrupted Day, then:

(a) in the case of a Single Index Note, Single Share Note or Single ETF Note, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date (and, as the case may be, the relevant Observation Date or Determination Date) is a Disrupted Day. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine in its sole and absolute discretion:

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

(ii) in respect of a Single Share Note or a Single ETF Note, its good faith estimate of the value for the Underlying Share or the ETF Interest (as the case may be) as of the Determination Time on that eighth Scheduled Trading Day;

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

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

10.1.2 For the purposes hereof:

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

10.1.3 If Averaging Dates are specified in the applicable Final Terms as being applicable, then, notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index, Underlying Share ETF Interest,, Basket of Indices, Basket of Shares or Basket of ETF Interests in relation to a Valuation Date:

(a) "**Averaging Date**" means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).

(b) For purposes of determining the Settlement Price in relation to a Valuation Date, the Settlement Price will be:

(i) in respect of a Single Index Note, a Single Share Note, a Single ETF Note, the arithmetic mean of the Relevant Prices of the Index, the Underlying Shares or the ETF Interest (as the case may be) on each Averaging Date;

(ii) in respect of an Index Basket Note, the arithmetic mean of the amounts for the Basket of Indices determined by the Determination Agent in its sole and absolute discretion as provided in the applicable Final Terms as of the relevant Determination Time(s) on each Averaging Date or, if no means for determining the Settlement Price are so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the applicable Final Terms);

(iii) in respect of a Share Basket Note, the arithmetic mean of the amounts for the Basket of Shares determined by the Determination Agent in its sole and absolute discretion as provided in the applicable Final Terms as of the relevant Determination Time(s) on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the values calculated for the Underlying Shares of each Underlying Issuer as the product of (1) the Relevant Price of such Underlying Share and (2) the number of such Underlying Shares comprised in the Basket; and

(iv) in respect of an ETF Basket Note, the arithmetic mean of the amounts for the Basket of ETF Interests determined by the Determination Agent in its sole and absolute discretion as provided in the applicable Final Terms as of the relevant Determination Times(s) on each Averaging Date or, if no means for determining the Settlement Price is provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the values calculated for the ETF

Interests as the product of (1) the Relevant Price of such ETF Interest and (2) the number of such ETF Interests comprised in the Basket.

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

(i) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for the purposes of determining the relevant Settlement Price **provided that**, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 10.1.1 will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day;

(ii) "**Postponement**", then Condition 10.1.1 will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the relevant Notes; or

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

(1) in the case of a Single Index Note, a Single Share Note or a Single ETF Note, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Determination Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and (B) the Determination Agent shall determine, in its sole and absolute discretion, the relevant level or price for that Averaging Date in accordance with (x) in the case of a Single Index Note, Condition 10.1.1(a)(i) and (y) in the case of a Single Share Note or a Single ETF Note, Condition 10.1.1(a)(ii);

(2) in the case of an Index Basket Note, a Share Basket Note or an ETF Basket Note, the Averaging Date for each Index, Underlying Share or ETF Interest (as the case may be) not affected by the occurrence of a Disrupted Day shall be the date specified in the applicable Final Terms as an Averaging Date in relation to the relevant Valuation Date, and the Averaging Date for an Index, Underlying Share or ETF Interest (as the case may be) affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index, Underlying Share or ETF Interest (as the case may be). If the first succeeding Valid Date in relation to such Index, Underlying Share or ETF Interest (as the case may be) has not occurred as of the Determination Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Index,

Underlying Share or ETF Interest (as the case may be), and (B) the Determination Agent shall determine, in its sole and absolute discretion, the relevant level or amount for that Averaging Date in accordance with (x) in the case of an Index Basket Note, Condition 10.1.1(b) and (y) in the case of a Share Basket Note or an ETF Basket Note, Condition 10.1.1(c); and

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

(d) If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Maturity Date or, as the case may be, the relevant Physical Settlement Date or (ii) the occurrence of an Extraordinary Event, an Extraordinary ETF Event, an Index Adjustment Event, a Potential Adjustment Event or an Additional Disruption Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

10.2 **Adjustments to Indices**:

This Condition 10.2 (*Adjustments to Indices*) is applicable only in relation to Notes specified in the relevant Final Terms as being Single Index Notes or Index Basket Notes.

10.2.1 ***Successor Index***:

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

10.2.2 ***Index Adjustment Events***:

If (i) on or prior to any Valuation Date, or any Averaging Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent securities and capitalisation and other routine events) (an "**Index Modification**") or permanently cancels the Index and no Successor Index exists (an "**Index Cancellation**") or (ii) on any Valuation Date, or any Averaging Date, the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then (A) in the case of an Index Modification or an Index Disruption, the Determination Agent shall determine if such Index Adjustment Event has a material effect on the Notes and, if so, shall calculate in its sole and absolute discretion the relevant Settlement Price using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date or, as the case may be, that Averaging Date as determined by the Determination Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event and (B) in the case of an Index Cancellation, the Issuer may, at any time thereafter and in its sole and absolute discretion, determine that the Notes shall be redeemed as of any later date. If the Issuer so determines that the Notes shall be redeemed, then the Issuer shall give not less than five Business Days' notice to the Noteholders to redeem the Notes and upon redemption the Issuer will pay in respect of each Note an amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent in its sole and absolute discretion (**provided that** such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute discretion. The Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount. If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the formula for the Final Redemption Amount or the Settlement Price set out in the applicable Final Terms and any other variable relevant to the settlement or payment terms of the Notes, which change or adjustment shall be effective on such date as the Determination Agent shall determine.

10.2.3 ***Correction of Index Levels***:

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

10.2.4 ***Currency Inconvertibility***:

If the Issuer in good faith determines that a Currency Inconvertibility Event has occurred, it may at any time thereafter, in its sole discretion give notice to the holders stating whether the Issuer's obligations under the Notes will be suspended or terminated (any election to suspend shall not preclude the Issuer at any time thereafter giving notice to redeem the Notes), all as more fully set out in Condition 33 (*Notices*). If the Issuer elects to redeem the Notes the Issuer shall give not less than five Business Days' notice to the Noteholders to redeem the Notes and upon redemption the Issuer will pay in respect of each Note equal to the fair market value of such Note, on such day as is selected by the Determination Agent in its sole and absolute discretion (**provided that** such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute discretion. The Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount. Upon the occurrence of any event that constitutes both a Currency Inconvertibility Event and a Market Disruption Event or an event causing a Disrupted Day, it will be deemed to be a Market Disruption Event or an event causing a Disrupted Day and will not constitute a Currency Inconvertibility Event.

10.3 **Adjustments affecting Underlying Shares and ETF Interests**:

This Condition 10.3 (*Adjustments affecting Underlying Shares and ETF Interests*) is applicable only in relation to Single Share Notes, Single ETF Notes, Share Basket Notes and ETF Basket Notes.

10.3.1 ***Adjustments for Potential Adjustment Events***:

Following the declaration by the Underlying Issuer, the relevant ETF or an ETF Service Provider of the terms of a Potential Adjustment Event, the Determination Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Underlying Shares or ETF Interests and, if so, will (i) make such adjustment as it in its sole and absolute discretion considers appropriate, if any, to the formula for the Final Redemption Amount and/or the Settlement Price set out in the relevant Final Terms, the number of Underlying Shares or ETF Interests to which each Note relates, the number of Underlying Shares or ETF Interests comprised in a Basket of Shares or Basket of ETF Interests, the amount, the number of or type of shares, fund interests or other securities which may be delivered in respect of such Notes and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the relevant Notes as the Determination Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and (ii) determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s).

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

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

10.4 **Extraordinary Events**:

This Condition 10.4 (*Extraordinary Events*) is applicable only in relation to Notes specified in the relevant Final Terms as being Single Share Notes, Single ETF Notes, Share Basket Notes or ETF Basket Notes.

10.4.1 ***Merger Event or Tender Offer***:

(a) Following the occurrence of any Merger Event or Tender Offer, the Issuer will, in its sole and absolute discretion, determine whether the relevant Notes shall continue or shall be redeemed early.

(b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the formula for the Final Redemption Amount and/or the Settlement Price set out in the applicable Final Terms, the number of Underlying Shares or ETF Interests to which each Note relates, the number of Underlying Shares or ETF Interests comprised in a Basket of Shares or Basket of ETF Interests (as the case may be), the amount, the number of or type of shares or other securities which may be delivered under such Notes and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Notes and/or any other adjustment (including, without limitation, in relation to Share Basket Notes or ETF Basket Notes, the cancellation of terms applicable in respect of Underlying Shares or ETF Interests affected by the relevant Merger Event or Tender Offer) which adjustment shall be effective on such date as the Determination Agent shall determine.

(c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to the Noteholders to redeem the Notes and the Issuer's obligations under the Notes shall be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below) (in the case of a Merger Event) or Tender Offer Settlement Amount (in the case of a Tender Offer).

(d) For the purposes hereof:

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

"**Merger Event**" means, in respect of any relevant Underlying Shares or ETF Interests, as determined by the Determination Agent, acting in a commercially reasonable manner, any: (i) reclassification or change of such Underlying Shares or ETF Interests that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Shares or ETF Interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Issuer or ETF with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Issuer or ETF is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares or ETF Interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Shares or ETF Interests of the Underlying Issuer or ETF that results in a transfer of or an irrevocable commitment to transfer all such Underlying Shares or ETF Interests (other than such Underlying Shares or ETF owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Issuer or its subsidiaries or ETF or its sub-funds with or into another entity in which the Underlying Issuer or ETF is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares or ETF Interests outstanding but results in the outstanding Underlying Shares or ETF Interests (other than Underlying Shares or ETF Interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Shares or ETF Interests immediately following such event (a "**Reverse Merger**"), in each case if the Merger Date is on or before, (A) in respect of Physical Settlement Notes, the later to occur of the Maturity Date and the Physical Settlement Date or, (B) in any other case, the final Valuation Date.

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

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

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

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

10.4.2 ***Nationalisation, Insolvency and Delisting***:

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

(A) all the Underlying Shares or ETF Interests or all or substantially all the assets of an Underlying Issuer, ETF or ETF Service Provider are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof ("**Nationalisation**"); or

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

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

then the Issuer will, in its sole and absolute discretion, determine whether or not the Notes shall continue.

(b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the formula for the Final Redemption Amount and/or the Settlement Price set out in the applicable Final Terms, the number of Underlying Shares or ETF Interests to which each Note relates, the number of Underlying Shares or ETF Interests comprised in a Basket of Shares or a Basket of ETF Interests (as the case may be), the amount, the number of or type of shares or other securities which may be delivered under such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment (including without limitation, in relation to Share Basket Notes or ETF Basket Notes, the cancellation of terms applicable in respect of Underlying Shares or ETF Interests affected by the relevant Extraordinary Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

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

10.5 **Extraordinary ETF Events**:

This Condition 10.5 (*Extraordinary ETF Events*) is applicable only in relation to Single ETF Notes or ETF Basket Notes.

(a) Following the occurrence of any Extraordinary ETF Event, the Issuer will, in its sole and absolute discretion, determine whether the relevant Notes shall continue or shall be redeemed early. The Determination Agent shall not have any obligation to monitor the occurrence of an Extraordinary ETF Event not shall it have any obligation to make a determination that an Extraordinary ETF Event has occurred and is continuing.

(b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may:

(i) substitute any Affected ETF Interest with the Successor ETF Interest relating to such Affected ETF interest, **provided that** if no Successor ETF Interest has been identified in the manner set forth below within 10 Business Days of the Extraordinary ETF Event Notice Date (as defined below), then sub-paragraph (ii) below shall apply; and/or

(ii) make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the formula for the Final Redemption Amount and/or the Settlement Price set out in the applicable Final Terms, the number of ETF Interests to which each Note relates, the number of ETF Interests comprised in a Basket of ETF Interests, the amount, the number of or type of shares or other securities which may be delivered under such Notes and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Notes and/or any other adjustment (including without limitation, in relation to ETF Basket Notes, the cancellation of terms applicable in respect of ETF Interests affected by the relevant Extraordinary Fund Event) which adjustment shall be effective on such date as the Determination Agent shall determine.

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

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

(e) For the purposes hereof:

"**Extraordinary ETF Event**" shall mean, with respect to an ETF or ETF Service Provider (as the case may be), the occurrence of any of the following events, as determined by the Determination Agent, in its sole and absolute discretion:

(i) there exists any litigation against the ETF or an ETF Service Provider which in the sole and absolute discretion of the Determination Agent could materially affect the value of the ETF Interests or on the rights or remedies of any investor therein;

(ii) an allegation of criminal or fraudulent activity is made in respect of the ETF, or any ETF Service Provider, or any employee of any such entity, or the Determination Agent reasonably determines that any such criminal or fraudulent activity has occurred, or (ii) any investigative, judicial, administrative or other civil or criminal proceedings is commenced or is threatened against the ETF, any ETF Service Provider or any key personnel of such entities if such allegation, determination, suspicion or proceedings could, in the sole and absolute discretion of the Determination Agent, materially affect the value of the ETF Interests or the rights or remedies of any investor in such ETF Interests;

(iii) (A) an ETF Service Provider ceases to act in such capacity in relation to the ETF (including by way of Merger Event or Tender Offer) and is not immediately replaced in such capacity by a successor acceptable to the Determination Agent; and/or (B) any event occurs which causes, or will with the passage of time (in the opinion of the Determination Agent) cause, the failure of the ETF and/or any ETF Service Provider to meet or maintain any obligation or undertaking under the ETF Documents which failure is reasonably likely to have an adverse impact on the value of the ETF Interests or on the rights or remedies of any investor therein;

(iv) a material modification of or deviation from any of the investment objectives, investment restrictions, investment process or investment guidelines of the ETF (howsoever described, including the underlying type of assets in which the ETF invests), from those set out in the ETF Documents, or any announcement regarding a potential modification or deviation, except where such modification or deviation is of a formal, minor or technical nature;

(v) a material modification, cancellation or disappearance (howsoever described), or any announcement regarding a potential future material modification, cancellation or disappearance (howsoever described), of the type of assets (i) in which the ETF invests, (ii) the ETF purports to track, or (iii) the ETF accepts/provides for purposes of creation/redemption baskets;

(vi) a material modification, or any announcement regarding a potential future material modification, of the ETF (including but not limited to a material modification of the ETF Documents or to the ETF's liquidity terms) other than a modification or event which does not affect the ETF Interests or the ETF or any portfolio of assets to which the ETF Interest relates (either alone or in common with other ETF Interests issued by the ETF);

(vii) the ETF ceases to be an undertaking for collective investments under the legislation of its relevant jurisdiction, **provided that** on the relevant Issue Date, the ETF was such an undertaking and any such cessation would, in the sole and absolute discretion of the Determination Agent, have a material adverse effect on any investor in such ETF Interests;

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

(ix) the value of any ETF Interest held by the Issuer and its Affiliates is greater than 10 per cent. of the aggregate net asset value of the relevant ETF (whether or not all of such holding results from hedging transactions entered into in connection with the Notes) and including, where the excess holding results from a reduction in the aggregate net asset value of the relevant ETF; or

(x) any event specified as an Additional Extraordinary ETF Event in respect of the Notes in the applicable Final Terms occurs; and

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

10.6 **Additional Disruption Events**:

(a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.

(b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the formula for the Final Redemption Amount and/or the Settlement Price set out in the relevant Final Terms, the number of Underlying Shares or ETF Interests to which each Note relates, the number of Underlying Shares or ETF Interest comprised in a Basket, the amount, the number of or type of shares, fund interests or other securities or assets which may be delivered under such Notes and, in any case, any other variable relevant to the redemption, settlement, or payment terms of the relevant Notes and/or any other adjustment (including without limitation, in relation to Share Basket Notes, Index Basket Notes or ETF Basket Notes, the cancellation of terms applicable in respect of any Underlying Shares, Index or ETF Interest, as the case may be, affected by the relevant Additional Disruption Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

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

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

(e) For the purposes hereof:

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

10.7 **Definitions applicable to Equity-Linked Notes**:

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

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

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

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

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

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

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

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

"**Currency Inconvertibility Event**" means it has become impracticable, illegal or impossible: (i) for the Determination Agent to determine a rate at which any Local Currency (defined below) can be lawfully exchanged for U.S. dollars; or (ii) to convert the currency in which any of the securities which comprise the Index is denominated (a "**Local Currency**") into U.S. dollars; or (iii) to exchange or repatriate any funds outside of any jurisdiction in which any of the securities which comprise the Index is issued due to the adoption of or any change in any applicable law, regulation, directive or decree of any Governmental Authority or otherwise; or (iv) for the Issuer or any of its affiliates to hold, purchase, sell or otherwise deal in any Notes or any other property in order for the Issuer or any of its affiliates to perform, or for the purposes of the Issuer or any affiliate of the Issuer performing its obligations in respect of any Notes or in respect of any related hedging arrangements. For the purposes hereof, "**Governmental Authority**" means any governmental, administrative, legislative or judicial authority or power;

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

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

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

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

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

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

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

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

"**Exchange**" means:

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

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

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

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

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

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

"**Extraordinary ETF Event**" has the meaning given in Condition 10.5(e);

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

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

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

"**Index**" means any index specified as such in the applicable Final Terms, subject to Condition 10.2 (*Adjustments to Indices*);

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

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

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

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

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

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

"**Observation Period**" has the meaning given in the applicable Final Terms;

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

(i) a subdivision, consolidation or reclassification of an Underlying Share or ETF Interest (unless resulting in a Merger Event), or a free distribution or dividend of Underlying Shares or ETF Interests to existing holders by way of bonus, capitalisation or similar issue;

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

(iii) an Extraordinary Dividend;

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

(v) a repurchase by an Underlying Issuer or ETF (as the case may be) or any of its subsidiaries of Underlying Shares or ETF Interests, whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

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

(vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Underlying Shares or ETF Interests.

"**Related Exchange**", in respect of an Index relating to Single Index Notes or Index Basket Notes, an Underlying Share relating to Single Share Notes or Share Basket Notes or an ETF Interest relating to Single ETF Notes or ETF Basket Notes, means the Exchange specified as the Relevant Exchange in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures and options contracts relating to such Index, Underlying Shares or ETF Interest has temporarily relocated (**provided that** the Determination Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index, Underlying Shares or ETF Interests on such temporary substitute exchange or quotation system as on the original Related Exchange) or, if none is specified, each exchange or quotation system where trading has a material effect (as determined by the Determination Agent) on the overall market for futures or options contracts relating to such Index, Underlying Shares or ETF Interests, as the case may be;

"**Relevant Price**" on any day means:

(i) in respect of an Underlying Share to which a Single Share Note or a Share Basket Note relates, the price per Underlying Share determined by the Determination Agent in the manner provided in the applicable Final Terms as of the Determination Time on the relevant day, or, if no means for determining the Relevant Price are so provided: (a) in respect of any Underlying Share for which the Exchange is an auction or "**open outcry**" exchange that has a price as of the Determination Time at which any trade can be submitted for execution, the Relevant Price shall be the price per Underlying Share as of the Determination Time on the relevant day, as reported in the official real-time price dissemination mechanism for such Exchange; and (b) in respect of any Underlying Share for which the Exchange is a dealer exchange or dealer quotation system, the Relevant Price shall be the mid-point of the highest bid and lowest ask prices quoted as of the Determination Time on the relevant day (or the last such prices quoted immediately before the Determination Time) without regard to quotations that "**lock**" or "**cross**" the dealer exchange or dealer quotation system;

(ii) in respect of an Index to which a Single Index Note or an Index Basket Note relates, the level of such Index determined by the Determination Agent as provided in the relevant Final Terms as of the Determination Time on the relevant day or, if no method for determining the Relevant Price is so provided, the level of the Index as of the Determination Time on the relevant day; and

(iii) in respect of an ETF Interest to which a Single ETF Note or a ETF Basket Note relates, the price per ETF Interest determined by the Determination Agent in the manner provided in the applicable Final Terms as of the Determination Time on the relevant day, or, if no means for determining the Relevant Price are so provided: (a) in respect of any ETF Interest for which the Exchange is an auction or "**open outcry**" exchange that has a price as of the Determination Time at which any trade can be submitted for execution, the Relevant Price shall be the price per ETF Interest as of the Determination Time on the relevant day, as reported in the official real time price dissemination mechanism for such Exchange; and (b) in respect of any ETF Interest for which the Exchange is a dealer exchange or dealer quotation system, the Relevant Price shall be the mid point of the highest bid and lowest ask prices quoted as of the Determination Time on the relevant day (or the last such prices quoted immediately before the Determination Time) without regard to quotations that "lock" or "cross" the dealer exchange or dealer quotation system;

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

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

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

"**Settlement Price**" means, in respect of a Single Share Note, a Share Basket Note, an Index Note, an Index Basket Note, a Single ETF Note or an ETF Basket Note, the price, level or amount as determined by the Determination Agent, in its sole and absolute discretion, in accordance with the relevant Final Terms;

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

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

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

## 11. PROVISIONS RELATING TO COMMODITY NOTES

This Condition 11 (*Provisions relating to Commodity Notes*) is applicable only in relation to Notes specified in the relevant Final Terms as being Commodity-Linked Notes.

11.1 **Corrections to Published Prices**: For the purposes of determining the Relevant Price for any Pricing Date, if applicable, as specified in the relevant Final Terms for the purposes of calculating the Final Redemption Amount or any other amount in respect of a Commodity-Linked Note, if the price published or announced on a given day and used or to be used by the Determination Agent to determine such Relevant Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement by such time as may be specified in the relevant Final Terms (or, if none is so specified, within thirty calendar days after the original publication or announcement) and in any event prior to the Maturity Date for the relevant Notes the Determination Agent shall determine (in its sole and absolute discretion) the adjustment to the Relevant Price so calculated and will adjust the terms of the relevant Notes to account for such correction to the extent that it determines to be necessary and practicable.

11.2 **Commodity Disruption Events**:

11.2.1 If so specified in the Final Terms relating to any Series of Commodity-Linked Notes, the following shall constitute "**Commodity Disruption Events**" for the purposes of such Series:

(a) "**Price Source Disruption**", which means (i) the failure of the Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price) for the relevant Commodity Reference Price, (ii) the temporary or permanent discontinuance or unavailability of the Price Source, (iii) if the Commodity Reference Price is "**Commodity-Reference Dealers,** " the failure to obtain at least three quotations from the relevant Reference Dealers or (iv) if Price Materiality Percentage is specified in the applicable Final Terms, the Specified Price for the relevant Commodity Reference Price differs from the Specified Price determined in accordance with the Commodity Reference Price "**Commodity-Reference Dealers**" by such Price Materiality Percentage;

(b) "**Trading Disruption**", which means the material suspension of, or the material limitation imposed on, trading in the Futures Contract or the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any Exchange as specified in the applicable Final Terms. The determination of whether a suspension of or limitation on trading is material shall be made by the Determination Agent in its sole and absolute discretion;

(c) "**Disappearance of Commodity Reference Price**", which means (i) the permanent discontinuation of trading in the relevant Futures Contract on the relevant Exchange, (ii) the disappearance of, or of trading in, the relevant Commodity, or (iii) the disappearance or permanent discontinuance or unavailability of a Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Futures Contract or the relevant Commodity;

(d) "**Material Change in Formula**", which means the occurrence since the Trade Date of a material change in the formula for or method of calculating the relevant Commodity Reference Price;

(e) "**Material Change in Content**", which means the occurrence since the Trade Date of a material change in the content, composition or constitution of the relevant Commodity or relevant Futures Contract;

(f) "**Tax Disruption**", which means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Trade Date, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal;

(g) "**Trading Limitation**", which means the material limitation imposed on trading in the Futures Contract or the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any exchange or principal trading market as specified in the relevant Final Terms; and

(h) any other (if any) Commodity Disruption Event specified in the relevant Final Terms.

11.2.2 If the applicable Final Terms for a Series of Commodity-Linked Notes specifies that any Commodity Disruption Event shall be applicable to such Series, then, where the Determination Agent determines, acting in a commercially reasonable manner, that such

Commodity Disruption Event has occurred and is continuing in respect of such Series on the Pricing Date in respect of such Series (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source), or on any other day as may be specified for this purpose in the relevant Final Terms, then the Relevant Price will be determined in accordance with the terms of the Commodity Disruption Fallback applicable pursuant to Condition 11.3 (*Commodity Disruption Fallbacks*).

11.3 **Commodity Disruption Fallbacks**:

Where one or more Commodity Disruption Event occurs or exists, then, unless the applicable Final Terms specifies that any other Commodity Disruption Fallback shall apply in respect of any such Commodity Disruption Event, "**Determination Agent Determination**" shall apply.

"**Determination Agent Determination**" means that the Determination Agent will determine, in its sole and absolute discretion, the Relevant Price (or a method for determining the Relevant Price), taking into consideration the latest available quotation for the relevant Commodity Reference Price and any other information that it deems relevant.

11.4 **Common Pricing**:

With respect to Notes relating to a Basket, if "**Common Pricing**" has been selected in the applicable Final Terms as:

(i) "**Applicable**", then no date will be a Pricing Date unless such date is a day on which all referenced Commodity Reference Prices (for which such date would otherwise be a Pricing Date) are scheduled to be published or announced, as determined as of the time of issue of the Notes.

(ii) "**Inapplicable**", then if the Determination Agent determines that a Commodity Disruption Event has occurred or exists on the Pricing Date in respect of any Commodity in the Basket (the "**Affected Commodity**"), the Relevant Price of each Commodity within the basket which is not affected by the occurrence of a Commodity Disruption Event shall be determined on its scheduled Pricing Date and the Relevant Price for the Affected Commodity shall be determined in accordance with the first applicable Commodity Disruption Fallback that provides a Commodity Reference Price.

11.5 **Commodity Index Disruption Events**:

11.5.1 The following shall constitute "**Commodity Index Disruption Events**" for the purposes of any Series of Notes with respect to a Commodity Index:

(a) a temporary or permanent failure by the applicable exchange or other price source to announce or publish the final settlement price for the relevant Commodity Index; or

(b) the occurrence in respect of any Component of the relevant Commodity Index of a Commodity Disruption Event (as defined in Condition 11.2.1).

11.5.2 Where the Determination Agent determines, acting in a commercially reasonable manner, that a Commodity Index Disruption Event has occurred and is continuing in respect of a Series on the Pricing Date in respect of such Series (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source), or on any other day as may be specified for this purpose in the applicable Final Terms, then (unless Condition 11.5.3 (*Physical Hedging Fallback*) applies) the following provisions shall apply:

(a) with respect to each Component which is not affected by the Commodity Index Disruption Event, the Relevant Price will be determined by the Determination Agent based on the closing prices of each such Component on the applicable Pricing Date;

(b) with respect to each Component which is affected by the Commodity Index Disruption Event, the Relevant Price will be determined by the Determination Agent (in the case of any Dow Jones-UBS Commodity Index) as set out in the DJ-UBSCI Manual or (in the case of any S&P Commodity Index) as set out in the Index Methodology, and in respect of any other Commodity Index as set out in the applicable Final Terms, in each case based on the closing prices of each such Component on the first day following the applicable Pricing Date on which no Commodity Index Disruption Event occurs with respect to such Component;

(c) subject to (d) below, the Determination Agent shall determine the Relevant Price by reference to the closing prices determined in (a) and (b) above using the then-current method for calculating the relevant Commodity Index; and

(d) where a Commodity Index Disruption Event with respect to one or more Components continues to exist (measured from and including the first day following the applicable determination date) for five consecutive Trading Days, the Determination Agent shall determine the Relevant Price acting in good faith and in a commercially reasonable manner. In calculating the Relevant Price as set out in this paragraph, the Determination Agent shall use the formula for calculating the relevant Commodity Index last in effect prior to the Commodity Index Disruption Event. For the purposes of this paragraph (d), "**Trading Day**" shall mean a day when the exchanges for all Components included in the relevant Commodity Index are scheduled to be open for trading.

11.5.3 ***Physical Hedging Fallback***. Where the Determination Agent determines that a Commodity Index Disruption Event has occurred and is continuing in respect of a Series on the Pricing Date in respect of such Series and "**Physical Hedging Fallback**" is specified as applicable in the relevant Final Terms, then the following provisions shall apply;

(a) with respect to each Component included in the Commodity Index which is not affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing prices of each such Component on the applicable determination date;

(b) with respect to each Component included in the Commodity Index which is affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing price of each such Component on the first day following the applicable determination date on which no Commodity Index Disruption Event occurs with respect to such Component;

(c) subject to (d) below, the Determination Agent shall determine the Relevant Price by reference to the closing prices determined in (a) and (b) above using the then-current method for calculating the Relevant Price; and

(d) where a Commodity Index Disruption Event with respect to one or more Components included in the Commodity Index continues to exist (measured from and including the first day following the applicable determination date) for five consecutive Trading Days, the Determination Agent shall determine the Relevant Price in good faith and in a commercially reasonable manner. For the purposes of this paragraph (d), "**Trading Day**" shall mean a day when the exchanges for all Components included in the relevant Commodity Index are scheduled to be open for trading with respect to each Component included in the Commodity Index which is not affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing prices of each such Component on the applicable determination date.

11.6 **Adjustments to Commodity Index**:

11.6.1 If a Commodity Index with respect to a Commodity Reference Price is permanently cancelled or is not calculated and announced by the sponsor of such Commodity Index or any of its affiliates (together the "**Sponsor**") but (i) is calculated and announced by a successor sponsor (the "**Successor Sponsor**") acceptable to the Determination Agent, or (ii) replaced by a Successor Index (the "**Successor Index**") using, in the determination of the Determination Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of such Commodity Index, then the Commodity Reference Price will be determined by reference to the Index so calculated and announced by that Successor Sponsor or that Successor Index, as the case may be.

11.6.2 If, for a Commodity Index with respect to a Commodity Reference Price, on or prior to the Maturity Date or Early Redemption Date (i) the Sponsor makes a material change in the formula for or the method of calculating such Commodity Index or in any other way materially modifies such Commodity Index (other than a modification prescribed in that formula or method to maintain the Commodity Index in the event of changes in constituent commodities and weightings and other routine events), (ii) the Sponsor permanently cancels the Commodity Index, or (iii) the Sponsor fails to calculate and announce the Commodity Index for a continuous period of three Trading Days and the Determination Agent determines that there is no Successor Sponsor or Successor Index, then the Determination Agent may at its option (in the case of (i)) and shall (in the case of (ii) and (iii)) (such events (i) (ii) and (iii) to be collectively referred to as "**Index Adjustment Events**") calculate the Relevant Price using in lieu of the published level for that Commodity Index (if any), the level for that Commodity Index as at the relevant determination date as determined by the Determination Agent in accordance with the formula for and method of calculating that Commodity Index last in effect prior to the relevant Index Adjustment Event (as the case may be), but using only those Futures Contracts that comprised that Index immediately prior to the relevant Index Adjustment Event (as the case may be) (other than those futures contracts that have ceased to be listed on any relevant exchange).

11.7 **Additional Disruption Events**:

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

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

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

(v) For the purposes hereof:

"**Additional Disruption Event**" means, with respect to any Series of Notes, a Change in Law, Hedging Disruption, Increased Cost of Hedging, and any further event or events as may be specified in the applicable Final Terms.

## 11.8 Definitions applicable to Commodity-Linked Notes

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

"**Basket**" means a basket composed of each Commodity specified in the relevant Final Terms;

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

"**Commodity**" means each commodity specified as such in the applicable Final Terms;

"**Commodity Business Day**" means:

(i) in the case where the Commodity Reference Price is a price announced or published by an Exchange, a day that is (or, but for the occurrence of a Commodity Disruption Event, would have been) a day on that Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time; and

(ii) in the case where the Commodity Reference Price is not a price announced or published by an Exchange, a day in respect of which the relevant Price Source published (or, but for the occurrence of a Commodity Disruption Event, would have published) a price;

"**Commodity Index**" means an index comprising commodities specified as such in the relevant Final Terms;

"**Commodity Reference Price**" means the commodity reference price(s) specified as such in the applicable Final Terms;

"**Component**" means in relation to a Commodity Index, any commodity or Futures Contract the price of which is included in such Commodity Index;

"**Delivery Date**" means the relevant date or month for delivery of the underlying Commodity (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) specified as such in, or determined in accordance with the provisions in, the applicable Final Terms. In relation to any underlying Commodity which is specified in the applicable Final Terms to be a "**Non Metal**" and each Pricing Date, the relevant Delivery Date shall be the month of expiration of the first Futures Contract to expire following such Pricing Date. In relation to any underlying Commodity which is specified in the applicable Final Terms to be a "**Base Metal**" or a "**Precious Metal**" and each Pricing Date, the Delivery Date shall be such Pricing Date;

"**DJ-UBS Commodity Index**" means the Dow Jones-UBS Commodity Index and any other Commodity Index, in each case which is calculated and sponsored by Dow Jones Inc, or any successor to such sponsor;

"**DJ-UBSCI Manual**" means the manual or handbook in respect of a DJ-UBS Commodity Index published by the sponsor of the relevant Commodity Index and in effect from time to time;

"**Exchange**" means each exchange or principal trading market specified as such in relation to a Commodity in the applicable Final Terms or in the applicable Commodity Reference Price;

"**Futures Contract**" means either (a) the contract for future delivery in respect of the relevant Delivery Date relating to the relevant Commodity referred to in the relevant Commodity Reference Price or (b) each futures contract underlying or included in a Commodity Index;

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

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

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

"**Index Methodology**" means the manual or handbook in respect of an S&P Commodity Index published by the sponsor of the relevant Commodity Index and in effect from time to time;

"**Price Source**" means the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated) specified as such in the applicable Final Terms;

"**Pricing Date**" means, subject as provided in this Condition 11 (*Provisions relating to Commodity Notes*) each date specified as such (or determined pursuant to a method specified for such purpose) in the applicable Final Terms;

"**Relevant Price**" on any day means in respect of a unit of measure of the Commodity to which a Commodity-Linked Note relates, the price, expressed as a price per unit, determined by the Determination Agent as provided in the applicable Final Terms with respect to such day for the applicable Commodity Reference Price;

"**S&P Commodity Index**" means the S&P GSCI Commodity Index and any other Commodity Index, in each case which is calculated and sponsored by Standard & Poor's, or any successor to such sponsor; and

"**Specified Price**" means any of the following prices of a Commodity or Commodities or levels of a Commodity Index (which must be a price reported or capable of being determined from information reported in or by the relevant Price Source), as specified in the applicable Final Terms (and, if applicable, as of the time so specified) (a) the high price (b) the low price (c) the average of the high price and the low price (d) the closing price (e) the opening price (f) the bid price (g) the asked price (h) the average of the bid price and the asked price (i) the settlement price (j) the official settlement price (which shall be the Specified Price for any Commodity Index, and for any Commodity specified in the applicable Final Terms as a "**Non Metal**") (k) the official price (l) the morning fixing (m) the afternoon fixing (which shall be the Specified Price in respect of any Commodity specified in the applicable Final Terms as a "**Precious Metal**") (n) the spot price or (o) any other price specified in the applicable Final Terms. The Specified Price for any Commodity specified in the applicable Final Terms as a "**Precious Metal**" shall be the official cash bid price.

## 12. PROVISIONS RELATING TO CURRENCY NOTES

This Condition 12 (*Provisions relating to Currency Notes*) is applicable only in relation to Notes specified in the relevant Final Terms as being Currency-Linked Notes.

12.1 **Valuation Date**: "**Valuation Date**" means, in respect of any Series of Currency-Linked Notes, the date(s) specified as such or otherwise determined as provided in the applicable Final Terms

**provided that** where the Valuation Date is not a Currency Business Day then the Valuation Date shall be the first preceding day that is a Currency Business Day, unless otherwise specified in the relevant Final Terms. Unless otherwise specified in the relevant Final Terms and subject to Condition 12.2 (*Averaging*), the Valuation Date will be the date falling two Currency Business Days prior to the Maturity Date.

12.2 **Averaging**: If Averaging Dates are specified in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the determination of the Settlement Rate in relation to a Valuation Date:

12.2.1 "**Averaging Date**" means, in respect of a Valuation Date, each date specified as such or otherwise determined as provided in the applicable Final Terms, **provided that** if any such date is not a Currency Business Day, such date shall be the first preceding day that is a Currency Business Day, unless otherwise specified in the relevant Final Terms.

12.2.2 For purposes of determining the Settlement Rate in relation to a Valuation Date, the Settlement Rate will be the arithmetic mean of the Spot Rates on each Averaging Date (or, if different, the day on which rates for each Averaging Date would, in the ordinary course, be published or announced by the relevant price source).

12.2.3 Unless otherwise specified in the applicable Final Terms, in the case where it becomes impossible to obtain the Spot Rate on an Averaging Date (or, if different, the day on which rates for that Averaging Date would, in the ordinary course, be published or announced by the relevant price source), such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Rate. If through the operation of this Condition 12.2.3, there would not be an Averaging Date with respect to the relevant Valuation Date, the provisions of Conditions 12.3 (*Currency Disruption Events*) and 12.4 (*Currency Disruption Fallbacks*) shall apply for purposes of determining the relevant Spot Rate on the final Averaging Date with respect to that Valuation Date as if such Averaging Date were a Valuation Date on which a Price Source Disruption had occurred.

12.3 **Currency Disruption Events**:

12.3.1 If so specified in the Final Terms relating to any Series of Notes, the following shall constitute "**Currency Disruption Events**" for the purposes of such Series:

(a) "**Price Source Disruption**", which means it becomes impossible, as determined by the Determination Agent, acting in a commercially reasonable manner, to determine the Settlement Rate on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the applicable price source in accordance with the relevant price source); and

(b) any other (if any) currency disruption event specified in the applicable Final Terms.

12.3.2 If the applicable Final Terms specify that any Currency Disruption Event shall be applicable to such Series, then, where the Determination Agent determines, acting in a commercially reasonable manner, that such Currency Disruption Event has occurred and is continuing in respect of such Series:

(a) in the case of Price Source Disruption, on the day that is the Valuation Date in respect of such Series (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source); and

(b) in the case of any other Currency Disruption Event, on such day as may be specified for this purpose in the relevant Final Terms, then the Settlement Rate for such Series will be determined in accordance with the terms of the Currency Disruption Fallback first applicable pursuant to Condition 12.4 (*Currency Disruption Fallbacks*).

12.4 **Currency Disruption Fallbacks**:

12.4.1 If so specified in the Final Terms relating to any Series of Notes, the following shall constitute "**Currency Disruption Fallbacks**" for the purposes of such Series, and the applicable Final Terms shall specify which Currency Disruption Fallback(s) shall apply to such Series, to which Currency Disruption Event each such Currency Disruption Fallback shall apply and, where more than one Currency Disruption Fallback may apply to a Currency Disruption Event, the order in which such Currency Disruption Fallback(s) shall apply to such Currency Disruption Event.

(a) "**Determination Agent Determination of Settlement Rate**" means that the Determination Agent will determine, in its sole and absolute discretion, the Settlement Rate (or a method for determining the Settlement Rate), taking into consideration all available information that it deems relevant;

(b) "**Fallback Reference Price**" means that the Determination Agent will determine, in its sole and absolute discretion, the Settlement Rate for such Series on the relevant Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced) pursuant to the Settlement Rate Option referred to as Currency-Reference Dealers, or pursuant to such other Settlement Rate Option as may be specified as the Fallback Reference Price in the relevant Final Terms; and

(c) any other provisions specified as Currency Disruption Fallbacks in the relevant Final Terms.

12.4.2 Where more than one Currency Disruption Event occurs or exists or is deemed to occur or exist, then, unless the relevant Final Terms has specified which Currency Disruption Fallback shall apply in such circumstances, the Determination Agent shall determine, in its sole and absolute discretion, which Currency Disruption Fallback shall apply.

12.5 **Additional Disruption Events**:

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

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

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

(v) For the purposes hereof:

"**Additional Disruption Event**" means, if specified as applicable in the relevant Final Terms, with respect to any Series of Notes, a Change in Law, Hedging Disruption, Increased Cost of Hedging, and any further event or events as may be specified in the applicable Final Terms.

12.6 **Definitions applicable to Currency-Linked Notes**

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

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

"**Currency Business Day**" means, unless otherwise specified in the relevant Final Terms, for the purposes of:

(i) the definition of Valuation Date in Condition 12.1 (*Valuation Date*), in respect of any Series of Currency-Linked Notes: (1) a day on which commercial banks are (or but for the occurrence of a Currency Disruption Event, would have been) open for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the Principal Financial Centre(s) of the Reference Currency or (2) where the currency to be valued is euro, a day that is a TARGET Settlement Day and a Business Day; and

(ii) for any other purpose, in respect of any Series of Currency-Linked Notes: (1) a day on which commercial banks are open for general business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the Principal Financial Centre(s) of the Reference Currency and (2) where one of the Currency Pair is euro, a day that is a TARGET Settlement Day;

"**Currency Pair**" means the Reference Currency and the Settlement Currency;

"**Currency-Reference Dealers**" is a Settlement Rate Option which means that the Spot Rate for a Rate Calculation Date will be determined on the basis of quotations provided by Reference Dealers on that Rate Calculation Date of that day's Specified Rate, expressed as the amount of Reference Currency per one unit of Settlement Currency for settlement on the Maturity Date (or other relevant date for payment under the Notes). The Determination Agent will request each of the Reference Dealers to provide a firm quotation of its Specified Rate for a transaction where the amount of Reference Currency equals the Specified Amount. If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the Specified Rates, without regard to the Specified Rates having the highest and lowest value. If exactly three quotations are provided, the rate for a Rate Calculation Date will be the Specified Rate provided by the Reference Dealer that remains after disregarding the Specified Rates having the highest and lowest values. For this purpose, if more than one quotation has the same highest value or lowest value, then the Specified Rate of one of such quotations shall be disregarded. If exactly two quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the Specified Rates. If only one quotation is provided, the rate for a Rate Calculation Date will be the Specified Rate quoted by that Reference Dealer. The quotations used to determine the Spot

Rate for a Rate Calculation Date will be determined in each case at the Specified Time on that Rate Calculation Date;

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

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

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

**"Rate Calculation Date**" means any Valuation Date or Averaging Date (as defined in Conditions 12.1 (*Valuation Date*) and 12.2 (*Averaging*), respectively);

"**Reference Currency**" means the currency specified as such in the applicable Final Terms;

"**Reference Currency Jurisdiction**" means the jurisdiction specified as such in the relevant Final Terms;

"**Reference Dealers**" means the reference dealers specified as such in the relevant Final Terms;

"**Settlement Currency**" means the currency specified as such in the applicable Final Terms;

"**Settlement Rate**" means the rate as determined by the Determination Agent, in its sole and absolute discretion, in accordance with the relevant Final Terms and, where applicable shall be determined in accordance with Condition 12.2 (*Averaging*);

"**Settlement Rate Option**" means, for the purposes of calculating the Settlement Rate, the Settlement Rate Option specified in the applicable Final Terms (or which is applicable pursuant to Condition 12.4 (*Currency Disruption Fallbacks*));

"**Specified Amount**" means the amount of Reference Currency specified as such in the relevant Final Terms;

"**Specified Rate**" means any of the following rates, as specified in the relevant Final Terms: (i) the Reference Currency bid exchange rate, (ii) the Reference Currency offer exchange rate, (iii) the average of the Reference Currency bid and offer exchange rates, (iv) the Settlement Currency bid exchange rate, (v) the Settlement Currency offer exchange rate, (vi) the average of the Settlement Currency bid and offer exchange rates, (vii) the official fixing rate or (viii) any other exchange rate specified in the relevant Final Terms. If no such rate is specified, the Specified Rate will be deemed to be the average of the Reference Currency bid and offer rate;

"**Specified Time**" means, in respect of any series of Notes and the determination of the Spot Rate, the time specified as such in the applicable Final Terms or if no such time is specified the time chosen by the Determination Agent; and

"**Spot Rate**" means for any Valuation Date, the relevant currency exchange rate determined in accordance with the applicable Settlement Rate Option and, if a Settlement Rate Option is not applicable, the currency exchange rate at the time at which such rate is to be determined for foreign exchange transactions in the Currency Pair for value on the Maturity Date (or other relevant date for payment under the Notes), as determined in good faith and in a commercially reasonable manner by the Determination Agent.

## 13. INFLATION-LINKED NOTES

This Condition 13 (*Inflation-Linked Notes*) is applicable only in relation to Notes specified in the relevant Final Terms as being Inflation Linked Notes.

13.1 **Delay of Publication**: If any level of an Index for a Reference Month which is relevant to the calculation of a payment under the Notes (a "**Relevant Level**") has not been published or announced by the day that is five Business Days prior to the next Specified Interest Payment Date under the Notes or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes, the Determination Agent shall determine a Substitute Index Level (in place of such Relevant Level) in a commercially reasonable manner in its sole discretion. If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Specified Interest Payment Date or other relevant payment date as may be specified in the applicable Final Terms, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 13.1 (*Delay in Publication*), will be the definitive level for that Reference Month.

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

13.2.1 If at any time a Successor Index has been designated by the Determination Agent pursuant to the terms and conditions of the Related Bond, such Successor Index shall be designated a "Successor Index" for the purposes of all subsequent Specified Interest Payment Dates or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes, notwithstanding that any other Successor Index may previously have been determined under Conditions 13.2.2, 13.2.3 or 13.2.4 below; or

13.2.2 If a Successor Index has not been determined under Condition 13.2.1 above and a notice has been given or an announcement has been made by the Index Sponsor, specifying that the Index will be superseded by a replacement index specified by the Index Sponsor, and the Determination Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index for purposes of the Notes from the date that such replacement index comes into effect; or

13.2.3 If a Successor Index has not been determined under Condition 13.2.1 or 13.2.2 above, the Determination Agent shall ask five leading independent dealers to state what the replacement Index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same Index, this Index will be deemed the "Successor Index". If three responses are received, and two or more leading independent dealers state the same Index, this Index will be deemed the "Successor Index". If fewer than three responses are received, the Determination Agent will proceed to Condition 13.2.4 below; or

13.2.4 If no Successor Index has been deemed under Condition 13.2.1, 13.2.2 or 13.2.3 above by the fifth Business Day prior to the next Affected Payment Date the Determination Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed a "Successor Index"; the Determination Agent shall determine the method of determining the Relevant Level if no such alternative Index is available.

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

13.4 **Material Modification Prior to Payment Date**: If, on or prior to the day that is five Business Days before a Specified Interest Payment Date under the Notes or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes, an Index Sponsor announces that it will make a material change to an Index then the Determination Agent shall make any such adjustments to the Index consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Index to continue as the Index.

13.5 **Manifest Error in Publication**: If, within thirty days of publication and prior to the redemption of the Notes or payments in respect of any relevant Specified Interest Payment Date or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes, the Determination Agent determines that the Index Sponsor has corrected the level of the Index to remedy a manifest error in its original publication, the Determination Agent will notify the holders of the Notes in accordance with Condition 33 (*Notices*) of (i) that correction, (ii) the adjusted amount that is then payable under the Notes as a result of that correction and (iii) take such other action as it may deem necessary to give effect to such correction, **provided that** any amount payable pursuant to sub-paragraph (ii) above shall be paid (with no interest accruing thereon) (a) in connection with an Index Sponsor's correction to remedy a manifest error in the level of an Index for a Reference Month for which the Specified Interest Payment Date or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes has occurred, within five Business Days after notice of such amount payable by the Determination Agent, (b) in connection with an Index Sponsor's correction to remedy a manifest error in the level of an Index for a Reference Month for which the Specified Interest Payment Date or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes has not occurred, as an adjustment to the payment obligation on the next Specified Interest Payment Date or (c) if there is no further Specified Interest Payment Date other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes, within five Business Days after notice of such amount payable by the Determination Agent.

13.6 **Additional Disruption Events**:

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

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

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

(v) For the purposes hereof:

"**Additional Disruption Event**" means, if specified as applicable in the relevant Final Terms, with respect to any Series of Notes, a Change in Law, Hedging Disruption, Increased Cost of Hedging, and any further event or events as may be specified in the applicable Final Terms.

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

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

"**Affected Payment Date**" means each Specified Interest Payment Date or other relevant payment date as may be specified in the applicable Final Terms in relation to the Notes in respect of which an Index has not been published or announced;

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

"**Fallback Bond**" means an inflation linked bond selected by the Determination Agent that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Determination Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Settlement Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Determination Agent from those bonds. If the Fallback Bond redeems the Determination Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged);

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

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

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

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

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

"**Reference Month**" means the calendar month for which the level of the relevant Index was reported, regardless of when this information is published or announced. If the period for which the Index level was reported is a period other than a month, the Reference Month will be the period for which the Index level was reported;

"**Related Bond**" means the bond specified in the relevant Final Terms, or if no bond is so specified, the Fallback Bond. If the Related Bond is "Fallback Bond", then for any Related Bond determination under these Conditions, the Determination Agent shall use the Fallback Bond (as that is defined in this Condition 13.7 (*Definitions Applicable to Inflation-Linked Notes*) herein). If no bond is specified in the relevant Final Terms as the Related Bond and "Fallback Bond: Not applicable" is specified in the relevant Final Terms there will be no Related Bond. If a bond is selected as the Related Bond in the relevant Final Terms, and that bond redeems or matures before the relevant Maturity Date, unless "Fallback Bond: Not applicable" is specified in the relevant Final Terms, the Determination Agent shall use the Fallback Bond for any Related Bond determination;

"**Substitute Index Level**" means an Index level, determined by the Determination Agent pursuant to the provisions of Condition 13.1 (*Delay of Publication*), in respect of an Affected Payment Date; and

"**Successor Index**" has the meaning specified in Condition 13.2 (*Cessation of Publication*).

## 14. PROPERTY-LINKED NOTES

This Condition 14 (*Property-Linked Notes*) is applicable only in relation to Notes specified in the relevant Final Terms as being Property-Linked Notes.

### 14.1 Rebasing of the Property Index

If the Determination Agent determines that an Index has been or will be Rebased at any time (the Property Index as so Rebased, the "**Rebased Property Index**"), the Rebased Property Index will be used for the purposes of determining the level of the Property Index from the date of such Rebasing, **provided however**, **that** the Determination Agent shall adjust the terms of the Notes so that the use of the Rebased Property Index reflects what would have been the performance of the Index had the Rebasing not occurred save that any such Rebasing shall not affect any prior payments under the Notes.

### 14.2 Error in Publication

If the Determination Agent determines that an Error in Publication has occurred with respect to the Property Index, the Determination Agent may (a) use the corrected level of the Property Index to make any relevant calculations and/or (b) make any necessary adjustments to the relevant Property Index Level and such other terms of the Notes as it in its sole and absolute discretion determines to be appropriate to account for such Error in Publication.

For these purposes:

An "**Error in Publication**" will occur if the Property Index Sponsor announces that an error has occurred with respect to the Property Index Level as published on any Publication Date; the Property Index Level for such Publication Date is corrected to remedy such error; and the correction is published by the Index Sponsor at any time prior to the next following Scheduled Publication Date or if earlier any relevant determination date. An Error in Publication will not include a routine revision in the level of the Index in a regularly scheduled republication of the Index.

14.3 **Delay in Publication**

If the Property Index Level has not been announced by the Scheduled Publication Date or if earlier any relevant determination date, the following will apply:

(a) if the Property Index Sponsor publishes a provisional Property Index Level prior to the next Scheduled Publication Date or if earlier any relevant determination date, such provisional level of the Property Index for that Measurement Period shall apply for the purposes of the Notes; or

(b) if the Property Index Sponsor fails to publish the Property Index Level prior to the next occurring Scheduled Publication Date or if earlier any relevant determination date, a Property Index Disruption Event shall be deemed to have occurred and Condition 14.5 (*Property Index Disruption Event*) shall apply.

14.4 **Methodology Adjustment**

If the Property Index Sponsor announces that it has changed the methodology in calculating a Property Index and:

(a) continues publication of a property index based on the original methodology (the "**Replacement Property Index**"), such Replacement Property Index shall apply in lieu of the original Property Index in relation to the Notes; or

(b) discontinues publication of the Property Index based on the original Computational Methodology, a Property Index Disruption Event shall be deemed to have occurred and the procedure set out in Condition 14.5 (*Property Index Disruption Event*) shall apply.

14.5 **Property Index Disruption Event**

Following the occurrence of an Property Index Disruption Event, the Issuer shall, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early. If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, to preserve the economic value of the Notes. If the Issuer determines that the Notes shall be redeemed early, then the Issuer shall give not less than five Business Days notice to the holders (in accordance with Condition 33 (*Notices*) to redeem each Note at an amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent in its sole and absolute discretion (**provided that** such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute discretion.

14.6 **Additional Disruption Events**:

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

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

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

(v) For the purposes hereof:

"**Additional Disruption Event**" means, if specified as applicable in the relevant Final Terms, with respect to any Series of Notes, a Change in Law, Hedging Disruption, Increased Cost of Hedging, and any further event or events as may be specified in the applicable Final Terms.

## 14.7 Definitions Applicable to Property-Linked Notes

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

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

"**Data Pool**" means the pool of properties underlying a Property Index;

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

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

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

"**Property Index**" means any index specified as such in the applicable Final Terms;

"**Property Index Level**" means the final level of the relevant Property Index for a specified period or a specified date (as set out in the Final Terms), as published by the Property Index Sponsor (or otherwise determined as set out in the applicable Final Terms);

"**Publication Date**" means, in respect of an Index, each date on which such Property Index is published by the Property Index Sponsor;

"**Rebasing**" means the revaluation of an Property Index by the Property Index Sponsor by the application of a new Reference Price, without amendment to the formula for or the method of calculating the Index, and "Rebased" will be construed accordingly;

"**Reference Price**" means the historic value of the Data Pool used by the Property Index Sponsor as the benchmark for a Property Index; and

"**Scheduled Publication Date**" means the date on which the Property Index Level is scheduled to be published.

## 15. FUND-LINKED NOTES

This Condition 15 (*Fund-Linked Notes*) shall apply only to Notes specified in the applicable Final Terms as being Single Fund Notes or Fund Basket Notes.

### 15.1 Adjustments for Disrupted Days

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

15.1.2 If any Valuation Date is a Disrupted Day, then:

(a) in the case of Single Fund Notes, the Valuation Date shall be the next succeeding day that is not a Disrupted Day, unless no day that is not a Disrupted Day has occurred prior to the last day of one Cut-off Period following the Scheduled Valuation Date. In that case, (i) the last day of such Cut-off Period shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Determination Agent shall determine its good faith estimate of the value for the Fund Interest as of the Valuation Time on that deemed Valuation Date; or

(b) in the case of Fund Basket Notes, the Valuation Date for each Fund Interest not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Fund Interest affected by the occurrence of a Disrupted Day shall be the first succeeding day that is not a Disrupted Day relating to that Fund Interest, unless no day that is not a Disrupted Day has occurred prior to the last day of one Cut-off Period following the Scheduled Valuation Date. In that case, (i) the last day of such Cut-off Period shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Determination Agent shall determine its good faith estimate of the value for that Fund Interest as of the Valuation Time on that deemed Valuation Date.

In addition, the Determination Agent will account for such occurrence or continuance of a Disrupted Day as it sees fit which may include but is not limited to delaying calculation and payment of the Final Redemption Amount and/or any other amounts payable under the Notes, and no interest or other amount shall be payable to Noteholders in respect of any such delay, or making the appropriate adjustment to the calculation of the Final Redemption Amount and/or any such other amounts, all in the determination of the Determination Agent.

15.1.3 If Averaging Dates are specified in the applicable Final Terms with respect to a Valuation Date then the following provisions will apply. If any Averaging Date is a Disrupted Day:

(a) in the case of Single Fund Notes, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred prior to one Cut-off Period following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in respect of the relevant Scheduled Valuation Date, then (1) the last day of such Cut-off Period shall be deemed the Averaging Date (irrespective of whether such day is already an Averaging Date), and (2) the Determination Agent shall determine its good faith estimate of the value for the Fund Interest as of the Valuation Time on that deemed Averaging Date, where "Valid Date" means a Business Day that is not a Disrupted Day and on which another Averaging Date in respect of the relevant Valuation Date does not or is not deemed to occur; and

(b) in the case of Fund Basket Notes, the Averaging Date for each Fund Interest not affected by the occurrence of a Disrupted Day shall be the date specified in the applicable Final Terms as that Averaging Date and the Averaging Date for any Fund Interest affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Fund Interest. If the first succeeding Valid Date has not occurred prior to one Cut-off Period following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in respect of the relevant Scheduled Valuation Date, then (1) the last day of such Cut-off Period shall be deemed the Averaging Date (irrespective of whether such day is already an Averaging Date), and (2) the Determination Agent shall determine its good faith estimate of the value for that Fund Interest as of the Valuation Time on that deemed Averaging Date.

In addition, the Determination Agent will account for such occurrence or continuance of a Disrupted Day as it sees fit which may include but is not limited to delaying calculation and payment of the Final Redemption Amount and/or any other amounts payable under the Notes, and no interest or other amount shall be payable to Noteholders in respect of any such delay, or making the appropriate adjustment to the calculation of the Final Redemption Amount and/or any such other amounts, all in the determination of the Determination Agent.

15.2 **Postponement of Settlement**

15.2.1 Unless otherwise specified in the applicable Final Terms, if the Determination Agent determines on the date which is not later than 3 Business Days prior to any date on which the Final Redemption Amount or any other amounts would otherwise be due to be paid (each a "**Scheduled Settlement Date**") that a Settlement Postponement Event has occurred, then the Determination Agent shall make such adjustment to account for such Settlement Postponement Event and such adjustment shall include the postponement of the obligation of the Issuer to pay the Final Redemption Amount or any such other amounts, as applicable, until the Postponed Settlement Date and no interest or other amount shall be payable to Noteholders in respect of such postponement.

15.2.2 If the Postponed Settlement Date is the Postponed Settlement Long Stop Date, for the purposes of determining the Final Redemption Amount or any other relevant amounts, as applicable, whether determined by reference to the Reference Price or otherwise, each Fund Interest Unit will be deemed to have a value equal to the redemption proceeds (if any) that a Hypothetical Investor which had submitted a Final Redemption Notice in respect of such Fund Interest Unit would have received in respect of such redemption on or before the Postponed Settlement Long Stop Date (in the case of Single Fund Notes) or each Long Stop Date Fund Interest Unit (if any) comprising the Basket of Funds will be deemed to have a value equal to the redemption proceeds (if any) that a Hypothetical Investor which had submitted a Final Redemption Notice in respect of such Long Stop Date Fund Interest Unit would have received in respect of such redemption on or before the Postponed Settlement Long Stop Date.

15.2.3 For the purposes hereof:

(a) a "**Settlement Postponement Event**" shall be deemed to occur if, as determined by the Determination Agent, a Hypothetical Investor which had submitted a Final Redemption Notice in respect of the Fund Interest Units (in the case of a Single Fund Note) or each Fund Interest Unit comprised in the Basket of Funds (in the case of a Fund Basket Note) would not have received in full the redemption proceeds in respect of such redemptions on or before the date which is 4 Business Days prior to the Scheduled Settlement Date;

(b) the "**Postponed Settlement Date**" means, unless otherwise specified in the applicable Final Terms, the earlier of (x) the date which is 3 Business Days after the date on which, as determined by the Determination Agent, such Hypothetical Investor would have received such redemption proceeds in full and (y) the Postponed Settlement Long Stop Date;

(c) the "**Postponed Settlement Long Stop Date**" means, unless otherwise specified in the applicable Final Terms, the date which is 3 months after the Scheduled Settlement Date;

(d) "**Long Stop Date Fund Interest Unit**" means, in relation to a Basket of Funds, any Fund Interest Unit in respect of which, if a Hypothetical Investor had submitted a Final Redemption Notice in respect of such Fund Interest Unit, such Hypothetical Investor would not have received in full the redemption proceeds in respect of such redemption on or before the Postponed Settlement Long Stop Date; and

(e) a "**Final Redemption Notice**" means, in respect of a Fund Interest Unit, a valid redemption notice submitted on the last date permitted pursuant to the Fund Documents of the related Fund for a redemption notice that would be timely for redemption prior to the Scheduled Settlement Date.

15.3 **Potential Adjustment Events**

Following the declaration by any Fund or Fund Service Provider of the terms of any Potential Adjustment Event, the Determination Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units or amount of Fund Interest and, if so, will (i) make the corresponding adjustment(s), if any, to any one or more of the Redemption Amount and/or any such other amounts payable under the Notes, the Reference Price, any Relevant Fund Interest Unit Price and, in any case, any other variable relevant to the calculation, valuation, payment or other terms of Notes as the Determination Agent determines appropriate to account for that diluting or concentrative effect (**provided that** no adjustments will be made to account solely for changes in volatility, expected dividends or liquidity relative to the relevant Fund Interest) and (ii) determine the effective date(s) of the adjustment(s).

15.4 **Corrections and Adjustment**

With the exception of any Adjustments (as defined below) made after the day which is 3 Business Days (or such other period specified for this purpose in the applicable Final Terms) prior to a due date for any payment under the Notes calculated by reference to the price or level of any Fund Interest Unit, if the Determination Agent determines that a Fund adjusts the Redemption Proceeds that would have been paid to a Hypothetical Investor redeeming the number of Fund Interest Units that are subject to valuation and such adjustment would be reflected in either an additional payment to such Hypothetical Investor or a claim for repayment of excess Redemption Proceeds made against such Hypothetical Investor (each an "**Adjustment**"), then the price or level to be used shall be the price or level of the relevant Fund Interest Units as so adjusted.

15.5 **Fund Events**

15.5.1 If at any time the Determination Agent determines that a Fund Event has occurred and/or is continuing then the Determination Agent shall provide written notice thereof to the Issuer (a "**Fund Event Notice**"). The Determination Agent shall not have any obligation to monitor the occurrence of a Fund Event nor shall it have any obligation to make a determination that a Fund Event has occurred or is continuing.

15.5.2 The Issuer will, in its sole and absolute discretion, determine whether the relevant Notes shall continue or shall be redeemed early and the mechanics for determining and calculating the valuation of any Affected Fund Interest and any payments under the Notes shall be suspended, subject to Condition 15.5.3 and Condition 15.5.4 below.

15.5.3 If the Issuer determines that the relevant Notes shall continue then, the Issuer may direct the Determination Agent:

(i) to substitute any Affected Fund Interest with the Successor Fund Interest relating to such Affected Fund Interest, **provided that** if no Successor Fund Interest has been identified in the manner set forth below within 10 Business Days of the Fund Event Notice, then sub-paragraph (ii) below shall apply; or

(ii) to make such adjustment to account for such Fund Event as it considers appropriate which may include, without limitation, delaying the calculation and payment of the Redemption Amount and/or any such other amounts payable under the Notes, and no interest or other amount shall be payable to Noteholders in respect of any such delay, or making an adjustment to the calculation of the Redemption Amount and/or any such other amounts due under the Notes, all in the determination of the Determination Agent.

For the purposes of this Condition 15.5.3:

(a) "**Successor Fund Interest**" means, in respect of any Affected Fund Interest, the related Eligible Fund Interest or, if the applicable Final Terms do not specify any Eligible Fund Interest relating to such Affected Fund Interest, then the Determination Agent will use commercially reasonable efforts to identify a Successor Fund Interest based on the eligibility criteria specified in the applicable Final Terms or, if the applicable Final Terms do not specify any such eligibility criteria, with characteristics, investment objectives and policies similar to those in effect for the Affected Fund Interest immediately prior to the occurrence of the relevant Fund Event; and

(b) any substitution of the Successor Fund Interest for the Affected Fund Interest shall be effected at such time and in such manner as specified in the applicable Final Terms or, if the time and manner for substitution of the Successor Fund Interest is not specified in the applicable Final Terms, then the Affected Fund Interest shall be replaced by a number of Fund Interest Units of the Successor Fund Interest with a combined value (as determined by the Determination Agent) equal to the relevant Removal Value of the applicable number of Fund Interest Units of the Affected Fund Interest. Such replacement shall be effected, from time to time whenever the Removal Value changes, on the date, as determined by the Determination Agent, on which the Fund issuing the Successor Fund Interest would admit a Hypothetical Investor who, on the Fund Business Day next following the date on which any Removal Value not previously applied toward any Successor Fund Interest would be received by such Hypothetical Investor redeeming out of the relevant amount of Affected Fund Interest, had submitted a valid order to purchase such amount of the Successor Fund Interest; and

(c) if necessary, the Determination Agent will adjust any relevant terms, including, but not limited to adjustments to account for changes in volatility, investment strategy or liquidity relevant to such Fund Interests or the Notes.

15.5.4 If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall redeem each Note at its Fund-Linked Early Redemption Amount on such date as the Issuer may notify to Noteholders in accordance with Condition 33 (*Notices*).

15.6 **Notice of Fund Event**

Notice of the consequences of a Fund Event shall be given to the Noteholders in accordance with Condition 33 (*Notices*). Such notice shall (i) identify the Affected Fund Interest (if applicable) and the relevant Fund Event and contain a summary of the facts constituting such event, (ii) if applicable, identify the Successor Fund Interest and specify the effective date of such substitution, (iii) if applicable, specify adjustments made or expected to be made by the Determination Agent and (iv) if applicable, specify the date on which the Notes are to be redeemed.

15.7 **Definitions applicable to Fund-Linked Notes**

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

"**Additional Fund Service Provider**" means, in respect of any Fund, any person or entity (if any) specified as such in the applicable Final Terms;

"**Affected Fund Interest**" means, at any time, any Fund Interest in respect of which the Determination Agent has determined that a Fund Event has occurred;

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

"**Aggregate NAV Trigger Period**" means the period (if any) specified as such in the applicable Final Terms;

"**Aggregate NAV Trigger Value**" means the value (if any) specified as such in the applicable Final Terms;

"**Averaging Date**" means, in respect of each Valuation Date, each date (if any) specified as such or otherwise determined as provided in the applicable Final Terms or, if such day is not a Business Day, the next following Business Day, subject to the provisions of Condition 15.1 (*Adjustments for Disrupted Days*);

"**Basket of Funds**" means a basket composed of such Fund Interests in such Funds specified in the applicable Final Terms in the relative proportions or number of Fund Interest Units of each Fund Interest specified in the applicable Final Terms, subject to the provisions of Condition 15.5 (*Fund Events*);

"**Company**" means, in respect of a Fund Interest and the related Fund, the entity (if any) specified as such in the applicable Final Terms (if any);

"**Cut-off Period**" means, in respect of any date, the period specified in the applicable Final Terms, or if no such period is specified, a period of one calendar year; **provided that** if a "Final Cut-off Date" is specified in the applicable Final Terms, then any Cut-off Period that would otherwise end after such Final Cut-off Date shall end on such Final Cut-off Date;

"**Disrupted Day**" means any day on which a Market Disruption Event has occurred or is continuing;

"**Eligible Fund Interest**" means, in respect of any Affected Fund Interest, the interest issued to or held by an investor in a fund, pooled investment vehicle or any other interest (if any) specified as such in the applicable Final Terms;

"**Extraordinary Dividend**" means an amount per relevant Fund Interest Unit or other amount of Fund Interest specified or otherwise determined as provided in the applicable Final Terms **provided that** if no Extraordinary Dividend is specified in or otherwise determined as provided in the applicable Final Terms, the characterisation of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Determination Agent;

"**Final Cut-off Date**" means the date specified as such in the applicable Final Terms;

"**Final Valuation Date**" means, if there is more than one Valuation Date, the last Valuation Date or, if there is only one Valuation Date, the Valuation Date;

"**Final Valuation Time**" means, if there are more than one Valuation Date, the Valuation Time in relation to the last Valuation Date or, if there is only one Valuation Date, the Valuation Time;

"**Fund**" means, in respect of any Fund Interest, unless otherwise specified in the applicable Final Terms, the issuer of, or other legal arrangement (including, if applicable, any relevant class or series) giving rise to, the relevant Fund Interest;

"**Fund Administrator**" means, in respect of any Fund, any person specified as such in the applicable Final Terms or, if no person is so specified, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities to such Fund according to the Fund Documents;

"**Fund Adviser**" means, in respect of any Fund, any person specified as such in the applicable Final Terms, or if no person is so specified, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Fund;

"**Fund Business Day**" means, in respect of any Fund Interest and the related Fund, any day specified as such in the applicable Final Terms or, if no day is so specified, any day on which the Fund or the primary Fund Administrator acting on behalf of the Fund is open for business;

"**Fund Custodian**" means, in respect of any Fund, any person specified as such in the applicable Final Terms or, if no person is so specified, the fund custodian or similar person with the primary custodial responsibilities in relation to such Fund according to the Fund Documents;

"**Fund Documents**" means, in respect of any Fund Interest, the constitutive and governing documents, subscription agreements and other agreements of the related Fund specifying the terms and conditions relating to such Fund Interest (including, without limitation, the Fund Prospectus) and any additional documents specified in the applicable Final Terms (each an "**Additional Fund Document**"), in each case as amended from time to time;

"**Fund Event**" means, subject as otherwise provided in the applicable Final Terms, the occurrence of any of the following events in the determination of the Determination Agent:

(a) *Nationalisation*: in respect of a Fund Interest and the related Fund, all the Fund Interests or all or substantially all the assets of the Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

(b) *Insolvency Event*: in respect of a Fund Interest and the related Fund (i) the Fund, the related Company and/or any Fund Service Provider (A) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (B) makes a general assignment or arrangement with or for the benefit of its creditors; (C)(1) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (2) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in (1) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof; (D) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (E) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter; or (F) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (A) through (E) above; or (without prejudice to the foregoing) (ii) by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Fund, (A) all the Fund Interests of that Fund are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Fund Interests of that Fund become legally prohibited from transferring them;

(c) *NAV Trigger/Restriction Event*: in respect of any Fund Interest, (A) the Reported Fund Interest Unit Value has decreased by a percentage equal to, or greater than, the NAV Trigger Percentage(s) during the related NAV Trigger Period, each as specified in the applicable Final Terms; or (B) the related Fund has violated any leverage restriction that is applicable to, or affecting, such Fund or its assets by operation of any law, any order or judgment of any court or other agency of government applicable to it or any of its assets, the Fund Documents or any contractual restriction binding on or affecting the Fund or any of its assets;

(d) *Aggregate NAV Trigger Event*: in the case of Fund Basket Notes, the aggregate of the Reported Fund Interest Unit Values for each Fund Interest comprising the Basket has decreased to an amount equal to, or less than, the Aggregate NAV Trigger Value during the related Aggregate NAV Trigger Period, each as specified in the applicable Final Terms;

(e) *Changes to Fund or Fund Service Providers*: in respect of any Fund Interest and the related Fund: (i) any change in the organisation of the Fund or of any Fund Service Provider without the prior written consent of the Determination Agent including, without limitation, a change of control of, or a change of the main shareholders, managing directors or Key Personnel (if any) of a Fund Service Provider, (ii) any Fund Service Provider ceasing to act in the relevant capacity in relation to the Fund unless immediately replaced in such capacity by a successor acceptable to the Determination Agent or (iii) any delegation or transfer by the Fund Adviser of any of its powers, duties or obligations under the Fund Documents to a third party without the prior written consent of the Determination Agent;

(f) *Fund Modification*: in respect of any Fund Interest, any change or modification of the related Fund Documents or of any rights attaching to the related Fund Interest Units (including without limitation any change or modification affecting management policy, provisions as to redemption or the charging of expenses or increasing the existing level of, or introducing any new, fees, commissions or other expenses payable to any person, in each case as determined by the Determination Agent) from those prevailing on the Issue Date (in the case of Single Fund Notes) or the date on which any Fund Interest issued by such Fund was first included in the Basket of Funds (in the case of Fund Basket Notes) and which could reasonably be expected to affect the value of such Fund Interest;

(g) *Strategy Breach*: in respect of any Fund Interest, as determined by the Determination Agent, any material breach of or non-compliance with any investment objective, investment restrictions or other strategy or investment guidelines, subscription and redemption provisions (including, without limitation, the days treated as Fund Business Days) or valuation provisions (including, without limitation, the method of determining the net asset value of the relevant Fund), in each case as set out in the Fund Documents as in effect on the Issue Date or, if later, the date on which such Fund Interest was first included in the Basket of Funds (in the case of Fund Basket Notes);

(h) *Breach by Fund Service Provider*: in respect of any Fund Interest, the breach by any relevant Fund Service Provider of any obligation (including, without limitation, non-compliance with any investment guidelines relating to such Fund Interest), representation or warranties concerning the relevant Fund (including, without limitation, pursuant to any agreement with the Fund), which breach, if capable of remedy, has not been remedied within ten (10) calendar days of its occurrence;

(i) *General Regulatory Event*: (A) in respect of any Fund Interest, (1) any change in the legal, tax, accounting, or regulatory treatments of the relevant Fund or its Fund Adviser that is reasonably likely to have an adverse impact on the value of such Fund Interest or on any investor therein (as determined by the Determination Agent) or (2) the related Fund or any of its Fund Service Providers becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law in relation to any activities relating to or resulting from the operation of such Fund or (B) any event which would have the effect of: (i) imposing on the Issuer and/or any Affiliate or adversely modifying any reserve, special deposit, or similar requirement that would be applicable to the Issuer and/or such Affiliate in relation to the Notes or any related hedging arrangement or (ii) changing the amount of regulatory capital that would have to be maintained by the Issuer and/or any Affiliate in relation to the Notes or any related hedging arrangement;

(j) *Reporting Disruption*: in respect of any Fund Interest, (A) the occurrence of any event affecting such Fund Interest that, in the determination of the Determination Agent, would make it impossible or impracticable for the Determination Agent to determine the value of such Fund Interest, and such event continues for at least the time period specified in the applicable Final Terms or, if no time period is so specified, the Determination Agent does not expect such event to cease in the foreseeable future; (B) any failure of the related Fund to deliver, or cause to be delivered, (1) information that such Fund has agreed to deliver, or cause to be delivered to the Determination Agent or the Issuer, as applicable, or (2) information that has been previously delivered to the Determination Agent or the Issuer, as applicable, in accordance with such Fund's, or its authorized representative's, normal practice and that the Determination Agent deems necessary for it or the Issuer, as applicable, to monitor such Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to such Fund Interest; or (C) the related Fund ceases, for any reason whatsoever (either directly or through any Fund Service Provider acting on its behalf for this purpose) to provide, publish or make available its net asset value on any Fund Reporting Date and this continues for 10 consecutive Business Days;

(k) *Compulsory Redemption or Assignment*: in respect of any Fund Interest, (i) the repurchase or redemption by the Fund of all or some of the Fund Interest Units otherwise than at the request of a holder of Fund Interest Units and which the Determination Agent determines could affect a Hypothetical Investor; or (ii) any event or circumstance (whether or not in accordance with the constitutive documents and investment guidelines of the Fund) which would mandatorily oblige a holder of Fund Interest Units to redeem, sell, assign or otherwise dispose of any Fund Interest Units and which the Determination Agent determines could affect a Hypothetical Investor;

(l) *Closure to Subscriptions*: Dealing Restrictions: in respect of any Fund Interest, (A) the closure of the related Fund to new subscriptions of Fund Interests, or (B) the imposition of any dealing restrictions (including, without limitation, material amendments to relevant documentation, delay (partial or otherwise), suspension or termination (partial or otherwise) of subscription, redemption or settlement) relating to the Fund or transactions in Fund Interests by any Fund Service Provider, any affiliate or agent of any Fund Service Provider, or any intermediary platform through which the Issuer or its affiliates may contract (via a trading agreement or otherwise) in order to carry out transactions in Fund Interests, which, in either case, remains in effect for five consecutive Business Days;

(m) *Disposals*: Material Change: Merger: in respect of any Fund Interest, (A) a disposal to any person(s) of all, or a material part, of the assets of (x) the related Fund, or (y) any significant Fund Service Provider; or (B) a material change in the business of the Fund or any significant Fund Service Provider, or (C) the merger, amalgamation or consolidation of (1) the related Fund with (x) any other sub-fund or compartment of the Fund or (y) any other collective investment undertaking (or sub-fund or compartment of such other collective investment undertaking, including another Fund), or (2) the relevant Company with any other collective investment undertaking (including, without limitation, another Fund or Company), which, in either case, may, in the determination of the Determination Agent, have an adverse effect on the Fund;

(n) *Hedging Disruption*: any of the following:

(i) the Determination Agent reasonably determines that the Issuer or any Affiliate (a "**Hedging Party**") is unable (including without limitation by reason of illegality), or that it is impracticable for a Hedging Party, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) (each a "**Relevant Hedging Transaction**") such Hedging Party deems necessary or appropriate to hedge its exposure to price variations of the Fund Interest (in the case of Single Fund Notes) or the Basket of Funds (in the case of Fund Basket Notes) inherent in its obligations, in the case of the Issuer, under the Notes or, in the case of an Affiliate, under any transaction pursuant to which it hedges the Issuer's exposure to the Fund Interest (in the case of Single Fund Notes) or the Basket of Funds (in the case of Fund Basket Notes)under the Notes, or (ii) realise, recover or remit to any person the proceeds of such transaction or asset; and/or

(ii) the Determination Agent reasonably determines that it has become illegal for any Hedging Party to hold, acquire or dispose of Fund Interests relating to the Notes; and/or

(iii) the Determination Agent reasonably determines that the Issuer would incur an increased cost in respect of the Relevant Hedging Transactions related to the performance of its obligation under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position); and/or

(iv) the Determination Agent reasonably determines that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any Relevant Hedging Transaction, or (B) realize, recover or remit the proceeds of any such Relevant Hedging Transaction; unless any such materially increased amount is incurred solely due to the deterioration of the creditworthiness of the Hedging Party,

and such determinations by the Determination Agent may include, but are not limited to, the following: (A) any increased illiquidity in the market for the Fund Interest (in the case of Single Fund Notes) or the Basket of Funds (in the case of Fund Basket Notes) (as compared with circumstances existing on the Issue Date); or (B) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority); or (C) the general unavailability of market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms;

(o) *Fraud*: in respect of any Fund Interest and the related Fund, the Fund is the object of a material fraud which may, in the determination of the Determination Agent, have an adverse effect on the Fund or the value of Fund Interest Units; or any act or omission of a Fund Service Provider constitutes fraud (including, but not limited to, theft, misappropriation, mispricing of holdings or concealment of trades), bad faith, wilful misconduct or negligence, as determined by the Determination Agent in its reasonable discretion;

(p) *Special Regulatory Event*: in respect of any Fund Interest and the related Fund (i) the cancellation, suspension or revocation of the registration or approval of such Fund Interest or the related Fund by any governmental, legal or regulatory entity with authority over such Fund Interest or Fund or (ii) the withdrawal, suspension, cancellation or modification of any license, consent, permit, authorisation or clearance required for the Fund or any one or more of its significant Fund Service Providers to carry out their activities as they are or should be carried out in compliance with applicable law or regulation;

(q) *Force Majeure Event*: in respect of any Fund Interest and the related Fund, any Fund Service Provider fails to perform any of its obligations pursuant to the Fund Documents to the extent that such performance is prevented, hindered or delayed by a Force Majeure Event, where "**Force Majeure Event**" means any event due to any cause beyond the reasonable control of the applicable Fund Service Provider, such as unavailability of communications system, failure of or interruptions in power supply or network computer systems, sabotage, fire, flood, explosion, acts of God, civil commotion, riots, insurrection or war;

(r) *Value Limitation*: the value of any Fund Interest held by the Issuer and its Affiliates is greater than 10 per cent. of the aggregate net asset value of the relevant Fund (whether or not all of such holding results from hedging transactions entered into in connection with the Notes) and including, where the excess holding results from a reduction in the aggregate net asset value of the relevant Fund; or

(s) *Additional Fund Event*: any other event(s) specified as Fund Events in the applicable Final Terms;

"**Fund Event Notice**" has the meaning given to that term in Condition 15.5 (*Fund Events*);

"**Fund Interest**" means an interest issued to or held by an investor in a fund, pooled investment vehicle or any other interest identified as such in the applicable Final Terms;

"**Fund Interest Performance**" means, in respect of any Fund Interest and any Valuation Date or Averaging Date, a rate determined by the Determination Agent in accordance with the formula specified as such in the applicable Final Terms;

"**Fund Interest Unit**" means, in respect of any Fund Interest and the related Fund, a share in such Fund or, if Fund Interests in such Fund are not denominated as shares, a notional unit of account of ownership in such Fund in the amount specified in the applicable Final Terms;

"**Fund-Linked Early Redemption Amount**" means, in respect of any Note, an amount determined by the Determination Agent in the Specified Currency specified in the applicable Final Terms, to be the fair market value of a Note based on the market conditions prevailing at the date of determination reduced to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation, any Fund Interests, options, swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the Notes);

"**Fund Prospectus**" means, in respect of any Fund Interest and the related Fund, the prospectus or other offering document issued by such Fund in connection with such Fund Interest, as amended or supplemented from time to time;

"**Fund Reporting Date**" means, in respect of any Fund Interest and any Fund Valuation Date, the date on which the Reported Fund Interest Unit Value of such Fund Interest as determined as of such Fund Valuation Date is reported or published;

"**Fund Service Provider**" means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, to that Fund, whether or not specified in the Fund Documents, including without limitation any Fund Adviser, Fund Administrator, Fund Custodian and Additional Fund Service Provider;

"**Fund Subscription Date**" means, in respect of any Fund Interest, the date specified as such in the applicable Final Terms or, if no such date is specified, the day as of which a request by a Hypothetical Investor for subscription to such Fund Interest that has been submitted on the related Subscription Notice Date and in a form and substance acceptable to the related Fund would be considered effective by such Fund;

"**Fund Valuation Date**" means, in respect of any Fund Interest, the date as of which the related Fund (or its Fund Service Provider that generally determines such value) determines the value of such Fund Interest or, if the related Fund only reports its aggregate net asset value, the date as of which such Fund determines its aggregate net asset value;

"**Hedging Party**" has the meaning given in the definition of "Fund Event" above;

"**Hypothetical Investor**" means, unless otherwise specified in the applicable Final Terms, in respect of any Fund Interest, a hypothetical investor in such Fund Interest located in the Hypothetical Investor Jurisdiction and deemed to have (a) the benefits and obligations, as provided under the Fund Documents, of an investor holding, as of the related Fund Subscription Date, an interest in the relevant Fund in an amount equal to the relevant number of relevant Fund Interest Units or amount of such Fund Interest; (b) in the case of any deemed redemption of such Fund Interest, to have submitted to the relevant Fund on the relevant Redemption Notice Date, a duly completed notice requesting redemption of the relevant number of Fund Interest Units; and (c) in the case of any deemed investment in such Fund Interest, to have submitted, on the Subscription Notice Date, a duly completed notice to the relevant Fund, requesting subscription to the relevant number of Fund Interest Units;

"**Hypothetical Investor Jurisdiction**" means the jurisdiction specified as such in the applicable Final Terms or, if no jurisdiction is so specified, the jurisdiction of incorporation of the Issuer;

"**Market Disruption Event**" means any of the following events as determined by the Determination Agent:

(a) in respect of any Fund Interest, the failure of a Scheduled Fund Valuation Date to be a Fund Valuation Date or any continued postponement of such Fund Valuation Date; or

(b) in respect of any Fund Interest, there is a failure by the Fund to pay the full amount (whether expressed as a percentage or otherwise) of the Redemption Proceeds with respect to the relevant number of Fund Interest Units or amount of such Fund Interest scheduled to have been paid on or by such day according to the Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of such Fund Interests);

(c) the inability (including by reason of illegality) of, or the impracticability for, a Hedging Party to (i) unwind or dispose of any transaction it has entered into, or any asset it holds, in either case for the purpose of hedging its exposure to price variations of the Fund Interest (in the case of Single Fund Notes) or the Basket of Funds (in the case of Fund Basket Notes) inherent in its obligations, in the case of the Issuer, under the Notes or, in the case of an affiliate, under any transaction pursuant to which it hedges the Issuer's exposure to the Fund Interest (in the case of Single Fund Notes) or the Basket of Funds (in the case of the Fund Basket Notes) under the Notes, or (ii) realize, recover or remit to any person the proceeds of any such transaction or asset,

(d) **provided that** if any event would otherwise be both a Market Disruption Event and Fund Event, such event shall be treated solely as a Fund Event;

"**NAV Trigger Percentage**" means the percentage (if any) specified as such in the applicable Final Terms;

"**NAV Trigger Period**" means the period (if any) specified as such in the applicable Final Terms;

"**Net Present Value**" means, in respect of an amount payable on a future date, the discounted value of such amount as calculated by the Determination Agent in its discretion taking into account the relevant interbank offered rate at the time of such calculation for one month deposits in the relevant currency or such other reference rate as the Determination Agent determines to be appropriate;

"**Number of Fund Interest Units**" means, in the case of Fund Basket Notes, at any time, in respect of the Fund Interest Units of each Fund comprised in the Basket of Funds at such time, the number of such Fund Interest Units per Basket of Funds specified or otherwise determined as provided in the applicable Final Terms;

"**Potential Adjustment Event**" means, in respect of any Fund Interest, any of the following events in the determination of the Determination Agent:

(a) a subdivision, consolidation or reclassification of the relevant amount of Fund Interest, or a free distribution or dividend of any such Fund Interest to existing holders by way of bonus, capitalization or similar issue;

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

(c) an Extraordinary Dividend;

(d) a repurchase by the Fund of relevant Fund Interests whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Fund Interests initiated by an investor in such Fund Interests; or

(e) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Fund Interests;

"**Redemption Notice Date**" means, in respect of any Fund Interest and any Valuation Date or Averaging Date, the date specified as such in the applicable Final Terms or, if no date is so specified, the last date on which a Hypothetical Investor in such Fund Interest would be permitted, pursuant to the Fund Documents of the related Fund, to submit a redemption notice that would be timely for a redemption as of the Scheduled Redemption Valuation Date for which the Scheduled Redemption Payment Date falls on or immediately prior to such Valuation Date or Averaging Date;

"**Redemption Proceeds**" means, in respect of the relevant number of Fund Interest Units or amount of any Fund Interest, the redemption proceeds that in the determination of the Determination Agent would be paid by the related Fund to a Hypothetical Investor who, as of the relevant Redemption Valuation Date, redeems such number of Fund Interest Units or amount of Fund Interest (for the avoidance of doubt after deduction of any tax, levy, charge, assessment or fee of any nature that, in the determination of the Determination Agent, would (or would be very likely to) be withheld or deducted from such amount); **provided that** (a) any such proceeds that would be paid in property other than cash shall be deemed to have a value of zero and (b) if the Hypothetical Investor would be entitled to elect payment of such redemption proceeds to be made either in the form of cash or other property, then the Hypothetical Investor shall be deemed to have elected cash payment, except as otherwise specified in the applicable Final Terms;

"**Redemption Valuation Date**" means, in respect of any Fund Interest and any Scheduled Redemption Valuation Date, the date as of which the related Fund (or its Fund Service Provider that generally determines such value) determines the net asset value of such Fund Interest for purposes of calculating the redemption proceeds to be paid to a Hypothetical Investor that has submitted a valid notice for redemption on or before the related Redemption Notice Date;

"**Reference Price**" means:

(a) in the case of Single Fund Notes, the price per Fund Interest Unit determined as provided in the applicable Final Terms as of the Final Valuation Time on the Final Valuation Date or, if no means of determining such price are so provided, the Relevant Fund Interest Unit Price; and

(b) in the case of Fund Basket Notes, the price per Basket of Funds determined as provided in the applicable Final Terms as of the Final Valuation Time on the Final Valuation Date or, if no means of determining such price are so provided, the sum of the values calculated as of the Final Valuation Time on the Final Valuation Date for each Fund Interest Unit comprising the Basket of Funds as the product of the Relevant Fund Interest Unit Price of such Fund Interest Unit and the relevant Number of Fund Interest Units comprised in the Basket of Funds,

**provided that** when calculating the Relevant Fund Interest Unit Price of any Fund Interest Unit for the purposes of determining the Reference Price, the Valuation Time and the Valuation Date will be the Final Valuation Time and the Final Valuation Date, respectively;

"**Relevant Fund Interest Unit Price**" means, in respect of a Fund Interest and any Valuation Date or Averaging Date, the price per related Fund Interest Unit determined by the Determination Agent as provided in the applicable Final Terms as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be, or, if no means for determining the Relevant Fund Interest Unit Price are so provided, an amount equal to the Redemption Proceeds relating to such Fund Interest Unit that in the determination of the Determination Agent would be received by a Hypothetical Investor in such Fund Interest in respect of a redemption of Fund Interest Units targeted to be effected as of the Scheduled Redemption Valuation Date relating to such Valuation Date or Averaging Date, as the case may be;

"**Removal Value**" means, in respect of any Affected Fund Interest, the value calculated by the Determination Agent in the same manner as would be used in determining the Relevant Fund Interest Unit Price of Fund Interest Units in the related Fund, but assuming a valid notice requesting redemption of Fund Interest Units in such Fund has been submitted to such Fund on the Fund Business Day next following delivery of the relevant Fund Event Notice;

"**Reported Fund Interest Unit Value**" means, in respect of any Fund Interest and a Fund Reporting Date relating to such Fund Interest, the value per Fund Interest Unit as of the related Fund Valuation Date or, if the related Fund reports only its aggregate net asset value, the portion of such Fund's aggregate net asset value relating to one Fund Interest Unit, in each case as reported on such Fund Reporting Date by the Fund Service Provider that generally reports such value on behalf of the Fund to its investors or a publishing service;

"**Scheduled Fund Valuation Date**" means, in respect of any Fund Interest, the date as of which the related Fund (or its Fund Service Provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interests), to determine the value of such Fund Interest or, if the related Fund only reports its aggregate net asset value, the date as of which such Fund determines its aggregate net asset value;

"**Scheduled Redemption Payment Date**" means, in respect of any Fund Interest and any Scheduled Redemption Valuation Date, the date specified as such in the applicable Final Terms or, if not so specified, the date by which the related Fund is scheduled to have paid, according to its Fund Documents, all or a specified portion of the Redemption Proceeds to an investor that has submitted a timely and valid notice requesting redemption of such Fund Interest as of such Scheduled Redemption Valuation Date;

"**Scheduled Redemption Valuation Date**" means, in respect of any Fund Interest, the date as of which the related Fund (or its Fund Service Provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Fund to delay or refuse redemption of Fund Interests), to determine the net asset value of such Fund Interest for the purposes of calculating the redemption proceeds to be paid to an investor that has submitted a valid and timely notice for redemption of Fund Interests based on the value determined as of such date; the Scheduled Redemption Valuation Date relating to any Valuation Date or Averaging Date, as the case may be, shall be the date specified as such in the applicable Final Terms or, if no such date is specified, the Scheduled Redemption Valuation Date for which the Scheduled Redemption Payment Date falls on or immediately prior to such Valuation Date or Averaging Date, as the case may be;

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

"**Subscription Notice Date**" means, in respect of any Fund Interest and any Fund Subscription Date, the date specified as such in the applicable Final Terms or, if no date is so specified, the last date on which a notice to subscribe to such Fund Interest may be submitted pursuant to the Fund Documents of the related Fund and be considered effective as of such Fund Subscription Date; If the applicable Final Terms do not specify a Subscription Notice Date or a Fund Subscription Date, the Subscription Notice Date shall be deemed to be the Issue Date;

"**Valuation Date**" means each date specified as such or otherwise determined or provided for in the applicable Final Terms or, if such date is not a Business Day, the next following Business Day, subject to the provisions of Condition 15.1 (*Adjustments for Disrupted Days*); and

"**Valuation Time**" means the time on the Valuation Date or Averaging Date specified as such in the applicable Final Terms or, if no time is so specified, the close of business in the Hypothetical Investor Jurisdiction on the relevant Valuation Date or Averaging Date.

## 16. PROVISIONS RELATING TO PREFERENCE SHARE-LINKED NOTES

This Condition 16 (*Provisions relating to Preference Share-Linked Notes*) is applicable only in relation to Notes specified in the applicable Final Terms as being Preference Share-Linked Notes.

16.1 **Redemption of Preference Share-Linked Notes**: Unless previously redeemed or purchased and cancelled, each Preference Share-Linked Note will be redeemed by the Issuer on the Maturity Date by payment of the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date.

16.2 **Early Redemption for Taxation Reasons**: If the Preference Share-Linked Notes are redeemed pursuant to Condition 18.2 or 18.3 (as applicable), each Preference Share-Linked Note shall be redeemed at the Early Redemption Amount.

16.3 **Call Option**: If Call Option is specified in the applicable Final Terms as being applicable the provisions of Condition 18.7 shall apply to the Preference Share-Linked Notes as if the words "in whole or, if so specified in the applicable Final Terms, in part" in the second and third lines were replaced with the words "in whole (but not in part)".

16.4 **Early Redemption of Preference Share-Linked Notes**: Upon the occurrence of an Early Redemption Event, the Issuer may give notice to the Noteholders in accordance with Condition 33 (*Notices*) and will redeem all (but not some only) of the Preference Share-Linked Notes on the tenth Business Day immediately preceding the Early Preference Share Redemption Date (as specified in the Early Preference Share Redemption Notice), each Preference Share-Linked Note to be redeemed by payment of the Early Preference Share Redemption Note Amount.

16.5 **Extraordinary Events**: If in the determination of the Determination Agent an Extraordinary Event occurs, the Issuer may (but is not obliged to) give notice to the Noteholders in accordance with Condition 33 (*Notices*) and redeem all, but not some only, of the Preference Share-Linked Notes, each Preference Share-Linked Note being redeemed at the Early Redemption Amount on the tenth Business Day immediately following the date on which such determination is made by the Determination Agent.

16.6 **Additional Disruption Events**: If in the determination of the Determination Agent an Additional Disruption Event occurs, the Issuer may (but is not obliged to) give notice to Noteholders in accordance with Condition 33 (*Notices*) and redeem all, but not some only, of the Preference Share-Linked Notes, each Preference Share-Linked Note being redeemed at the Early Redemption Amount on the tenth Business Day immediately following the date on which such determination is made by the Determination Agent.

16.7 **Payments – General Provisions**: Condition 19.11 (*Unavailability of Currency*) and Condition 21.11 (*Unavailability of Currency*) shall not apply to the Preference Share-Linked Notes.

16.8 **Definitions applicable to Preference Share-Linked Notes:**

"**Additional Disruption Event**" means, if specified as applicable in the relevant Final Terms, with respect to any Series of Notes, a Change in Law, Hedging Disruption, Insolvency Filing and/or Increased Cost of Hedging, and any further event of events as may be specified in the applicable Final Terms

"**Change in Law**" means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of any Sienna UK Preference Share or (y) it will incur a materially increased cost in performing its obligations in relation to the Preference Share-Linked Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"**Early Redemption Amount**" means, in respect of a Note, an amount in the Specified Currency calculated by the Determination Agent on the same basis as the Final Redemption Amount, as set out in the applicable Final Terms, except that the definition of Sienna UK Preference Share $\text{Value}_{\text{final}}$ shall be the Sienna UK Preference Share Value on the Early Redemption Valuation Date.

"**Early Redemption Event**" means that the Issuer or any of its affiliates has received notice from Sienna UK that the Sienna UK Preference Shares are to be redeemed early.

"**Early Preference Share Redemption Date**" means a date upon which the Sienna UK Preference Shares are redeemed prior to their planned maturity, as specified in the relevant Early Preference Share Redemption Notice.

"**Early Preference Share Redemption Note Amount**" means, in respect of each Preference Share-Linked Note, an amount in the Specified Currency calculated by the Determination Agent equal to:

$$\text{Calculation Amount} \times \frac{\text{Sienna UK Preference Share Value}_{\text{early}}}{\text{Sienna UK Preference Share Value}_{\text{inital}}}$$

"**Early Preference Share Redemption Notice**" means a notice from Sienna UK that the Sienna UK Preference Shares are to be redeemed early.

"**Early Redemption Valuation Date**" means the second Business Day immediately preceding the date for early redemption of the Preference Share-Linked Notes.

"**Extraordinary Event**" means a Merger Event, a Nationalisation, a Tender Offer and/or an Insolvency or such other event specified as such in the applicable Final Terms.

"**Final Valuation Date**" means the date specified as such in the applicable Final Terms or, if any date(s) for valuation of or any determination of the underlying asset or reference basis (or any part thereof) for the Sienna UK Preference Shares falling on or about such day is to be delayed in accordance with the terms and conditions of the Sienna UK Preference Shares by reason of a disruption or adjustment event, the Final Valuation Date shall be such delayed valuation or determination date(s), all as determined by the Determination Agent.

"**Hedging Disruption**" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Preference Share-Linked Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

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

"**Initial Valuation Date**" means the Issue Date or, if the date for valuation of or any determination of the underlying asset or reference basis (or any part thereof) for the Sienna UK Preference Shares falling on or about such day is to be delayed in accordance with the terms and conditions of the Sienna UK Preference Shares by reason of a disruption or adjustment event, the Initial Valuation Date shall be such delayed valuation or determination date(s), all as determined by the Determination Agent.

"**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting Sienna UK (A) all the Sienna UK Preference Shares are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Sienna UK Preference Shares become legally prohibited from transferring them.

"**Insolvency Filing**" means that Sienna UK institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, **provided that** proceedings instituted or petitions presented by creditors and not consented to by Sienna UK shall not be deemed an Insolvency Filing.

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

"**Merger Event**" means any (A) reclassification or change of the Sienna UK Preference Shares that results in a transfer of or an irrevocable commitment to transfer all of such Sienna UK Preference Shares outstanding to another entity or person, (B) consolidation, amalgamation, merger or binding share exchange of Sienna UK with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which Sienna UK is the continuing entity and which does not result in a reclassification or change of all of such Sienna UK Preference Shares outstanding), (C) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Sienna UK Preference Shares that results in a transfer of or an irrevocable commitment to transfer all such Sienna UK Preference Shares (other than such Sienna UK Preference Shares owned or controlled by such other entity or person), or (D) consolidation, amalgamation, merger or binding share exchange of Sienna UK with or into another entity in which Sienna UK is the continuing entity and which does not result in a reclassification or change of all such Sienna UK Preference Shares outstanding but results in the outstanding Sienna

UK Preference Shares (other than Sienna UK Preference Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Sienna UK Preference Shares immediately following such event, in each case if the Merger Date is on or before the Maturity Date.

"**Nationalisation**" means that all the Sienna UK Preference Shares or all or substantially all the assets of Sienna UK are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

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

"**Sienna UK**"" means Sienna Finance UK Limited.

"**Sienna UK Preference Shares**" means the preferences shares of Sienna UK specified in the applicable Final Terms.

"**Sienna UK Preference Share Value**" means, in respect of any day, the market value of Sienna UK Preference Share at the Valuation Time on such day as determined by the Determination Agent.

"**Sienna UK Preference Share Value$_{early}$**" means the Sienna UK Preference Share Value on the Early Redemption Valuation Date."

"**Valuation Time**" has the meaning given to it in the applicable Final Terms or if not set out in the applicable Final Terms, immediately following the time at which the final preference share redemption amount in respect of the Sienna UK Preference Shares is determined.

16.9 **Calculations and Determinations**: The Determination Agent will make the calculations and determinations as described in this Condition 16.9 in such a manner as the Determination Agent determines is appropriate acting in good faith and in a commercially reasonable manner (having regard in each case to the criteria stipulated in the Conditions and the hedging arrangements in respect of the Preference Share-Linked Notes).

Notwithstanding that certain calculations, determinations and adjustments in this Condition 16.9 may be expressed to be on a certain date, the Determination Agent may make such calculations, determinations and adjustments in respect of that date on a date after that date determined by it in its discretion.

Pursuant to this Condition 16.9 the Determination Agent has a number of discretions. These are necessary since in certain circumstances it is not reasonably practicable or otherwise not appropriate for certain valuations to be carried out in relation to relevant reference assets and in these circumstances the Determination Agent also may exercise certain discretions.

The provisions of the second paragraph of Condition 5.8 will not apply to the calculation of the Final Redemption Amount or Early Redemption Amount.

16.10 **Rounding**: Condition 36 (*Rounding*) shall not apply to the Preference Share-Linked Notes.

## 17. PHYSICALLY SETTLED WARRANT-LINKED NOTES

This Condition 17 (*Physically Settled Warrant-Linked Notes*) is applicable only in relation to Notes specified in the applicable Final Terms as being Physically Settled Warrant-Linked Notes.

17.1 **Redemption of Physically Settled Warrant-Linked Notes**: Unless previously redeemed or purchased and cancelled, each Physically Settled Warrant-Linked Note will be redeemed on the Maturity Date and the Noteholder shall have the option either:

(i) to elect to receive payment on the Maturity Date of the Final Redemption Amount; or

(ii) to direct the Issuer to apply the Final Redemption Amount in purchasing for delivery on the Physical Settlement Date, the Physical Delivery Amount, subject as provided in Condition 23.

The Noteholder will be deemed to have directed the Issuer to apply the Final Redemption Amount in the manner set out in paragraph (ii) above unless the relevant Noteholder delivers, not less than two Business Days before the Maturity Date, an irrevocable notice in writing to the relevant Clearing System, with a copy to the Fiscal Agent, or if the Notes are in definitive form, to the Fiscal Agent (along with evidence satisfactory to the Fiscal Agent as to the relevant Noteholder's ownership of the Note) or in the case of Uncertified Notes, delivers, not less than two Business Days before the Maturity Date to the Euroclear Registrar an irrevocable notice in the form then accepted by the Operator, in each case stating that he has elected to receive payment of the Final Redemption Amount on the Maturity Date in respect of each Note held by him and identified in the notice.

Any notice delivered pursuant to the previous paragraph will be deemed to be void (and accordingly the relevant Noteholder will be deemed to have directed the Issuer to apply the Final Redemption Amount in respect of the Notes the subject of the notice in the manner set out in paragraph (ii) above) if on the Election Valuation Date the market value of each Exchange Warrant, determined by the Determination Agent in good faith and in a commercially reasonable manner is less than the Specified Denomination.

Where a Noteholder elects in accordance with this Condition 17 for the Issuer to apply the Final Redemption Amount in respect of a Note to purchase the Physical Delivery Amount, the Physical Delivery Amount is delivered by the Issuer to the Noteholder in respect of the Physically Settled Warrant-Linked Note as consideration for the use of the par amount of the Note and in compensation for and in recognition that in certain circumstances the value of the Physical Delivery Amount on the Physical Settlement Date may not be more than the par value of the Note.

17.2 **Physical Settlement**: The provisions of Condition 23 (*Physical Settlement*) (with the exception of Condition 23.2.2 through 23.2.4 and Condition 23.4) shall apply to the Notes but on the basis that (i) the references therein to "Underlying Securities" were references to "Exchanged Warrants" and (ii) the references to "Clearing System" and "Applicable Clearing System" were references to "Clearstream, Luxembourg" and "Euroclear". The Issuer will effect delivery of the Physical Delivery Amount through Morgan Stanley & Co. International plc, acting as its agent. In the event that the Notes are in definitive form the Issuer shall notify the Noteholders in accordance with Condition 33 of the amendments (if any) required to any of the provisions relating to the physical delivery of the Physical Delivery Amount under the Notes.

17.3 ***Additional Disruption Events***:

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

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

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

(v) For the purposes hereof:

"**Additional Disruption Event**" means, if specified as applicable in the relevant Final Terms, with respect to any Series of Notes, a Change in Law, Hedging Disruption, Insolvency Filing and/or Increased Cost of Hedging, and any further event of events as may be specified in the applicable Final Terms.

17.4 **Definitions applicable to Physically Settled Warrant-Linked Notes**:

"**Election Valuation Date**" means the date specified as such in the applicable Final Terms;

"**Exchanged Warrants**" mean the Exchanged Warrants specified in the applicable Final Terms.

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

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

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

"**Physical Delivery Amount**" means one Exchange Warrant; and

"**Physical Settlement Date**" has the meaning given to it in Condition 23.5.

## 18. REDEMPTION AND PURCHASE

18.1 **Scheduled Redemption**. Save in the case of Notes that are Credit-Linked Notes, unless previously redeemed, or purchased and cancelled, and unless otherwise specified in the relevant Final Terms, (i) Cash Settlement Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Conditions 19 (*Payments – Bearer Notes*), 20 (*Payments – Immobilised Bearer Global Notes*), 21 (*Payments – Registered Notes*) and 22 (*Payments – Uncertificated Notes*) and (ii) Physical Settlement Notes shall be redeemed by delivery of the Physical Delivery Amount on the Physical Settlement Date, subject as provided in

Condition 23 (*Physical Settlement*). Notes that are Credit-Linked Notes shall be redeemed as set out in Condition 24 (*Credit-Linked Notes*) subject to any additional or alternative redemption/payment provisions or modifications contemplated in respect of such Notes specified in the applicable Final Terms.

18.2 **Tax Redemption — Morgan Stanley Notes**. Notes issued by Morgan Stanley may be redeemed in whole (but not in part), at the option of Morgan Stanley at any time prior to maturity, upon the giving of a notice of redemption as described below, if Morgan Stanley determines that, as a result of:

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

18.2.2 any change in official position regarding the application or interpretation of the laws, regulations or rulings referred to above,

which change or amendment becomes effective on or after the date of the applicable Final Terms in connection with the issuance of the Notes or any other date specified in the applicable Final Terms, Morgan Stanley is or will become obligated to pay Additional Amounts with respect to the Notes as described in Condition 25 (*Taxation*). The redemption price will be specified in the applicable Final Terms. Morgan Stanley will give notice of any tax redemption.

18.3 **Tax Redemption — MSI plc, MSBV Notes and MSJ Notes**. MSI plc Notes, MSBV Notes and MSJ Notes may be redeemed in whole (but not in part), at the option of the relevant Issuer at any time prior to maturity, upon the giving of a notice of redemption as described below, if the Issuer determines, in its sole discretion, that it or the Guarantor is or will become required by law to make any withholding or deduction with respect to the Notes, as described in Condition 25 (Taxation). The redemption price will be specified in the applicable Final Terms. The Issuer will give notice of any tax redemption in accordance with Condition 33 (*Notices*).

18.4 Prior to the relevant Issuer giving notice of redemption under Condition 18.2 (*Tax Redemption — Morgan Stanley Notes*) or 18.3 (*Tax Redemption — MSI plc, MSBV Notes and MSJ Notes.*), it will deliver to the Fiscal Agent:

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

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

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

In relation to any Notes if any date fixed for redemption is a date prior to the date (the "**Exchange Date**") that is 40 days after the date on which the Issuer receives the proceeds of the sale of a Note, definitive bearer notes will be issuable on and after that redemption date as if that redemption date had been the Exchange Date. Bearer Notes in definitive form will be redeemed as described above.

18.5 **Redemption at the Option of the Issuer**. If the Call Option is specified in the applicable Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the applicable Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date) and, in the case of Uncertificated Notes, not less than 45 days' notice to the Euroclear Registrar.

18.6 **Partial Redemption**.

(a) if the Notes are to be redeemed in part only on any date in accordance with Condition 18.7 (*Redemption at the Option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 18.7 (*Redemption at the Option of the Issuer*) shall specify the serial numbers of the Notes so to be so redeemed;

(b) in respect of a partial redemption of Nordic Notes, the notice to Noteholders referred to in Condition 18.7 (*Redemption at the Option of the Issuer*) shall also specify the Nordic Notes or amounts of the Nordic Notes to be redeemed and the Record Date in respect of the relevant Nordic Notes and the procedures for partial redemption laid down in the then applicable NCSD Rules will be observed; and

(c) in respect of a partial redemption of Uncertificated Notes, the notice to Noteholders referred to in Condition 18.7 (*Redemption at the Option of the Issuer*) shall also specify any procedures for partial redemption laid down in the then applicable Regulations.

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

18.9.1 In order to exercise the option contained in this Condition 18.9 (*Redemption at the Option of Noteholders*) the holder of a Note (other than an Uncertificated Note) must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit such Note (together with all unmatured Coupons relating thereto) with, in the case of a Bearer Note, any Paying Agent or, in the case of a Registered Note, the Registrar, and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent or, in the case of a Registered Note, the Registrar, with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. In respect of Nordic Notes, the Put Notice shall not take effect against the Issuer before the date on which the relevant Nordic Notes have been transferred to the account designated by the NCSD Issuing Agent and blocked for further transfer by the relevant NCSD Issuing Agent. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 18.9 (*Redemption at the Option of Noteholders*), may be withdrawn; **provided**, **however**, **that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or, in the case of a Registered Note, the Registrar shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent or, in the case of a Registered Note, the Registrar in accordance with this Condition 18.9 (*Redemption at the Option of Noteholders*), the depositor of such Note and not such Paying Agent or, in the case of a Registered Note, the Registrar shall be deemed to be the holder of such Note for all purposes.

18.9.2 In order to exercise the option contained in this Condition 18.9, the holder of an Uncertificated Note must not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with the Euroclear Registrar a duly completed Put Option Notice in the form obtainable from the Euroclear Registrar. The Euroclear

Registrar with which a Put Option Notice is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. Once deposited a duly completed Put Option Notice may not be withdrawn; **provided**, **however**, **that** if, prior to the relevant Optional Redemption Date (Put), the related Note becomes immediately due and payable or, upon the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the Euroclear Registrar shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and the relevant depositing Noteholder and not the Euroclear Registrar shall be deemed to be the holder of such Note for all purposes in such case.

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

18.10.1 the Reference Price; and

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

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the applicable Final Terms for the purposes of this Condition 18.10 (*Early Redemption of the Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

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

18.10 **Cancellation**: All Notes so redeemed shall, and all Notes so purchased by Morgan Stanley, MSI plc, Morgan Stanley Jersey, MSBV or any of their respective Subsidiaries may, at the discretion of the relevant purchaser, be cancelled (together with all unmatured Coupons attached to or surrendered with them). All Notes so redeemed, and all Notes so purchased and cancelled, may not be reissued or resold.

## 19. PAYMENTS – BEARER NOTES

This Condition 19 (*Payments – Bearer Notes*) is only applicable to Bearer Notes.

19.1 **Principal**: Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency. Such payment shall be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bearer Notes. On each occasion on which a payment of principal or interest is made in respect of a Global Note, the relevant Issuer shall procure that the same is noted in a schedule thereto. No Issuer or any Paying Agent shall under any circumstances be liable for any acts or defaults of the Relevant Clearing System in the performance of the Relevant Clearing System's duties in relation to the Notes. Notwithstanding the foregoing, payment on any Bearer Note will not be made (1) by cheque mailed to any address in the United States; or (2) by wire transfer to an account maintained with a bank located in the United States.

19.2 **Interest**: Payments of interest shall, subject to Condition 19.8 (*Payments other than in Respect of Matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 18.1 (*Scheduled Redemption*) above.

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

19.4 **Payments Subject to Fiscal Laws**: All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment and to the rules and procedures of the Relevant Clearing System, but without prejudice to the provisions of Condition 25 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

19.5 **Deductions for Unmatured Coupons**: If the applicable Final Terms specify that the Fixed Rate Note Provisions are applicable and a Bearer Note in definitive form is presented without all unmatured Coupons relating thereto:

19.5.1 if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment, **provided**, **however**, **that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

19.5.2 if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(a) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment, **provided**, **however**, **that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(b) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment, **provided**, **however**, **that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

19.6 **Unmatured Coupons Void**: If the applicable Final Terms specify that this Condition 19.6 (*Unmatured Coupons Void*) is applicable or that one or more of the Floating Rate Note Provisions, the Equity-Linked Interest Note Provisions, the Commodity-Linked Interest Note Provisions, the Currency-Linked Interest Note Provisions, the Inflation-Linked Interest Note Provisions, the Credit-Linked Interest Note Provisions or the Property-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note in definitive form or early redemption of such Note pursuant to Condition 18.2 (*Tax Redemption — Morgan Stanley Notes*) or Condition 18.3 (*Tax Redemption — MSI plc, MSBV Notes and MSJ Notes*), Condition 18.9 (*Redemption at the Option of Noteholders*), Condition 18.7 (*Redemption at the*

*Option of the Issuer*) or Condition 26 (Events of Default), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

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

19.8 **Payments other than in Respect of Matured Coupons**: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 19.3 above).

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

19.10 **Exchange of Talons**: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes in definitive form, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent during regular business hours for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 28 below (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

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

(i) of the Specified Currency for U.S. dollars for settlement on the payment date;

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

(iii) at which the applicable dealer commits to execute a contract.

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

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

The foregoing provisions do not apply if a Specified Currency is unavailable because it has been replaced by the euro. If the euro has been substituted for a Specified Currency, the Issuer may (or will, if required by applicable law) without the consent of the holders of the affected Notes, pay the principal of, premium, if any, or interest, if any, on any Note denominated in the

Specified Currency in euro instead of the Specified Currency, in conformity with legally applicable measures taken pursuant to, or by virtue of, the Treaty. Any payment made in U.S. dollars or in euro as described above where the required payment is in an unavailable Specified Currency will not constitute an Event of Default.

## 20. PAYMENTS – IMMOBILISED BEARER GLOBAL NOTES

This Condition 20 (Payments – Immobilised Bearer Global Notes) is only applicable to Immobilised Bearer Global Notes.

20.1 Payments of any amounts owing in respect of the Immobilised Bearer Global Notes (including principal, interest and instalments, if any) will be made by MSI plc as the relevant Issuer in the Specified Currency to the relevant Paying Agent. The relevant Paying Agent will, in turn, make such payments to the Book-Entry Depositary in its capacity as the bearer of the relevant Immobilised Bearer Global Note. Upon receipt of any such amounts, the Book-Entry Depositary will pay the amounts so received to the common depositary for Euroclear and/or Clearstream, Luxembourg, as applicable, which will distribute such payments to participants in accordance with their procedures.

20.2 The Issuer, the Paying Agent and the CDI Registrar will treat the bearer of an Immobilised Bearer Global Notes as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Book-Entry Depositary, any Agent, the CDI Registrar or any agent of the Issuer, any Agent or the CDI Registrar has or will have any responsibility or liability for:

(i) any aspect of the records of, Euroclear, Clearstream, Luxembourg or any participants or indirect participant relating to, or payments made on account of, Euroclear, or Clearstream, Luxembourg any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or

(ii) Euroclear, Clearstream, Luxembourg or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

20.3 In the event any Immobilised Bearer Global Note (or any portion thereof) is redeemed, the Book-Entry Depositary will, through Euroclear or Clearstream, Luxembourg, as applicable, redeem an equal amount of the Book-Entry Interests in such Immobilised Bearer Global Note from the amount received by it in respect of the redemption of such Immobilised Bearer Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by the Book-Entry Depositary in connection with the redemption of such Immobilised Bearer Global Note (or any portion thereof). If fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream, Luxembourg will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate in accordance with procedures of Euroclear and Clearstream, Luxembourg.

20.4 **Payments Subject to Fiscal Laws**: All payments in respect of the Immobilised Bearer Global Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 25 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

20.5 **Payments on Payment Business Days**: Payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated on the due date for payment. A holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

20.6 **Partial payments**: If a Paying Agent makes a partial payment in respect of any Immobilised Bearer Global Note, the Issuer shall procure that the amount and date of such payment are noted on the Immobilised Bearer Global Note and, in the case of partial payment, that a statement indicating the amount and the date of such payment is endorsed on the relevant Global Note.

## 21. PAYMENTS – REGISTERED NOTES

This Condition 21 (*Payments – Registered Notes*) is only applicable to Registered Notes.

21.1 **Principal**: Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth (15th) day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

21.2 **Interest**: Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth (15th) day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

21.3 **Payments Subject to Fiscal Laws**: All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 25 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

21.4 **Payments on Payment Business Days**: Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 21 (Payments – Registered Notes) arriving after the due date for payment or being lost in the mail.

21.5 **Partial payments**: If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

21.6 **Record date**: Each payment in respect of a Registered Note or an Uncertificated Note will be made to the person shown as the holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth (15th) day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the Register at the opening of business on the relevant Record Date.

21.7 **Payments of Principal and Interest in respect of Nordic Notes**: Payments of principal, interest and/or any other amount payable under these Conditions in respect of Nordic Notes shall be made to the Noteholders recorded as such on the fifth business day (as defined by the then applicable NCSD Rules) before the due date for such payment, or such other business day falling closer to the due date as may then be stipulated in said Rules. Such day shall be the Record Date in respect of the Nordic Notes.

21.8 **Ownership Certificate**: In the case of payments by Morgan Stanley, the beneficial owner of a Note (or a financial institution holding a Note on behalf of the beneficial owner) shall be required under current applicable law to furnish the U.S. Internal Revenue Service Form W-8BEN on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person.

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

(i) of the Specified Currency for U.S. dollars for settlement on the payment date;

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

(iii) at which the applicable dealer commits to execute a contract.

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

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

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

## 22. PAYMENTS – UNCERTIFICATED NOTES

This Condition 22 (Payments – Uncertificated Notes) is only applicable to Uncertificated Notes.

22.1 **Principal**: Subject as provided below, the Euroclear Registrar shall pay or cause to be paid payments of principal in respect of Uncertificated Notes to the relevant Noteholder's cash account such payment to be made in accordance with the rules of the Operator.

22.2 **Interest**: Payments of interest (if any) in respect of Uncertificated Notes will be discharged by payment (as shown in the records of the Operator) to the cash account of the relevant Noteholder.

22.3 **General**: Each of the persons shown in the Operator register of eligible debt securities as the holder of a particular principal amount of Uncertificated Notes must look solely to the settlement bank or institution at which its cash account is held for his share of each such payment so made by or on behalf of the Issuer.

22.4 **Payments Subject to Fiscal Laws**: All payments in respect of the Uncertificated Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 25 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

22.5 **Payments on Payment Business Days**: Payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated on the due date for payment. A holder of an Uncertificated Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

## 23. PHYSICAL SETTLEMENT

### 23.1 Delivery Notice

(i) Each Noteholder in respect of Physical Settlement Notes, shall, on or before the scheduled date for redemption thereof (or such earlier date as the Issuer shall (i) determine is necessary for the Issuer, the Fiscal Agent, the Relevant Clearing System(s) and/or the Euroclear Registrar to perform their respective obligations hereunder and (ii) notify to the Fiscal Agent and/or the Euroclear Registrar and the Noteholders) send to the Relevant Clearing System(s) (in accordance with the relevant operating procedures) or in the case of Uncertificated Notes, the Euroclear Registrar, and the Fiscal Agent an irrevocable notice (the "**Delivery Notice**") in the form from time to time approved by the Issuer, which must:

(a) specify the name and address of the Noteholder;

(b) specify the number of Notes in respect of which he is the Noteholder;

(c) except in the case of Uncertificated Notes, specify the number of the Noteholder's account at the Relevant Clearing System(s) to be debited with such Notes;

(d) except in the case of Uncertificated Notes, irrevocably instruct and authorise the Relevant Clearing System(s) (A) to debit the Noteholder's account with such Notes on the Physical Settlement Date and (B) that no further transfers of the Notes specified in the Delivery Notice may be made;

(e) contain a representation and warranty from the Noteholder to the effect that the Notes to which the Delivery Notice relates are free from all liens, charges, encumbrances and other third party rights;

(f) specify the number and account name of the account at the Clearing System(s) to be credited with the Physical Delivery Amount if Physical Settlement is applicable;

(g) contain an irrevocable undertaking to pay the Redemption Expenses and Taxes (if any) and, except in the case of Uncertificated Notes, an irrevocable instruction to the Relevant Clearing System(s) to debit on or after the Physical Settlement Date the cash or other account of the Noteholder with the Relevant Clearing System(s) specified in the Delivery Notice with such Redemption Expenses and Taxes; and

(h) in the case of Uncertificated Notes, specify the cash memorandum account of the Noteholder as shown in the records of the Operator from which the Redemption Expenses and Taxes in respect of such Notes will be paid to the Euroclear Registrar's account with the Operator against delivery of the Physical Delivery Amount and irrevocably agree to deliver such instructions to the Operator as may be requested by the Euroclear Registrar to give effect to the delivery and payments described above.

(ii) Authorise the production of the Delivery Notice in any applicable administrative or legal proceedings.

(iii) A Delivery Notice, once delivered to the Relevant Clearing System(s) or the Euroclear Registrar, as the case may be, shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. A Noteholder may not transfer any Note which is the subject of a Delivery Notice following delivery of such Delivery Notice to the Relevant Clearing System(s) or the Euroclear Registrar, as the case may be. A Delivery Notice shall only be valid to the extent that the Relevant Clearing System(s) or the Euroclear Registrar, as the case may be, has not received conflicting prior instructions in respect of the Notes which are the subject of the Delivery Notice.

(iv) Failure to properly complete and deliver a Delivery Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided shall be made by the Relevant Clearing System(s) or the Euroclear Registrar, as the case may be, after consultation with the Fiscal Agent and shall be conclusive and binding on the Issuer and the Noteholder.

(v) The Fiscal Agent shall promptly, on the Business Day following receipt of such notice, send a copy of the Delivery Notice to the Issuer or such person as the Issuer may previously have specified.

23.2 **Delivery Obligation**

23.2.1 Subject to the other provisions of this Condition 23.2 (*Delivery Obligation*), the Issuer shall discharge its obligation to deliver the Physical Delivery Amount in respect of any Notes by delivering, or procuring the delivery of, the relevant Underlying Securities on the Physical Settlement Date to the Clearing System for credit to the account with the Clearing System specified in the Delivery Notice of the relevant Noteholder.

23.2.2 The number of Underlying Securities to be delivered to or for the account of each Noteholder on redemption of any Physical Settlement Notes shall be as determined in accordance with the relevant Final Terms. The Issuer may pay a residual cash amount to each Noteholder representing any fractions of Underlying Securities comprising the Physical Delivery Amount.

23.2.3 After delivery to or for the account of a Noteholder of the relevant Physical Delivery Amount and for such period of time as the transferor or its agent or nominee shall continue to be registered in any clearing system as the owner of the Underlying Securities comprised in such Physical Delivery Amount (the "**Intervening Period**"), none of such transferor or any agent or nominee for the Issuer or such transferor shall (i) be under any obligation to deliver to such Noteholder or any other person any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or such transferor, agent or nominee in its capacity as holder of such Underlying Securities, (ii) be under any obligation to exercise any rights (including voting rights) attaching to such Underlying Securities during the Intervening Period, or (iii) be under any liability to such Noteholder or any other person in respect of any loss or damage which the Noteholder or any other person may sustain or suffer as a result, whether directly or indirectly, of the Issuer or such transferor, agent or nominee being registered in the Clearing System during such Intervening Period as legal owner of such Underlying Securities.

23.2.4 Any amounts in respect of dividends and interest on the Underlying Securities comprising the Physical Delivery Amount to be delivered will be payable to the party that would receive such amounts according to market practice for a sale of such Underlying Securities executed on the Exchange Business Day following the Determination Date in respect of the Notes. Any such amounts will be paid to or for credit to the account specified by the Noteholder in the relevant Delivery Notice. No right to dividends or interest on the Underlying Securities will accrue to Noteholders prior to the Determination Date.

23.3 **Settlement Disruption of Physical Settlement**

23.3.1 This Condition 23.3 (*Settlement Disruption of Physical Settlement*) shall apply only where Physical Settlement is applicable.

23.3.2 The Determination Agent shall determine whether or not at any time a Settlement Disruption Event has occurred in respect of Underlying Securities comprised in the Physical Delivery Amount (the "**Affected Securities**") and where it determines such an event has occurred and so has prevented delivery of such Affected Securities on the original day that but for such Settlement Disruption Event would have been the Physical Settlement Date, then the Physical Settlement Date will be the first succeeding day on which delivery of such Affected Securities can take place through the Clearing System unless a Settlement Disruption Event prevents settlement on each of the ten (10) Clearing System Business Days immediately following the original date that, but for the Settlement Disruption Event, would have been the Physical Settlement Date. In that case, (a) if such Affected Securities can be delivered in any other commercially reasonable manner, then the Physical Settlement Date will be the first day on which settlement of a sale of such Affected Securities executed on that tenth Clearing System Business Day customarily would take place using such other commercially reasonable manner of delivery (which other manner of delivery will be deemed the Clearing System for the purposes of delivery of such Affected Securities), and (b) if such Affected Shares cannot be delivered in any other commercially reasonable manner, then the Physical Settlement Date will be postponed until delivery can be effected through the Clearing System or in any other commercially reasonable manner.

23.3.3 For the purposes hereof "**Settlement Disruption Event**" means, as determined by the Determination Agent, an event which is beyond the control of the Issuer or the transferor of any relevant Underlying Securities and as a result of which the Clearing System cannot receive or clear the transfer of such Underlying Securities.

23.4 **Delivery Disruption of Physical Settlement**

23.4.1 This Condition 23.4 (*Delivery Disruption of Physical Settlement*) shall apply only where Physical Settlement is applicable.

23.4.2 If the Determination Agent determines that a Delivery Disruption Event has occurred, the Determination Agent shall notify the Issuer who shall promptly notify the Noteholders, and the Issuer will then deliver, or procure the delivery of, on the Physical Settlement Date such number of Underlying Securities comprised in the Physical Delivery Amount (if any) as it can deliver, or procure the delivery of, on that date and pay such amount as in the opinion of the Determination Agent is appropriate in the circumstances by way of compensation for the non-delivery of the remainder of the Underlying Securities comprised in the Physical Delivery Amount (assuming satisfaction of each applicable condition precedent) to which the Noteholders would have been entitled under the Notes but for the occurrence of such Delivery Disruption Event, in which event the entitlements of the respective Noteholders to receive Underlying Securities on redemption shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon delivery of such number of Underlying Securities and payment of such amount.

23.4.3 Where this Condition 23.4 (*Delivery Disruption of Physical Settlement*) falls to be applied, insofar as the Determination Agent determines to be practical, the same shall be applied as between the Noteholders on a *pro rata* basis, but subject to such rounding down (whether of the amount of a payment or of a number of Underlying Securities to be delivered) and also to such other adjustments as the Determination Agent determines to be appropriate to give practical effect to such provisions.

23.4.4 For the purposes hereof "**Delivery Disruption Event**" means, as determined by the Determination Agent, the failure or inability, due to illiquidity in the market for the Underlying Securities comprised in the Physical Delivery Amount, by or of the Issuer to deliver, or procure the delivery of, on the Physical Settlement Date all the Underlying Securities comprised in the Physical Delivery Amount to be delivered on that date.

23.5 **Additional Definitions**: For the purposes of this Condition 23 (Physical Settlement):

"**Clearing System**" means, in respect of an Underlying Security relating to a Physical Settlement Note, the clearing system specified as such for such security in the applicable Final Terms or any successor to such clearing system as determined by the Determination Agent. If the Final Terms do not specify a clearing system, the Clearing System will be the principal domestic system customarily used for settling trades in the relevant Underlying Securities. If the Clearing System ceases to settle trades in such Underlying Securities, the Determination Agent will, acting in good faith and in a commercially reasonable manner, select another method of delivery;

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

"**Physical Delivery Amount**" means in respect of any Series of Physical Settlement Notes, the Underlying Securities to be delivered by the Issuer to Noteholders on redemption of each Note, as provided in the applicable Final Terms;

"**Physical Settlement Date**" means, in relation to Underlying Securities to be delivered, subject to Condition 23.3 (*Settlement Disruption of Physical Settlement*), in respect of any Notes, the date following the Maturity Date or any other applicable redemption date, as the case may be, which is the first day on which settlement of a sale of such Underlying Securities executed on that Maturity Date or other redemption date, as the case may be, customarily would take place through the Applicable Clearing System, unless otherwise specified in the applicable Final Terms;

"**Settlement Disruption Event**" means, in relation to a security, an event beyond the control of the parties as a result of which the Clearing System cannot clear the transfer of such security.

## 24. CREDIT-LINKED NOTES

24.1 This Condition 24 (Credit-Linked Notes) is applicable only in relation to Notes specified in the relevant Final Terms as being Credit-Linked Notes.

24.2 **Generally**: The terms and conditions of the Notes relating to the calculation of the Final Price of the relevant Reference Obligation, the Credit Event Redemption Amount and the Valuation Method, in the event that Conditions to Settlement are satisfied during the Notice Delivery Period, shall be set out in the applicable Final Terms. Terms used in the Final Terms for Credit-Linked Notes shall, unless otherwise defined herein or in the applicable Final Terms and where the context so permits, have the meanings given thereto in the 2003 ISDA Credit Derivatives Definitions, as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series, as published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Credit Derivatives Definitions**").

24.3 **Maturity**: Subject to the provisions of and in accordance with Conditions 24.4 (*Cash Settlement*) and 24.5 (*Physical Settlement*) and unless previously redeemed or purchased and cancelled, each Credit-Linked Note will mature and will be redeemed on the Scheduled Maturity Date, and the Issuer will on the Scheduled Maturity Date at the option of the Issuer either (a) pay or cause to be paid, for value on the Scheduled Maturity Date, the Final Redemption Amount in respect of such Note to the holder thereof or (b) subject to Condition 23 (Physical Settlement) deliver the Deliverable Amount in respect of such Note to the holder thereof on the Physical Settlement Date, in each case subject to any applicable fiscal or other laws or regulations and subject to and in accordance with the terms and conditions set out herein and in the applicable Final Terms. Payment of any applicable Taxes and Redemption Expenses shall be made by the relevant Noteholder, and the Issuer shall not have any liability in respect thereof.

24.3.1 Credit-Linked Notes do not give the Noteholder any right to acquire any of the Reference Obligations or Deliverable Obligations, and the Issuer is not obliged to purchase, hold or deliver any of such Reference Obligations or Deliverable Obligations. However, if so specified in the relevant Final Terms, the Issuer may, on the redemption of such a Note, elect to deliver the Deliverable Amount on the relevant Physical Settlement Date and the Noteholder shall be obliged to accept such Deliverable Amount.

24.3.2 If the Issuer does not elect to deliver the Deliverable Amount, the Issuer and Paying Agent shall give notice to the relevant Noteholders in accordance with Condition 33 (Notices) of the Redemption Amount payable in cash in respect of each Note as soon as practicable after calculation of such amount.

24.4 **Cash Settlement**: If Cash Settlement is specified in the applicable Final Terms and the Conditions to Settlement are satisfied during the Notice Delivery Period (such date of satisfaction the "**Credit Event Determination Date**"), the Issuer may, at its option, give notice (such notice a "**Settlement Notice**") to the Noteholders in accordance with Condition 33 (Notices) and redeem all of the relevant Credit-Linked Notes, each Note being redeemed by the Issuer at the Credit Event Redemption Amount on the Credit Event Redemption Date.

If the Conditions to Settlement are satisfied and the relevant Credit-Linked Notes become redeemable in accordance with this Condition 24.4 (*Cash Settlement*), upon payment of the Credit Event Redemption Amount in respect of such Notes the Issuer shall have discharged its obligations in respect of such Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the principal amount of such a Note. Any shortfall shall be borne by the Noteholders, and no liability shall attach to the Issuer.

24.5 **Physical Settlement**: If Physical Settlement is specified in the applicable Final Terms and Conditions to Settlement are satisfied during the Notice Delivery Period (such date of satisfaction the "**Credit Event Determination Date**"), the Issuer may, at its option, give notice (such notice a "**Notice of Physical Settlement**") to the Noteholders in accordance with Condition 33 (Notices) and redeem all (but not some only) of the Notes, each Note being redeemed by delivery of the Deliverable Obligations comprising the Deliverable Amount, subject to and in accordance with Condition 23 (Physical Settlement). If the Issuer elects not to give a Notice of Physical Settlement, Condition 24.4 (*Cash Settlement*) shall apply.

24.5.1 In the Notice of Physical Settlement the Issuer shall specify the Deliverable Obligations comprising the Deliverable Amount that it reasonably expects to deliver. For the avoidance of doubt, the Determination Agent shall be entitled to select any of the Deliverable Obligations to constitute the Deliverable Amount, irrespective of their market value.

24.5.2 If Conditions to Settlement are satisfied and the Credit-Linked Notes become redeemable in accordance with this Condition 24.5 (*Physical Settlement*), upon delivery of the Deliverable Amount, the Issuer shall have discharged its obligations in respect of such Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Amount may be less than the principal amount of such Note. Any shortfall shall be borne by the Noteholders, and no liability shall attach to the Issuer.

24.6 **Repudiation/Moratorium Extension**: Where Repudiation/Moratorium is a Credit Event specified in the applicable Final Terms and Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date but the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation/Moratorium will, in the sole determination of the Determination Agent fall after the Scheduled Maturity Date, then the Determination Agent shall notify the Noteholders in accordance with Condition 33 (Notices) that a Potential Repudiation/Moratorium has occurred, and:

24.6.1 where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date, each Credit-Linked Note will be redeemed by the Issuer by payment of the Redemption Amount on the second Business Day following the final day of the Notice Delivery Period; and

24.6.2 where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and Conditions to Settlement are satisfied in the Notice Delivery Period, the provisions of Condition 24.4 (*Cash Settlement*) or 24.5 (*Physical Settlement*), as applicable, shall apply to such Credit-Linked Notes.

24.7 **Grace Period Extension**: If "Grace Period Extension" is specified as applying in the relevant Final Terms, the provisions of this Condition 24.7 (*Grace Period Extension*) shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date but a Potential Failure to Pay has occurred with respect to one or more Obligations in respect of which a Grace Period is applicable on or prior to the Scheduled Maturity Date (and such Grace Period(s) is/are continuing as of the Scheduled Maturity Date), then:

24.7.1 where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date each Credit-Linked Note will be redeemed by the Issuer by payment of the Redemption Amount on the second Business Day following the final day of the Notice Delivery Period; and

24.7.2 where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and Conditions to Settlement are satisfied in the Notice Delivery Period, the provisions of Condition 24.4 (*Cash Settlement*) or 24.5 (*Physical Settlement*), as applicable, shall apply to such Notes.

24.8 **Maturity Date Extension**: If on (1) the Scheduled Maturity Date or (2) the Repudiation/Moratorium Evaluation Date, or (3) if "Grace Period Extension" is specified as applying in the applicable Final Terms, the Grace Period Extension Date, as the case may be, Conditions to Settlement have not been satisfied but, in the opinion of the Determination Agent, a Credit Event may have occurred, the Determination Agent may notify the Noteholders in accordance with Condition 33 (Notices) that the Scheduled Maturity Date, the Grace Period Extension Date or the Repudiation/Moratorium Evaluation Date, as the case may be, has been postponed to a date (such date the "**Postponed Maturity Date**") specified in such notice falling not more than 15 calendar days after the Scheduled Maturity Date, the Grace Period Extension Date or the Repudiation/Moratorium Evaluation Date, as the case may be, and:

24.8.1 where Conditions to Settlement are not satisfied on or prior to the Postponed Maturity Date subject as provided below each Credit-Linked Note will be redeemed by the Issuer by payment of the Redemption Amount on the Postponed Maturity Date; and

24.8.2 where Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 24.4 (*Cash Settlement*) or 24.5 (*Physical Settlement*) as applicable shall apply to such Notes.

24.9 **Additional Disruption Events**:

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

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

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

(v) For the purposes hereof:

"**Additional Disruption Event**" means, if specified as applicable in the relevant Final Terms, with respect to any Series of Notes (unless specified otherwise in the applicable Final Terms), a Change in Law, Hedging Disruption, Increased Cost of Hedging, and any further event or events as may be specified in the applicable Final Terms.

24.10 **Definitions applicable to Credit-Linked Notes**

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

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

"**Conditions to Settlement**" means the delivery by the Determination Agent to the Issuer of a Credit Event Notice that is effective during the Notice Delivery Period and the further conditions, if any, set out in the applicable Final Terms;

"**Credit Event**" means the occurrence during the Notice Delivery Period of any one or more of the Credit Events specified in the applicable Final Terms, as determined by the Determination Agent;

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

(a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation;

(b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation howsoever described;

(c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, howsoever described; or

(d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, howsoever described.

"**Credit Event Determination Date**" means the date on which the Conditions to Settlement in respect of a Credit-Linked Note are satisfied;

"**Credit Event Notice**" means, subject as provided in the applicable Final Terms, an irrevocable notice from the Determination Agent to the Issuer that describes a Credit Event that occurred during the Notice Delivery Period. A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective;

"**Credit Event Redemption Amount**" means the amount calculated in the manner and in accordance with the formula specified in the applicable Final Terms;

"**Credit Event Redemption Date**" means the Business Day following the number of Business Days specified in the applicable Final Terms after the calculation of the Final Price or the Credit Event Determination Date, as the case may be;

"**Default Requirement**" means the amount specified as such in the applicable Final Terms, or if none is specified, U.S.$10,000,000 or its equivalent as calculated by the Determination Agent in the relevant currency as of the occurrence of the relevant Credit Event;

"**Deliverable Amount**" means, in respect of each nominal amount of Notes equal to the lowest denomination, Deliverable Obligations as selected by the Determination Agent in its sole discretion with:

(a) in the case of Deliverable Obligations that are Borrowed Money, an outstanding principal balance (including accrued but unpaid interest (as determined by the Determination Agent) if "**Include Accrued Interest**" is specified as applying in the applicable Final Terms, but excluding accrued but unpaid interest if "**Exclude Accrued Interest**" is specified as applying in the applicable Final Terms, and if neither "**Include Accrued Interest**" nor "**Exclude Accrued Interest**" is specified as applying in the applicable Final Terms, excluding accrued but unpaid interest); or

(b) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount

(or, in the case of either (a) or (b), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date equal to the lowest denomination of a Note less Deliverable Obligations with a market value determined by the Determination Agent in its sole discretion on the Business Day selected by the Determination Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date equal to any costs which the applicable Final Terms specify are to be deducted from the Deliverable Amount (which may, without limitation, include the costs of the Issuer incurred in connection with the redemption of the Notes and related termination or re-establishment of any hedge or related trading position).

If an obligation by its terms represents or contemplates an obligation to pay an amount greater than the outstanding principal balance of such obligation as of the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the outstanding principal balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance;

"**Deliverable Obligations**" has the meaning set out in the applicable Final Terms;

"**Delivery Date**" means the date on which Deliverable Obligations are delivered;

"**Due and Payable Amount**" means the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts);

"**Failure to Pay**" has the meaning specified in the applicable Final Terms or, if no such meaning is so specified, means, following the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure;

"**Final Price**" means, in respect of a Series, the price of the Reference Obligation, expressed as a percentage, determined in accordance with the Valuation Method specified in the relevant Final Terms;

"**Grace Period**" means:

(a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred;

(b) if Grace Period Extension is specified as applying in the applicable Final Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the applicable Final Terms or, if no period is specified in the applicable Final Terms, 30 calendar days; and

(c) if, at the later of the Trade Date and the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; **provided that**, unless Grace Period Extension is specified as applying in the applicable Final Terms, such deemed Grace Period shall expire no later than the Scheduled Maturity Date;

"**Grace Period Business Day**" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation;

"**Grace Period Extension Date**" means, if:

(a) Grace Period Extension is specified as applying in the applicable Final Terms, and

(b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date,

the day that is the number of days in the Grace Period after the date of such Potential Failure to Pay;

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

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

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

"**Notice Delivery Period**" means the period from and including the Issue Date to and including (a) the Scheduled Maturity Date; (b) the date that is fourteen calendar days after the Grace Period Extension Date if (i) Grace Period Extension is specified as applicable in the applicable Final Terms, (ii) the Credit Event that is the subject of the Credit Event Notice is a Failure to Pay that occurs after the Scheduled Maturity Date and (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Maturity Date; or (c) the date that is fourteen calendar days after the Repudiation/Moratorium Evaluation Date if (i) the Credit Event that is the subject of the Credit Event Notice is a Repudiation/Moratorium that occurs after the Scheduled Maturity Date, (ii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date and (iii) the Repudiation/Moratorium Extension Condition is satisfied;

"**Obligations**" has the meaning set out in the applicable Final Terms;

"**Payment Requirement**" means the amount specified as such in the applicable Final Terms or, if a Payment Requirement is not specified in the applicable Final Terms, U.S.$1,000,000, or its equivalent in the relevant currency as calculated by the Determination Agent, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable;

"**Physical Delivery Amount**" means in respect of any Series of Physical Settlement Notes, the securities to be delivered by the Issuer to Noteholders on redemption of each Note, as provided in the applicable Final Terms;

"**Physical Settlement Date**" means, in relation to Underlying Securities to be delivered, subject to Condition 23.3 (*Settlement Disruption of Physical Settlement*), in respect of any Notes, the date following the Maturity Date or any other applicable redemption date, as the case may be, which is the first day on which settlement of a sale of such Underlying Shares executed on that Maturity Date or other redemption date, as the case may be, customarily would take place through the applicable Clearing System, unless otherwise specified in the applicable Final Terms;

"**Potential Failure to Pay**" means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure;

"**Reference Entity**" means each entity named as such in the applicable Final Terms (if any are so specified or described);

"**Reference Obligation**" means each obligation specified or of a type described as such in the applicable Final Terms (if any are so specified or described);

"**Repudiation/Moratorium**" has the meaning set out in the applicable Final Terms;

"**Repudiation/Moratorium Evaluation Date**" has the meaning set out in the applicable Final Terms;

"**Repudiation/Moratorium Extension Condition**" has the meaning set out in the applicable Final Terms;

"**Scheduled Maturity Date**" has the meaning specified in the applicable Final Terms; and

"**Valuation Method**" means, in respect of a Credit-Linked Note, the valuation method specified as such in the applicable Final Terms.

## 25. TAXATION

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

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

25.1.1 any present or future tax, assessment or other governmental charge that would not have been so imposed but for:

(a) the existence of any present or former connection between the Noteholder or Couponholder, or between a fiduciary, settlor, beneficiary, member or shareholder of the Noteholder or Couponholder, if the Noteholder or Couponholder is an estate, a trust, a partnership or a corporation, and the United States and its possessions, including, without limitation, the Noteholder or Couponholder, or such 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 a trade or business or present in the United States or having, or having had, a permanent establishment in the United States, or

(b) the presentation by the Noteholder or Couponholder for payment on a date more than 15 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

25.1.2 any estate, inheritance, gift, sales, transfer, capital gains, corporation, income or personal property tax or any similar tax, assessment or governmental charge;

25.1.3 any tax, assessment or other governmental charge imposed by reason of the Noteholder's or Couponholder's past or present status as a personal holding company or controlled foreign corporation or passive foreign investment company with respect to the United States or as a corporation that accumulates earnings to avoid United States federal income tax or as a private foundation or other tax-exempt organisation;

25.1.4 any tax, assessment or other governmental charge that is payable otherwise than by withholding from payments on or in respect of any Note;

25.1.5 any tax, assessment or other governmental charge that would not have been imposed but for the failure to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the holder or beneficial owner of that Note, if compliance is required by statute or by regulation of the United States or of any political subdivision or taxing authority thereof or therein as a precondition to relief or exemption from the tax, assessment or other governmental charge;

25.1.6 any withholding tax imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code, as amended, and any applicable U.S. Treasury regulations promulgated thereunder or published administrative guidance implementing such sections (including withholding resulting from any inter-governmental agreement in connection with such sections, regulations and/or guidance);

25.1.7 any tax, assessment or other governmental charge imposed by reason of Section 871(m) of the U.S. Internal Revenue code, as amended, and any applicable U.S. Treasury regulations promulgated thereunder or published administrative guidance implementing such section;

25.1.8 any tax, assessment or other governmental charge imposed by reason of the Noteholder's or Couponholder's past or present status as the actual or constructive owner of 10 per cent. or more of the total combined voting power of all classes of stock entitled to vote of Morgan Stanley or as a direct or indirect subsidiary of Morgan Stanley; or

25.1.9 any combination of the items listed above.

In addition, the Issuer will not be required to make any payment of Additional Amounts with respect to any Note or Coupon presented for payment (a) by or on behalf of a Noteholder or Couponholder 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; or (b) where such withholding or deduction is required to be made pursuant to the European Union Directive 2003/48/EC on the taxation of savings income (the "**Directive**") or any law implementing or complying with or introduced in order to conform to the Directive.

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

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

25.2 **MSI plc Notes, MSJ Notes and MSBV Notes**. Except as otherwise provided in the applicable Final Terms, all payments of principal and interest by MSI plc, Morgan Stanley Jersey or MSBV and the Guarantor in respect of MSI plc Notes, MSJ Notes or MSBV Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied collected, withheld or assessed by (i) in the case where the Issuer is MSI plc, the United Kingdom; (ii) in the case where the Issuer is Morgan Stanley Jersey, Jersey; (iii) in the case where the Issuer is MSBV, The Netherlands; or (iv) in the case of the Guarantor, the United States of America or, in each case, any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. None of MSI plc, Morgan Stanley Jersey nor MSBV nor (in respect of MSJ Notes or MSBV Notes) the Guarantor shall be required to make any additional payments on account of any such withholding or deductions, except as provided for in Condition 25.1 (*Additional Amounts*) above.

## 26. EVENTS OF DEFAULT

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

26.1.1 ***Non-payment***: in the case of Morgan Stanley Notes and MSI plc Notes, the applicable Issuer or, in the case of MSBV Notes and MSJ Notes, either the applicable Issuer or the Guarantor fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within thirty days of the due date for payment thereof; or

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

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

then Noteholders of not less than 25 per cent. in aggregate principal amount of the Notes may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately (or, in the case of Swedish Notes, on such later date on which the relevant Nordic Notes have been transferred to the account designated by the relevant NCSD Issuing Agent and blocked for further transfer by such Agent) due and payable, whereupon they shall become so due and payable at their Early Redemption Amount (or in accordance with any other provisions specified in the applicable Final Terms) without further action or formality. Notice of any such declaration shall promptly be given to the Noteholders.

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

## 27. FORCE MAJEURE AND ILLEGALITY

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

27.2 In such circumstances the Issuer will, however, if and to the extent permitted by applicable law, pay to each Noteholder in respect of each Note held by him an amount determined by the Determination Agent, in its sole and absolute discretion, as representing the fair market value of such Note immediately prior to such redemption (ignoring such illegality) less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion. Payment will be made to the relevant Clearing System in such manner as shall be notified to the Securityholders in accordance with Condition 33 (*Notices*).

## 28. PRESCRIPTION

28.1 **Prescription in Respect of Bearer and Registered Notes:** Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of

Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

28.2 **Prescription in Respect of Nordic Notes**: Claims for principal in respect of the Swedish Notes shall become void unless made within a period of ten years after the appropriate Relevant Date. Claims for interest in respect of the Swedish Notes shall become void unless made within a period of five years after the appropriate Relevant Date. Claims for principal and/or interest in respect of Finnish Notes shall become void unless made within a period of three years after the appropriate Relevant Date.

## 29. REPLACEMENT OF NOTES AND COUPONS

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

## 30. AGENTS

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

30.2 In acting under the Euroclear Agreement, the Euroclear Registrar acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

30.3 The initial Agents and the Euroclear Registrar and their initial Specified Office are listed below on the inside back cover of this Base Prospectus. The initial Calculation Agent is the Fiscal Agent. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and the Euroclear Registrar and to appoint a successor Fiscal Agent, Registrar, Calculation Agent or Euroclear Registrar and additional or successor paying agents; **provided**, **however**, **that**:

30.3.1 there shall at all times be a Fiscal Agent, a Registrar and, in the case of Uncertificated Notes, a Euroclear Registrar appointed in respect of the Notes;

30.3.2 if a Calculation Agent is specified in the applicable Final Terms, the Issuer shall at all times maintain a Calculation Agent;

30.3.3 if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system;

30.3.4 the Issuer will at all times maintain a Paying Agent with a Specified Office in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to that Directive; and

30.3.5 so long as there is any Tranche of Nordic Notes outstanding, there will at all times be an NCSD duly authorised as a central securities depository under the relevant NCSD Rules and an NCSD Issuing Agent in respect of the relevant Tranche of Nordic Notes.

30.4 Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 33 (Notices).

## 31. MEETINGS OF NOTEHOLDERS AND MODIFICATION

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

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

31.2 **Modification**:

(a) The Notes, these Conditions, the Guarantee and the Deeds of Covenant may be amended without the consent of the Noteholders or the Couponholders where in the opinion of the Issuer:

(i) the amendment is to correct a manifest error or to effect a modification which is of a formal, minor or technical nature; or

(ii) the amendment is not materially prejudicial to the interest of the Noteholders.

(b) The parties to the Issue and Paying Agency Agreement and the Euroclear Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in its opinion, not materially prejudicial to the interests of the Noteholders.

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

31.4 **Severance**: Should any of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way.

32. **FURTHER ISSUES**

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

33. **NOTICES**

33.1 **Bearer Notes**: Notices to holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or the first date on which such notice would in the ordinary course be delivered. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes.

33.2 **Registered Notes**: Notices to holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, to the extent the Registered Notes are admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc, notices to holders will be published on the date of such mailing in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

33.3 **Nordic Notes**: All notices to holders of Nordic Notes shall be valid if so published or mailed to their registered addresses appearing on the relevant NCSD Register.

33.4 **Uncertificated Notes**: Notices to holders of Uncertificated Notes shall be sent to the address of the Noteholder appearing in the Record on the second Business Day immediately prior to despatch of such notice, by first class post or, if such address is not in the United Kingdom, by airmail post (any such notice to be delivered or sent at the risk of the relevant Noteholder).

33.5 **Notes listed on the SIX Swiss Exchange**: In relation to Notes admitted to listing on the SIX Swiss Exchange, notices to Noteholders will be published in accordance with the regulations of the SIX Swiss Exchange in German and French language, if permitted and/or required by the applicable rules and regulations of the SIX Swiss Exchange. If the applicable rules and regulations of the SIX Swiss Exchange do not permit publication of notices on its website only, notices will be published in German and/or French language in one major daily or weekly newspaper in Switzerland or on the website www.morganstanleyiq.ch if permitted by the rules and regulations of the SIX Swiss Exchange.

33.6 **Unlisted Notes**: Notices to Noteholders of non-listed Notes may be published, as specified in the applicable Final Terms, in newspapers, on a website or otherwise.

34. **LOSSES**

In no event shall the Issuer or the Agents have any liability for indirect, incidental, consequential or other damages (whether or not it may have been advised of the possibility of such damages) other than interest until the date of payment on sums not paid when due in respect of any Notes or assets not delivered when due. Noteholders are entitled to damages only and are not entitled to the remedy of specific performance in respect of any Note.

35. **CURRENCY INDEMNITY**

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

35.2 This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 36. ROUNDING

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

## 37. REDENOMINATION, RENOMINALISATION AND RECONVENTIONING

37.1 **Application**: This Condition 37 (Redenomination, Renominalisation and Reconventioning) is applicable to the Notes only if it is specified in the applicable Final Terms as being applicable.

37.2 **Notice of redenomination**: If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents (or in the case of Uncertificated Notes, the Euroclear Registrar), designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

37.3 **Redenomination**: Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

37.3.1 the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); **provided**, **however**, **that**, if the Issuer determines, with the agreement of the Fiscal Agent that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

37.3.2 if Notes have been issued in definitive form:

(a) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (**provided that** such Notes and Coupons are available) and no payments will be made in respect thereof;

(b) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 37 (Redenomination, Renominalisation and Reconventioning)) shall remain in full force and effect;

(c) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and

(d) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

37.4 **Interest**: Following redenomination of the Notes pursuant to this Condition 37 (Redenomination, Renominalisation and Reconventioning), where Notes have been issued in definitive form, the amount of interest due in respect of such Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

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

## 38. SUBSTITUTION

38.1 **Notes issued by Morgan Stanley**: Subject to such conditions as Morgan Stanley may agree with the Fiscal Agent, but without the consent of the holders of Notes or the Coupons appertaining thereto (if any), Morgan Stanley may, subject to the Notes and the Coupons appertaining thereto being unconditionally and irrevocably guaranteed by Morgan Stanley, substitute a subsidiary of Morgan Stanley in place of Morgan Stanley as principal debtor under the Notes and the Coupons appertaining thereto (if any) where Morgan Stanley is the Issuer.

38.2 **MSI plc Notes**: Subject to such conditions as MSI plc may agree with the Fiscal Agent (provided, in respect of Nordic Notes, the relevant NCSD has given its consent (which consent shall not be unreasonably withheld or delayed)) but without the consent of the holders of Notes or the Coupons appertaining thereto (if any), MSI plc may, subject to the Notes being unconditionally and irrevocably guaranteed by MSI plc, substitute a subsidiary of Morgan Stanley in place of MSI plc as principal debtor under the Notes or the Coupons appertaining thereto (if any) or may substitute Morgan Stanley in place of MSI plc.

38.3 **MSJ Notes and MSBV Notes**: Subject to such amendment of the deed of covenant entered into by the Issuer relating to the Notes dated (i) where the Issuer is Morgan Stanley Jersey, 21 June 2012 or (ii) where the Issuer is MSBV, 21 June 2012 (in the case of Notes in global form) and 21 June 2012 (in case of Notes in dematerialised form) and such other conditions as the Issuer may agree with the Fiscal Agent (provided, in respect of Nordic Notes, the relevant NCSD has given its consent to the substitution (which consent shall not be unreasonably withheld or delayed)) but without the consent of the holders of Notes, the Issuer may, subject to the Notes being unconditionally and irrevocably guaranteed by Morgan Stanley, substitute a subsidiary of Morgan Stanley in place of the Issuer as principal debtor under the Notes and the Coupons appertaining thereto (if any) or may substitute Morgan Stanley in place of the Issuer.

Any Notes in respect of which such a substitution is effected will be fully and unconditionally guaranteed pursuant to a guarantee of Morgan Stanley or MSI plc (as applicable) as to the payment of principal of, premium, interest and supplemental amounts, if any, and any Additional Amounts on those Notes when and as the same will become due and payable, whether at maturity or otherwise. Under the terms of the guarantee, holders of the Notes will not be required to exercise their remedies against the substitute issuer prior to proceeding directly against Morgan Stanley.

In the event of such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the entity substituted in accordance with this Condition 38 (Substitution). Such substitution shall be promptly notified to the Securityholders in accordance with Condition 33 (Notices). In connection with such right of substitution, the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Noteholders in particular, without limitation, any consequences resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Noteholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax or other consequence of any such substitution upon such Noteholder.

## 39. REPRESENTATIONS AND ACKNOWLEDGEMENTS BY NOTEHOLDERS

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

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

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

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

## 40. GOVERNING LAW AND JURISDICTION

40.1 **Governing Law**: Unless otherwise specified in the applicable Final Terms, the Notes and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

40.2 **Jurisdiction**: Each of Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

40.3 **Appropriate Forum**: Each of Morgan Stanley, Morgan Stanley Jersey and MSBV irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

40.4 **Process Agent**: Each of Morgan Stanley, Morgan Stanley Jersey and MSBV agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA or, if different, its registered office for the time being. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of any Issuer, such Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint another Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

40.5 **Non-exclusivity**: The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

## 41. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## PRO FORMA FINAL TERMS FOR THE NOTES

Notes issued pursuant to these Final Terms are securities to be listed under Listing Rule [17/19][1]

**Final Terms dated [•]**

[***Name of Issuer***]

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

[Guaranteed by Morgan Stanley]

under the Program for the Issuance of Notes, Warrants and Certificates

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

(i) in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or

(ii) in those Public Offer Jurisdictions mentioned in Paragraph 19 of Part A below, provided such person is one of the persons mentioned in Paragraph 48 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Distribution Agent has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.][2]

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Distribution Agent has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.][3]

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

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1 To be included in respect of all issues which are to be admitted to listing. Please refer to the Listing Rules and delete as appropriate. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

2 To be included where sub-paragraph (ii) is applicable to the offer. The requirements of Prospectus Directive (as amended by the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) shall apply to the public offer.

3 To be included where an offer is made where an exemption from the requirement to publish a prospectus under the Prospectus Directive (as amended by the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State).

## PART A – CONTRACTUAL TERMS

THE NOTES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES DESCRIBED HEREIN MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE "*SUBSCRIPTION AND SALE*" AND "*NO OWNERSHIP BY U.S. PERSONS*" IN THE BASE PROSPECTUS DATED 21 June 2012. IN PURCHASING THE NOTES, PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. [THE NOTES ARE NOT RATED.][4]

This document constitutes Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Base Prospectus dated 21 June 2012 [and the supplemental Base Prospectus[es] dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. Copies of the Base Prospectus are available from the offices of Morgan Stanley & Co. International plc at 25 Cabot Square, Canary Wharf, London, E14 4QA.

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

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 21 June 2012 [and the supplemental Base Prospectus[es] dated [•]] (which are incorporated by reference into the Base Prospectus dated [*current date*] and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [*current date*] [and the supplemental Base Prospectus[es] dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [*current date*] [and the supplemental Base Prospectus[es] dated [•] and [•]] (including the Conditions as so incorporated by reference. [The Base Prospectus[es] [and the supplemental Base Prospectuses] are available for viewing at [*address*] [and] [*website*] and copies may be obtained from [*address*].]

**Information Concerning Investment Risk**

[•]

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

(*When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)

[4] Delete if Notes are rated.

| | | | |
|---|---|---|---|
| 1. | [(i)] | Issuer: | [Morgan Stanley/Morgan Stanley & Co, International plc/ Morgan Stanley (Jersey) Limited/Morgan Stanley B.V.]<br><br>[*For Uncertified Notes, the Issuer will be Morgan Stanley B.V.*<br><br>*For Immobilised Bearer Notes, the Issuer will be Morgan Stanley & Co, International plc*<br><br>*Morgan Stanley & Co, International plc cannot issue Preference Share-Linked Notes.*<br><br>*For Physically Settled Warrant-Linked Notes, the Issuer will be Morgan Stanley or Morgan Stanley B.V.*] |
| | [(ii) | [Guarantor:] | [Morgan Stanley] |
| 2. | [(i)] | Series Number: | [•] |
| | [(ii) | [Tranche Number:] | [•] |
| | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | | |
| 3. | Specified Currency or Currencies: | | ["*Nordic Notes: SEK, € or any other currency as may be approved by the relevant NCSD Rules*"] |
| 4. | Aggregate [Nominal Amount]/[Number] of the Notes: | | [•][5] |
| | [(i)] | Series: | [•] |
| | [(ii) | Tranche: | [•]] |
| 5. | Issue Price: | | [•] per cent. of par per Note/[•] per Note<br><br>[*For Preference Share-Linked Notes and Physically Settled Warrant Linked Notes:* 100 per cent. of par per Note] |
| 6. | (i) | Specified Denominations (Par): | [•]<br><br>(*Note – where multiple denominations above [€50,000] or equivalent are being used the following sample wording should be followed: "[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000]."*) |
| | (ii) | Calculation Amount: | [•] |
| 7. | (i) | Issue Date: | [•] [(*For Preference Share-Linked Notes, the preference shares should already be in issue*)] |

5 Where the amount is not known at the beginning of the offer period (e.g. an "up to" amount), notices of final offer amount will need to be submitted where the Notes are listed or admitted to trading.

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| | (ii) | Trade Date: | [•] |
| | (iii) | Interest Commencement Date | [*specify*/Issue Date/Not Applicable] |
| | (iv) | Strike Date: | [•] |
| | (v) | Determination Date: | [•] |
| 8. | Maturity Date: | | [*specify date or (for Floating Rate Notes) Interest Payment Date falling in, or nearest to, the relevant month and year*]<br><br>[*For Preference Share-Linked Notes*: [[•] or, if later, [3] Business Days after the Final Valuation Date]] |
| 9. | Interest Basis: | | [•] per cent. Fixed Rate]<br><br>[[specify reference rate] +/– [•] per cent. Floating Rate]<br><br>[Zero Coupon]<br><br>[Dual Currency Interest]<br><br>[Equity-Linked Interest][6]<br><br>[Commodity-Linked Interest]<br><br>[Currency-Linked Interest]<br><br>[Credit-Linked Interest]<br><br>[Inflation-Linked Interest]<br><br>[Property-Linked Interest]<br><br>[Fund-Linked Interest]<br><br>[Other (*specify*)]<br><br>(Further particulars specified below)<br><br>[*include all that apply*] |
| 10. | Redemption/Payment Basis: | | [Redemption at par]<br><br>[Dual Currency Redemption]<br><br>[Equity-Linked Redemption][7]<br><br>[Commodity-Linked Redemption]<br><br>[Currency-Linked Redemption]<br><br>[Credit-Linked Redemption]<br><br>[Inflation-Linked Redemption] |

6 Specify if interest provisions are linked to ETF Interests or a Basket of ETF Interests.

7 Specify if redemption provisions are linked to ETF Interests or a Basket of ETF Interests.

| | | | |
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| | | | [Property-Linked Redemption]<br>[Fund-Linked Redemption]<br>[Preference Share-Linked Redemption]<br>[Physically Settled Warrant-Linked]<br>[Partly Paid]<br>[Instalment]<br>[Other (*specify*)]<br>[*include all that apply*] |
| 11. | Change of Interest or Redemption/Payment Basis: | | [*specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*] |
| 12. | Put/Call Options: | | |
| | (i) | Redemption at the option of the Issuer:<br>(Condition 18.7) | [Applicable/Not Applicable] |
| | (ii) | Redemption at the option of the Noteholders:<br>(Condition 18.9) | [Applicable/Not Applicable]<br>[*For Preference Share-Linked Notes, paragraph (ii) should be specified as "Not Applicable"*] |
| | (iii) | Other Put/Call Options: | [Applicable/Not applicable] |
| 13. | [(i)] | Status of the Notes:<br>(Condition 4) | Condition 4.1 applies. |
| | [(ii) | Status of the Guarantee: | Condition 4.2 applies] |
| 14. | Method of distribution: | | [Syndicated/Non-syndicated] |

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

[*Insert if rate of return in respect of Notes issued by Morgan Stanley and Co. International plc may be deemed to exceed a reasonable commercial return:*

Each Interest Amount payable under the Notes represents an amount payable by the Issuer (i) as consideration for the use of the issue price and (ii) as compensation for and recognition that [*insert relevant details as to additional risks for which the interest is consideration*].]

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| 15. | **Fixed Rate Note Provisions**<br>(Condition 5) | | [Applicable/Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Rate[(s)] of Interest: | [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/ other (specify)] in arrear] |
| | (ii) | Interest Period: | [As set out in Condition 2] / [*Insert "Unadjusted" if the application of the relevant Business Day* |

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| | | | *Convention is not intended to affect the Interest Period*] |
| | (iii) | Interest Payment Date(s): | [•] in each year [adjusted in accordance *with* [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted] |
| | (iv) | Fixed Coupon Amount[(s)]: | [•] per Calculation Amount |
| | (v) | Broken Amount(s): | [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•] |
| | (vi) | Day Count Fraction: | [Actual/Actual; Actual/365(Fixed); Actual/360; 30/360; 30E/360, Eurobond Basis; Actual/ICMA; other] |
| | (vii) | Other terms relating to the method of calculating interest for Fixed Rate Notes: | [Not Applicable/*give details*] |
| 16. | **Floating Rate Note Provisions** | | [Applicable/Not Applicable] |
| | (Condition 6) | | (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Interest Payment Dates: | [•] |
| | (ii) | First Interest Payment Date: | [*delete if not applicable*] |
| | (iii) | Interest Period: | [As set out in Condition 2] / [*Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period*] |
| | (iv) | Business Day Convention: | [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)] |
| | (v) | Additional Business Centre(s): | [•] |
| | (vi) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination/other (*give details*)] |
| | (vii) | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): | [•] |
| | (viii) | Screen Rate Determination: | |
| | | • Reference Rate: | [•] |
| | | • Interest Determination Date(s): | [•] |

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| | | • Relevant Screen Page: | [•] |
| | (ix) | ISDA Determination | |
| | | • Floating Rate Option: | [•] |
| | | • Designated Maturity: | [•] |
| | | • Reset Date: | [•] |
| | (x) | Margin(s): | [+/-][•] per cent. per annum |
| | (xi) | Minimum Rate of Interest: | [•] per cent. per annum |
| | (xii) | Maximum Rate of Interest: | [•] per cent. per annum |
| | (xiii) | Day Count Fraction: | [•] |
| | (xiv) | Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: | [•] |
| 17. | **Zero Coupon Note Provisions** | | [Applicable/Not Applicable] |
| | (Condition 7) | | (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Accrual Yield: | [•] per cent. per annum |
| | (ii) | Reference Price: | [•] |
| | (iii) | Any other formula/basis of determining amount payable: | [•] |
| 18. | **Dual Currency-Linked Note Interest Provisions** | | [Applicable/Not Applicable] |
| | (Condition 8) | | (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Rate of Exchange/method of calculating Rate of Exchange: | [Give details] |
| | (ii) | Party, if any, responsible for calculating the Rate(s) of interest and/or Interest Amount(s) (if not the Calculation Agent): | [•] |
| | (iii) | Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable or otherwise | [*Need to include a description of market disruption or settlement disruption events and adjustment provisions.*] |

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| | | disrupted: | |
| | (iv) | Person at whose option Specified Currency(ies) is/are payable: | [•] |
| | (v) | Other special terms and conditions: | [•] |
| 19. | **Equity Linked Note Interest Provisions** | | |
| (A) | **Single, Share Notes, Share Basket Notes**: | | (*If not applicable, delete sub-paragraph (A)*) |
| | (i) | Whether the Notes relate to a single share or a basket of shares (each, an "**Underlying Share**") and the identity of the relevant issuer(s) and class of the Underlying Share (each an "**Underlying Issuer**"): | [Single Share]<br>[Basket of Shares] |
| | (ii) | (Exchange[s]: | [•] |
| | (iii) | Related Exchange[s]: | [•] [None specified] |
| | (iv) | Weighting for each Underlying Share comprising the basket: | [*insert details*] [N/A] |
| | (v) | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): | [•] |
| | (vi) | Provisions for determining Rate of Interest where calculated by reference to one or more Shares: | [•] |
| | (vii) | Provisions for determining Rate of Interest where calculation by reference to one or more Shares is impossible or impracticable or otherwise disrupted: | [•]<br>(*Need to include a description of market disruption or settlement disruption events and adjustment provisions*) |
| | (viii) | Interest Determination Date(s): | [•] |
| | (ix) | Interest Period: | [As set out in Condition 2] / [*Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period*] |
| | (x) | Specified Interest Payment Dates: | [•] |

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| | (xi) | Averaging Date: | [•] |
| | (xii) | Observation Date(s)/ Observation Period: | [•] |
| | (xiii) | Business Day Convention: | [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] |
| | (xiv) | Additional Business Centre(s): | [•] |
| | (xv) | Day Count Fraction: | [•] |
| | (xvi) | Minimum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xvii) | Maximum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xviii) | (Other special terms and conditions: | [•] |
| (B) | **Index/Index Basket Note Interest Provisions:** | | (*If not applicable, delete sub-paragraph (B)*) |
| | (i) | Types of Notes: | Index Notes<br><br>(*specify Index if applicable*)<br><br>Index Basket Notes<br><br>(*specify Indices if applicable*) |
| | (ii) | Exchange[s]: | [specify Exchange, or "Multi Exchange Index", in relation to each Index] |
| | (iii) | Related Exchange[s]: | [•] [None specified] |
| | (iv) | Weighting for each Index: | [*insert details*][Not Applicable] |
| | (v) | Party responsible for calculating the Rate(s) of interest and/or Interest Amount(s) (if not the Calculation Agent): | [•] |
| | (vi) | Provisions for determining Rate of Interest where calculated by reference to Index: | [•] |
| | (vii) | Interest Determination Date(s): | [•] |
| | (viii) | Provisions for determining Rate of Interest where calculation by reference to Index is impossible or impracticable or otherwise disrupted: | [•]<br><br>(*Need to include a description of market disruption or settlement disruption events and adjustment provisions*) |

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| | (ix) | Interest Period: | [As set out in Condition 2] / [*Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period*] |
| | (x) | Specified Interest Payment Dates: | [•] |
| | (xi) | Averaging Date: | [•] |
| | (xii) | Observation Date(s)/ Observation Period: | [•] |
| | (xiii) | Business Day Convention: | [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] |
| | (xiv) | Additional Business Centre(s): | [•] |
| | (xv) | Minimum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xvi) | Maximum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xvii) | Day Count Fraction: | [•] |
| | (xviii) | Other special terms and conditions: | [•] |
| (C) | **Single ETF Notes, ETF Basket Notes**: | | (*If not applicable, delete sub-paragraph (C)*) |
| | (i) | Whether the Notes relate to a single ETF or a basket of shares (each, an "**ETF Interest**" and the identity of the related ETF (each, an "**ETF**")): | [Single ETF Interest]<br>[Basket of ETF Interests]<br>(*specify ETF Interest(s) and ETF(s)*) |
| | (ii) | (Exchange[s]: | [•] |
| | (iii) | Related Exchange[s]: | [•] [None specified] |
| | (iv) | Weighting for each ETF Interest comprising the basket: | [*insert details*] [N/A] |
| | (v) | Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): | [•] |
| | (vi) | Provisions for determining Rate of Interest where calculated by reference to one or more Shares: | [•] |

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| | (vii) | Provisions for determining Rate of Interest where calculation by reference to one or more ETFs is impossible or impracticable or otherwise disrupted: | [•]<br><br>(*Need to include a description of market disruption or settlement disruption events and adjustment provisions*) |
| | (viii) | Interest Determination Date(s): | [•] |
| | (ix) | Interest Period: | [As set out in Condition 2] / [*Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period*] |
| | (x) | Specified Interest Payment Dates: | [•] |
| | (xi) | Averaging Date: | [•] |
| | (xii) | Observation Date(s)/ Observation Period: | [•] |
| | (xiii) | Business Day Convention: | [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] |
| | (xiv) | Additional Business Centre(s): | [•] |
| | (xv) | Day Count Fraction: | [•] |
| | (xvi) | Minimum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xvii) | Maximum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xviii) | (Other special terms and conditions: | [•] |
| 20. | **Commodity-Linked Note Interest Provisions** | | [Applicable] [Not Applicable]<br><br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Commodity/ies or Commodity Index/Indices: | [•] [*If applicable, specify whether Non Metal, Base Metal or Precious Metal*] |
| | (ii) | Commodity Reference Price: | [*specify Commodity Reference Price*] |
| | (iii) | Weighting | [•] |
| | (iv) | Party responsible for calculating the Rate(s) of interest and/or Interest Amount(s) (if not the Calculation Agent): | [•] |

| | | | |
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| | (v) | Provisions for determining Rate of Interest where calculated by reference to Commodity/ies and/or Index: | [•] |
| | (vi) | Interest Determination Date(s): | [•] |
| | (vii) | Provisions for determining Rate of Interest where calculation by reference to Commodity/ies and/or Index is impossible or impracticable or otherwise disrupted: | [•] |
| | (viii) | Interest Period: | [As set out in Condition 2] / [*Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period*] |
| | (ix) | Specified Interest Payment Dates: | [•] |
| | (x) | Business Day Convention: | [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] |
| | (xi) | Additional Business Centre(s): | [•] |
| | (xii) | Minimum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xiii) | Maximum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xiv) | Day Count Fraction: | [•] |
| | (xv) | Other special terms and conditions: | [•] |
| 21. | **Currency-Linked Interest Note Provisions** | | [Applicable] [Not Applicable]<br>(*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Settlement Currency: | [•] |
| | (ii) | Reference Currency: | [•] |
| | (iii) | Specified Amount: | [•] |
| | (iv) | Reference Currency Jurisdiction: | [•] |
| | (v) | Settlement Rate Option: | [Currency Reference Dealers] |
| | (vi) | Party responsible for calculating the Rate(s) of interest and/or Interest | [•] |

| | | | |
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| | | Amount(s) (if not the Calculation Agent): | |
| | (vii) | Provisions for determining Rate of Interest where calculated by reference to other variable: | [•] |
| | (viii) | Interest Determination Date(s): | [•] |
| | (ix) | Provisions for determining Rate of Interest where calculation by reference to other variable is impossible or impracticable or otherwise disrupted: | [•]<br><br>(*Need to include a description of market disruption or settlement disruption events and adjustment provisions*) |
| | (x) | Interest Period: | [As set out in Condition 2] / [*Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period*] |
| | (xi) | Specified Interest Payment | Dates:[•] |
| | (xii) | Business Day Convention: | [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] |
| | (xiii) | Additional Business Centre(s): | [•] |
| | (xiv) | Day Count Fraction: | [•] |
| | (xv) | Minimum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xvi) | Maximum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xvii) | Other special terms and conditions: | [•] |
| 22. | **Inflation-Linked Note Interest Provisions** | | [Applicable/ Not Applicable]<br><br>(*If applicable, insert relevant provisions*) |
| | (i) | Index: | [•] |
| | (ii) | Index Sponsor: | [•] |
| | (iii) | Party responsible for calculating the Rate(s) of interest and/or Interest Amount(s) (if not the Calculation Agent): | [•] |

| | | | |
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| | (iv) | Provisions for determining Rate of Interest where calculated by reference to Index: | [•] |
| | (v) | Interest Determination Date(s): | [•] |
| | (vi) | Provisions for determining Rate of Interest where calculation by reference to Index is impossible or impracticable or otherwise disrupted: | [•]<br><br>(*Need to include a description of market disruption or settlement disruption events and adjustment provisions*) |
| | (vii) | Interest Period: | [As set out in Condition 2] / [*Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period*] |
| | (viii) | Specified Interest Payment | Dates:[•] |
| | (ix) | Business Day Convention: | [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] |
| | (x) | Additional Business Centre(s): | [•] |
| | (xi) | Day Count Fraction: | [•] |
| | (xii) | Minimum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xiii) | Maximum Rate/Amount of Interest: | [•] per cent. per annum |
| | (xiv) | Other special terms and conditions: | [•] |
| 23. | **Credit-Linked Interest Note Provisions** | | [Applicable/ Not Applicable] (*if applicable, insert relevant provisions*) |
| 24. | **Property-Linked Interest Note Provisions** | | [Applicable/ Not Applicable] (*if applicable, insert relevant provisions*) |
| 25. | **Fund-Linked Interest Note Provisions** | | [Applicable/ Not Applicable] (*if applicable, insert relevant provisions*) |

**PROVISIONS RELATING TO REDEMPTION**

| | | | |
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| 26. | **Call Option** | | [Applicable/Not Applicable] |
| | (Condition 18.7) | | (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Optional Redemption Date(s): | [•] |

| | | | |
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| | (ii) | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [•] per Calculation Amount<br><br>(*In the case of Preference Share-Linked Notes, the Optional Redemption Amount is the Early Redemption Amount per Calculation Amount*) |
| | (iii) | Notice period: | [•] |
| 27. | **Put Option** | | [Applicable/Not Applicable] |
| | (Condition 18.9) | | (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Optional Redemption Date(s): | [•] |
| | (ii) | Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): | [•] per Calculation Amount |
| | (iii) | Notice period: | [•] |
| 28. | **Final Redemption Amount of each Note** | | |
| | (Condition 19.1) | | [[•] per Calculation Amount] [Linked Redemption Amount specified below] |
| 29. | **Dual Currency Redemption Provisions** | | |
| | (Condition 8) | | [Applicable (*give details*)/Not Applicable] |
| | (i) | Rate of Exchange/method of calculating Rate of Exchange: | [Give details] |
| | (ii) | Determination Agent responsible for calculating the Final Redemption Amount: | [•] |
| | (iii) | Provisions for determining Final Redemption Amount: | [•] |
| | (iv) | Provisions for determining Final Redemption Amount where calculation by reference to Rate of Exchange is impossible or impracticable or otherwise disrupted: | [*Need to include a description of market disruption or settlement disruption events and adjustment provisions.*] |
| | (v) | Person at whose option Specified Currency(ies) is/are payable: | [•] |
| | (vi) | Other special terms and conditions: | [•] |

| | | |
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| 30. | **Equity-Linked Redemption Provisions**<br><br>(Condition 10) | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (A) | **Single Share Notes, Share Basket Notes**: | (*If not applicable, delete sub-paragraph (A)*) |

| | | |
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| (i) | Whether the Notes relate to a single share or a basket of shares (each an "**Underlying Share**") and the identity of the relevant issuer(s) and class of the Underlying Share (each, an "**Underlying Issuer**"): | [Single Share]<br><br>[Basket of Shares] |
| (ii) | Exchange[s]: | [•] |
| (iii) | Related Exchange[s]: | [•] [None specified] |
| (iv) | Determination Agent responsible for calculating the Final Redemption Amount: | [•] |
| (v) | Provisions for determining Final Redemption Amount: | [•] |
| (vi) | Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Settlement or (c) in certain circumstances depending on the closing price of the Underlying Shares, Cash Settlement or Physical Delivery at the option of the Issuer: | [Cash Settlement/Physical Settlement]<br><br>[In the event of (*describe triggers linked to the closing price of the Underlying Shares*), Cash Settlement or Physical Settlement at the option of the Issuer] |
| (vii) | Weighting for each Underlying Share comprising the basket: | [*Insert details*] [N/A] |
| (viii) | Averaging Dates: | [Applicable/Not Applicable]<br><br>[*If Applicable, specify consequences of Averaging Date Disruption as Omission, Postponement or Modified Postponement*] |
| (ix) | Observation Date: | [•] |
| (x) | Observation Period: | [•] |
| (xi) | Determination Date[s] | [•] |
| (xii) | Determination Time[s] | [•] |

| | | | |
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| | (xiii) | Potential Adjustment Events: | [*specify if any Potential Adjustment Events are not applicable and amend Conditions accordingly, otherwise delete*] |
| | (xiv) | Delivery provisions for Underlying Shares (including details of who is to make such delivery): | [•] (*Only where Physical Settlement is applicable*) |
| | (xv) | Physical Settlement: | [Applicable / Not Applicable] |
| | (xvi) | Additional Disruption Events | Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging shall apply [*specify if any are* ***not*** *applicable, or any further Additional Disruption Events*] |
| | (xvii) | Other special terms and conditions: | [•] |
| (B) | **Index/Index Basket Notes:** | | (*If not applicable, delete sub-paragraph (B)*) |
| | (i) | Types of Notes: | Index Notes<br><br>(*specify Index if applicable*)<br><br>Index Basket Notes<br><br>(*specify Indices if applicable*) |
| | (ii) | Exchange[s]: | [specify Exchange, or "Multi-exchange Index", in relation to each Index] |
| | (iii) | Related Exchange[s]: | [•] [None specified] |
| | (iv) | Averaging Date[s]: | [Applicable/Not Applicable]<br><br>[*If Applicable, specify consequences of Averaging Date Disruption as Omission, Postponement or Modified Postponement*] |
| | (v) | Observation Date: | [•] |
| | (vi) | Observation Period: | [•] |
| | (vii) | Determination Date[s] | [•] |
| | (viii) | Determination Time[s] | [•] |
| | (ix) | Determination Agent responsible for calculating the Final Redemption Amount: | [•] |
| | (x) | Provisions for determining Final Redemption Amount: | [•] |

| | | |
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| (xi) | Provisions for determining Final Redemption Amount where calculation by reference to Index is impossible or impracticable or otherwise disrupted: | [•] |
| (xii) | Weighting for each Index: | [insert details][Not Applicable] |
| (xiii) | Potential Adjustment Events | [*specify if any are not applicable and amend Conditions accordingly*, *otherwise delete*] |
| (xiv) | Additional Disruption Events: | Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging shall apply [*specify if any are* ***not*** *applicable, or any further Additional Disruption Events*] |
| (xv) | Other special terms and conditions: | [•] |

(C) **Single ETF Notes. ETF Basket Notes**: (*If not applicable, delete sub-paragraph (C)*)

| | | |
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| (i) | Whether the Notes relate to a single ETF Interest or a basket of ETF Interests (each, an "ETF Interest"') relating to an ETF (each an "ETF"): | [Single ETF Interest]<br><br>[Basket of ETF Interests]<br><br>(*specify ETF(s) and ETF Interest(s)*) |
| (ii) | Exchange[s]: | [•] |
| (iii) | Related Exchange[s]: | [•] [None specified] |
| (iv) | Determination Agent responsible for calculating the Final Redemption Amount: | [•] |
| (v) | Provisions for determining Final Redemption Amount: | [•] |
| (vi) | Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Settlement or (c) in certain circumstances depending on the closing price of the ETF Interests or Basket of ETF Interests, Cash Settlement or Physical Delivery at the option of the Issuer: | [Cash Settlement/Physical Settlement]<br><br>[In the event of *(describe triggers linked to the closing price of the ETF Interests/Basket of ETF Interests)*, Cash Settlement or Physical Settlement at the option of the Issuer] |
| (vii) | Weighting for each ETF comprising the basket: | *[Insert details]* [N/A] |

| | | | |
|---|---|---|---|
| | (viii) | Averaging Dates: | [Applicable/Not Applicable]<br><br>[*If Applicable, specify consequences of Averaging Date Disruption as Omission, Postponement or Modified Postponement*] |
| | (ix) | Observation Date: | [•] |
| | (x) | Observation Period | [•] |
| | (xi) | Determination Date[s] | [•] |
| | (xii) | Determination Time[s] | [•] |
| | (xiii) | Potential Adjustment Events: | [*specify if any Potential Adjustment Events are not applicable and amend Conditions accordingly, otherwise delete*] |
| | (xiv) | Delivery provisions for ETF Interests (including details of who is to make such delivery): | [•] *(Only where Physical Settlement is applicable)* |
| | (xv) | Physical Settlement: | [Applicable / Not Applicable] |
| | (xvi) | Eligible ETF Interest: | [*specify or delete if not applicable or fallback provisions in Condition 10.5 apply*] |
| | (xvii) | Additional Extraordinary ETF Event(s): | (specify if applicable) |
| | (xviii) | Additional Disruption Events | Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging shall apply [*specify if any are **not** applicable, or any further Additional Disruption Events*] |
| | (xix) | Other special terms and conditions: | [•] |
| 31. | **Commodity-Linked Redemption Provisions**<br>(Condition 11) | | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Commodity/ies or Commodity Index/Indices: | [•] [*If applicable, specify whether Non Metal, Base Metal or Precious Metal*] |
| | (ii) | Commodity Reference Price: | [specify Commodity Reference Price] |
| | (iii) | Weighting: | [•] |
| | (iv) | Exchange: | [specify for each Commodity] |
| | (v) | Determination Agent responsible for calculating the Final Redemption Amount: | [•] |
| | (vi) | Provisions for determining Final Redemption Amount: | [•] |
| | (vii) | Observation Date/Period | [•] |

| | | |
|---|---|---|
| (viii) | Provisions for determining Final Redemption Amount where calculation by reference to Index and/or other variable is impossible or impracticable or otherwise disrupted: | [•] |
| (ix) | Price Source: | [specify for each Commodity] |
| (x) | Specified Price: | [[high][low][average of high and low][closing price][opening price][bid] [asked] [average of high and low prices][settlement price][official settlement price][official price][morning fixing][afternoon fixing][spot price][*Other (specify)*]<br><br>(if appropriate, specify time as of which the price will be determined) |
| (xi) | Delivery Date: | [•] (specify whether price based on spot market, First Nearby Month, Second Nearby Month, etc.) |
| (xii) | Pricing Date[8]: | [•] |
| (xiii) | Common Pricing: | [Applicable] [Not Applicable](*include only if Basket of Commodities*) |
| (xiv) | Commodity Disruption Events: | [Price Source Disruption]<br>[Trading Disruption]<br>[Disappearance of Commodity Reference Price]<br>[Material Change in Formula]<br>[Material Change in Content]<br>[Tax Disruption]<br>[specify any applicable additional Commodity Disruption Events]<br>[Not Applicable] |
| (xv) | Commodity Disruption Fallback: | [Determination Agent Determination as defined in Condition 11.3] [*Other (specify)*] |
| (xvi) | Additional Disruption Events | Change in Law, Hedging Disruption, and Increased Cost of Hedging shall apply [*specify if any are **not** applicable, or any further Additional Disruption Events*] |
| (xvii) | Other special terms and conditions: | [•] |

32. **Currency-Linked Redemption Provisions**

| | | |
|---|---|---|
| (Condition 12) | | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| (i) | Settlement Currency: | [•] |
| (ii) | Reference Currency: | [•] |

8 Delete for Notes with a denomination per Note of EUR 50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

| | | |
|---|---|---|
| (iii) | Specified Amount: | [•] |
| (iv) | Reference Currency Jurisdiction: | [•] |
| (v) | Specified Rate: | *Specify one of:*<br><br>Reference Currency bid exchange rate; Reference Currency offer exchange rate; Average of Reference Currency bid and offer exchange rates;<br><br>Settlement Currency bid exchange rate; Settlement Currency offer exchange rate;<br><br>Average of Settlement Currency bid and offer exchange rates; Official fixing rate;<br><br>[*Other (specify)*] |
| (vi) | Determination Agent responsible for calculating the Final Redemption Amount: | [•] |
| (vii) | Provisions for determining Final Redemption Amount: | [•] |
| (viii) | Observation Date/Period | [•] |
| (ix) | Provisions for determining Final Redemption Amount where calculation by reference to Index and/or other variable is impossible or impracticable or otherwise disrupted: | [•] |
| (x) | Settlement Rate Option: | [Currency Reference Dealers] |
| (xi) | Business Day Convention: | [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] |
| (xii) | Additional Business Centre(s): | [•] |
| (xiii) | Currency Disruption Events: | Price Source Disruption [Applicable/Not Applicable]<br><br>[*Other (specify)*] |
| (xiv) | Currency Disruption Fallbacks: | Determination Agent Determination of Settlement Rate;<br><br>Fallback Reference Price;<br><br>[*Other (specify)*] |

| | | | |
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| | | | (*Where applicable, specify which Currency Disruption Fallback applies to which Currency Disruption Event, and if more than one Currency Disruption Fallback may apply to a Currency Disruption Event, the order in which such Currency Disruption Fallbacks will apply*) |
| | (xv) | Additional Disruption Events | Change in Law – [Applicable / Not Applicable]<br><br>Hedging Disruption – [Applicable / Not Applicable]<br><br>Increased Cost of Hedging - – [Applicable / Not Applicable]<br><br>[*specify any further Additional Disruption Events*] |
| | (xvi) | Other special terms and conditions: | [•] |
| 33. | **Inflation-Linked Redemption Provisions** (Condition 13) | | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph)* |
| | (i) | Index/Indices: | [•] |
| | (ii) | Determination Agent responsible for calculating the Final Redemption Amount: | [•] |
| | (iii) | Provisions for determining Final Redemption Amount: | [•] |
| | (iv) | Provisions for determining Final Redemption Amount where calculation by reference to Index and/or other variable is impossible or impracticable or otherwise disrupted: | [•] |
| | (v) | Related Bond: | [•]/Fallback Bond] |
| | (vi) | Fallback Bond: | [Applicable/Not Applicable] |
| | (vii) | Index Sponsor: | [•] |
| | (viii) | Additional Disruption Events | Change in Law – [Applicable / Not Applicable]<br><br>Hedging Disruption – [Applicable / Not Applicable]<br><br>Increased Cost of Hedging - – [Applicable / Not Applicable]<br><br>[*specify any further Additional Disruption Events*] |
| | (ix) | Other special terms and conditions: | [•] |
| 34. | **Credit-Linked Redemption Provisions** | | [[Applicable/ Not Applicable] (*If applicable, insert relevant provisions*) |

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| | (Condition 24) | [*to be inserted*]<br><br>(*When adding final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)[9] |
| 35. | **Property-Linked Redemption Provisions**<br><br>(Condition 14) | [[Applicable/ Not Applicable] (*If applicable, insert relevant provisions*)<br><br>(*When adding final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)[10] |
| 36. | **Fund-Linked Redemption Provisions**<br><br>(Condition 15) | [[Applicable/ Not Applicable] (*If applicable, insert relevant information specified below, If "Not Applicable", delete sub-paragraphs below*) |
| | (i) Fund: | [*specify or delete if not applicable*] |
| | (ii) Fund Interest: | [*specify or delete if not applicable of if fallback is applicable*] |
| | (iii) Fund Interest Unit: | [*specify or delete if not applicable of if fallback is applicable*] |
| | (iv) Basket of Funds: | [*specify or delete if not applicable*]<br><br>[*Include any relevant weightings of each Fund*] |
| | (v) Company: | [*specify or delete if not applicable*] |
| | (vi) Fund Business Day: | [*specify or delete if not applicable or if fallback is applicable*] |
| | (vii) Fund Administrator: | [*specify or delete if not applicable or if fallback is applicable*] |
| | (viii) Fund Adviser: | [*specify or delete if not applicable or if fallback is applicable*] |
| | (ix) Fund Custodian: | [*specify or delete if not applicable or if fallback is applicable*] |
| | (x) Additional Fund Service Provider | [*specify or delete if not applicable*] |
| | (xi) Additional Fund Documents: | [*specify or delete if not applicable*] |
| | (xii) Cut-off Period: | [*specify or delete if not applicable or if fallback is applicable*] |

[9] Additional Disruption Events: Change in Law, Hedging Disruption, and Increased Cost of Hedging shall apply if not provided otherwise.

[10] Additional Disruption Events: Change in Law, Hedging Disruption, and Increased Cost of Hedging shall apply if not provided otherwise.

| | | |
|---|---|---|
| | (Condition 15.2) | |
| (xiii) | Final Cut-off Date: (Condition 15.2) | [*specify*] |
| (xiv) | Valuation Date(s): (Condition 15.1) | [*specify or delete if not applicable or if fallback is applicable*] |
| (xv) | Valuation Time: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xvi) | Averaging Date: (Condition 15.1) | [*specify or delete if not applicable or if fallback is applicable*] |
| (xvii) | Scheduled Fund Valuation Date(s): | [*specify or delete if not applicable or if fallback is applicable*] |
| (xviii) | Extraordinary Dividend: (Condition 15.3) | [*specify or delete if not applicable or if fallback is applicable*] |
| (xix) | Adjustments: (Condition 15.4) | Adjustments: (Condition 15.4 applies/*specify if other period applies*) |
| (xx) | Fund Interest Performance: | [*specify or amend Conditions, as applicable*] |
| (xxi) | Fund Subscription Date: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxii) | Hypothetical Investor: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxiii) | Hypothetical Investor Jurisdiction: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxiv) | Scheduled Redemption Payment Date: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxv) | Subscription Notice Date: | [*specify or delete if not applicable of if fallback is applicable*] |
| (xxvi) | Redemption Notice Date: | [*specify or delete if not applicable or if fallback applicable*] |
| (xxvii) | Reference Price: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxviii) | Relevant Fund Interest Unit Price: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxix) | Eligible Fund Interest: (Condition 15.5) | [*specify or delete as applicable*] |
| (xxx) | Fund Event(s): (Condition 15.5) | [*specify if any Fund Events are not applicable and/or amend Conditions, as applicable*] |
| | (a) NAV Trigger Percentage: | [*If Fund Event (c) (NAV Trigger/Restriction Event) is applicable, specify the applicable percentage or delete if not applicable*] |
| | (b) NAV Trigger | [*If Fund Event (c)(NAV Trigger/Restriction Event) is applicable, specify the applicable period or delete if* |

| | | | |
|---|---|---|---|
| | | Period: | *not applicable*] |
| | (c) | Aggregate NAV Trigger Value: | [I*f Fund Event (d) (Aggregate NAV Trigger Event) is applicable and in relation to Fund Basket Notes only, specify the relevant value or delete if not applicable*] |
| | (d) | Aggregate NAV Trigger Period: | [I*f Fund Event (d) (Aggregate NAV Trigger Event) is applicable and in relation to Fund Basket Notes only, specify the applicable period or delete if not applicable*] |
| | (xxxi) | Additional Fund Event(s): | [*specify or delete if not applicable*] |
| | (xxxii) | Other terms: | (*insert any other relevant final terms*)<br>(*When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*) |
| 37. | **Preference Share-Linked Redemption Provisions** | | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (i) | Preference Share: | [•] |
| | (ii) | Determination Agent responsible for making calculations in respect of the Notes: | [•] |
| | (iii) | Provisions for determining Final Redemption Amount: | [The Final Redemption Amount in respect of each Note is an amount in the Specified Currency calculated by the Determination Agent equal to:<br>$\textit{Calculation Amount x} \frac{\text{Preference Share Value}_{\text{final}}}{\text{Preference Share Value}_{\text{initial}}}$<br>where:<br>"**Preference Share Value$_{final}$**" means the Sienna UK Preference Share Value on the Final Valuation Date; and<br>"**Preference Share Value$_{initial}$**" means the Sienna UK Preference Share Value on the Initial Valuation Date. |
| | (iv) | Final Valuation Date: | [•] |
| | (v) | Valuation Time: | [•] [(London time)] |
| | (vi) | Extraordinary Events: | [As per Condition 16/*insert other extraordinary events*] |
| | (vii) | Additional Disruption Events: | The following Additional Disruption Events apply to the Notes:<br>[Change in Law]<br>[Hedging Disruption] |

| | | | |
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| | | | [Insolvency Filing]<br><br>[Increase Cost of Hedging]<br><br>[*other*] |
| 38. | **Physically Settled Warrant-Linked Note Provisions** | | |
| | (i) | Physically Settled Warrant-Linked Notes | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |
| | (ii) | Provisions for determining Final Redemption Amount of each Note<br><br>(Condition 18.1) | [£[*insert specified denomination of Physically Settled Warrant-Linked Note*] per Note [unless on the Election Valuation Date the market value of an Exchanged Warrant determined by the Determination Agent in good faith and in a commercially reasonable manner [(the "**Exchanged Warrant Market Value**")] is more than £[*insert specified denomination of Physically Settled Warrant-Linked Note*] in which case the Final Redemption Amount shall be determined as follows:<br><br>(a) if the Exchanged Warrant Market Value is more than £[*insert specified denomination of Physically Settled Warrant-Linked Note*] but equal to or less than £[*insert specified denomination of Physically Settled Warrant-Linked Note multiplied by [x]*[11]], the Final Redemption Amount shall be an amount equal to the Exchanged Warrant Market Value; and<br><br>(b) if the Exchanged Warrant Market Value is more than £[*insert specified denomination of Physically Settled Warrant-Linked Note multiplied by [x]10*], the Final Redemption Amount shall be £[*insert specified denomination of Physically Settled Warrant-Linked Note multiplied by [x]*[11]<br><br>[*specify other*] |
| | (iii) | Exchanged Warrants: | [•] Warrants linked to [•], Series [•], ISIN [•], issued by Morgan Stanley (Jersey) Limited and guaranteed by Morgan Stanley. Each Exchanged Warrant is exercisable for one Class [•] Preference Share in Morgan Stanley (Jersey) Limited.<br><br>The terms of the Exchanged Warrants are contained in the Final Terms for the Exchanged Warrants dated [•] attached to these Final Terms (the "**Exchanged Warrant Final Terms**"). A description of the Morgan Stanley Jersey Preference Shares is set out in the "Description of the Morgan Stanley (Jersey) Limited Preference Shares" on pages 280 to 285 of the Base Prospectus and the terms of the Class [•] Preference Shares are set out in Part [C] to the |

[11] [x] is equal to 1 plus 0.005 for each full year between the Note Issue Date and Note Maturity Date; for this purpose any fractions of a year should be ignored.

| | | | |
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| | | | Exchanged Warrant Final Terms. |
| | (iv) | Election Valuation Date: | [•]<br><br>(*The Election Valuation Date should be the same date as the Maturity Date of the Physically Settled Warrant-Linked Notes*) |
| | (v) | Additional Disruption Events | The following Additional Disruption Events apply to the Notes:<br><br>[Change in Law]<br><br>[Hedging Disruption]<br><br>[Insolvency Filing]<br><br>[Increase Cost of Hedging]<br><br>[*other*] |
| 39. | (a) | **Early Redemption Amount upon Event of Default Condition 26** | As set out in Condition 26 / [*specify alternative method of calculating Early Redemption Amount*] |
| | (b) | **Early redemption amount payable upon an event described in Condition 10/11/12/13/14/15** | [As provided in Condition 10/11/12/13/14/15] |
| | (c) | **Early redemption amount upon early redemption pursuant to Condition 18.2, 18.3, 18.10 and 25)** | [As provided in Condition 18.2, 18.3, 18.10, 25 and 26)] |
| | Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): | | [An amount equal to the fair market value of such Note, on such day as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Note), less the proportion attributable to that Note of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute discretion] / [*specify any other provisions applicable to determining the Early Redemption Amount*]<br><br>[*In the case of Preference Share-Linked Notes*: [The Early Redemption Amount as set out in Condition 16]] |
| | (Conditions 18.2, 18.5, 18.10 and 25) | | [An amount in cash equal to the fair market value of such Note on the date of such early termination less such Note's *pro rata* share of the reasonable cost to the Issuer and/or its affiliates of unwinding, or the loss realised by the Issuer and/or its affiliates on, any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute |

discretion/*specify other*].]

40. **Governing Law**: [English law/*other (specify)*]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

41. Form of Notes: [Bearer Notes:

(Condition 3)

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note][12]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice][13]

[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note][14]

[Immobilised Bearer Global Note held by the Book Entry Depositary and the CDIs registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]]

[Registered Notes:

[Global Note Certificate registered in the name of [a nominee for ] [a common depositary for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))][15], exchangeable for Individual Note Certificates on [•] days notice/at any time/ in the limited circumstances described in the Global Note Certificate][16]]

[Registered Notes]

[Individual Notes Certificates]

[Finnish Notes]

[Swedish Notes]

[Uncertificated Notes]

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12 In respect of MS Notes, notice should be 30 days.

13 In respect of MS Notes, notice should be 30 days.

14 In respect of MS Notes, notice should be 30 days.

15 To be included for Registered Notes in global form which are to be held under the NSS.

16 In respect of MS Notes, notice should be 30 days.

| | | |
|---|---|---|
| 42. | Additional Business Centre(s) or other special provisions relating to Payment Dates: | [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15 (ii), 16(iv) and 17(i) relate][17] |
| 43. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No. *If yes, give details*] |
| 44. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | [Not Applicable/*give details*] |
| 45. | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: | [Not Applicable/*give details*] |
| 46. | Redenomination, renominalisation and reconventioning provisions: | [Not Applicable/The provisions [in Condition 37] [annexed to these Final Terms] apply]<br><br>[*For Preference share-Linked Notes*: Applicable] |
| 47. | Restrictions on free transferability of the Notes: | [None][*give details*] |
| 48. | Other final terms: | [Not Applicable/*give details*]<br><br>(*When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*) |

[17] This should specify "Not applicable" unless, exceptionally, location of Fiscal Agent is to be included as a business day for the purposes of payments whilst Notes are in global form in the clearing systems.

**[DISTRIBUTION]**

| | | | |
|---|---|---|---|
| 49. | (i) | If syndicated, names [and addresses][18] of Managers [and underwriting commitments][19]: and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)][20] | [Not Applicable/*give names[, addresses and underwriting commitments*]] [(*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis.*)] |
| | (ii) | [Date of [Subscription] Agreement: | [•]][21] |
| | (iii) | Stabilising Manager(s) (if any): | [Not Applicable/*give name*] |
| 50. | If non-syndicated, name [and address][22] of Dealer: | | [Not Applicable/give name [*and address*][23]] |
| 51. | U.S. Selling Restrictions: | | [Reg. S Compliance Category] |
| 52. | Non-exempt offer: | | [Not applicable] [An offer of the Notes may be made by the Managers [and [*specify, if applicable*]] other than pursuant to Article 3(2) of the Prospective Directive in [*specify relevant Member State(s) – which must be jurisdictions where the Base Prospectus and any supplements have been passported*] (Public Offer Jurisdictions) during the period from [*specify date*] until [*specify date*] (Offer Period). See further paragraph 10 of Part B below. |
| 53. | [Total commission and concession: | | [•] per cent. of the Aggregate Nominal Amount][24] |
| 54. | Additional selling restrictions: | | [Not Applicable/*give details*] |

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18 Delete for Notes with a denomination per Note of EUR 50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

19 Delete for Notes with a denomination per Note of EUR 50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

20 Delete for Notes with a denomination per Note of EUR 50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

21 Delete for Notes with a denomination per Note of EUR 50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

22 Delete for Notes with a denomination per Note of EUR 50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

23 Delete for Notes with a denomination per Note of EUR 50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

24 Delete for Notes with a denomination per Note of EUR 50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

[**PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading in [*specify relevant regulated market*] of the Notes described herein pursuant to the Program for the Issuance of Notes, Warrants and Certificates of [Morgan Stanley/Morgan Stanley & Co. International plc/Morgan Stanley (Jersey) Limited/Morgan Stanley B.V.] [For the purposes of the Notes the terms specified in these Final Terms are deemed to be incorporated into the terms and conditions of the Notes (the "**Conditions**") and shall thereby supplement, replace or modify, as the case may be, the Conditions for the purposes of the Notes and these Final Terms may be regarded as evidencing such supplement, replacement or modification of the Conditions.] [*Include for Uncertificated Notes*]

[**NO MATERIAL ADVERSE CHANGE**

Except as disclosed in the Final Terms and the [•], there has been no significant change in the financial or trading position of the Issuer [and the Guarantor] and no material adverse change in the financial position or prospects of the Issuer's [and the Guarantor's] consolidated group since [•].][25]

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [(*Relevant third party information*) has been extracted from [•] (*specify source*)]. [Each of the] [The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ..........................................................................
Duly authorised

[Signed on behalf of the Guarantor:

By: ..........................................................................
Duly authorised]

[25] Delete for Notes which are not to be listed on the SIX Swiss Exchange. Do not include for Notes to be listed on any market in the EEA.

## PART B – OTHER INFORMATION

1. **LISTING**

| | |
|---|---|
| Listing and admission to Trading: | [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed on the Official List of the FSA with effect from [•].]<br><br>[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on SCOACH AG and to be listed on the main segment of the SIX Swiss Exchange with effect from [•].]<br><br>[Not Applicable.]<br><br>[*Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading.*] |
| [Last day of Trading: | [•]] |
| [Estimate of total expenses related to admission to trading: | [•]][26] |

2. **RATINGS**

| | |
|---|---|
| Ratings: | The Notes to be issued have been rated:<br><br>[S & P: [•]]<br><br>[Moody's: [•]]<br><br>[Fitch: [•]]<br><br>[[Other]: [•]]<br><br>*Option 1*<br><br>[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").<br><br>*Option 2*<br><br>[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA and is not registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").<br><br>*Option 3*<br><br>[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the EEA and registered under Regulation (EU) No 1060/2009, |

[26] Delete for Notes with a denomination per Note of less than EUR 50,000 or more or, following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

as amended (the "**CRA Regulation**").

*Option 4*

[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").][27]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.][28]

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

[The Notes will not be rated].]

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer".]

(*When adding any other description, consideration should be given as to whether the new matters described constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

| | | |
|---|---|---|
| (i) | Reasons for the offer: | [•]<br><br>(If reasons for offer different from making profit and/or hedging, certain risks will need to include those reasons here.)] |
| (ii) | Estimated net proceeds: | [•]<br><br>(If proceeds are intended for more than one use, will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.) |
| (iii) | Estimated total expenses: | [•]<br><br>[Include breakdown of expenses.](If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.) |

27 Edit and delete options as appropriate for the relevant rating agency/agencies providing the rating(s).

28 Delete for Notes with a denomination per Note of EUR 50,000 or more or, following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

5. **[Fixed Rate Notes only – YIELD**

Indication of yield: [•]

[Calculated as [include details of method of calculation in summary form] on the Issue Date.

As set out above,][29] the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

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

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].][30]

7. **[*Index-Linked or other variable-linked Notes only* – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, [EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS][31] AND OTHER INFORMATION CONCERNING THE UNDERLYING**

[*Need to include details of where past and future performance and volatility of the index/equity/commodity/currency/inflation/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]*[32]. *[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.] Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]/[Include other information concerning the underlying required by Paragraph 4 of checklist F of the SIX Swiss Exchange.*]

[*When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*]

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

8. **[*Dual Currency-Linked Notes only* – PERFORMANCE OF RATE[S] OF EXCHANGE [AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT][33]**

[*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.*]

[*When completing this paragraph, consideration should be given as to whether such matters described*

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[29] Delete for Notes with a denomination per Note of EUR 50,000 or more or, following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

[30] Delete for Notes with a denomination per Note of EUR 50,000 or more or, following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

[31] Delete for Notes with a denomination per Note of EUR 50,000 or more or, following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

[32] Delete for Notes with a denomination per Note of EUR 50,000 or more or, following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

[33] Delete for Notes with a denomination per Note of EUR 50,000 or more or, following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR 100,000.

*constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*]

9. **OPERATIONAL INFORMATION**

| | |
|---|---|
| ISIN Code: | [•] |
| Common Code: | [•] |
| New Global Note: | Yes/No |
| | [*"No" in the case of Immobilised Bearer Notes*] |
| Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking *société anonyme* and the relevant identification number(s): | [Not Applicable/*give name(s) and number(s)*] |
| | [*Nordic Notes, specify relevant NCSD and NCSD Issuing Agent.* |
| | *Finnish Notes*: Finnish CSD: Euroclear Finland Oy, Urho Kekkosen katu 5 C, Box 1110, FI-00101 Helsinki, Finland |
| | *Swedish Notes*: Swedish CSD: Euroclear Sweden AB, Klarabergsviadukten 63, Box 191, SE 101 23 Stockholm, Sweden |
| | NCSD Issuing Agent: [•]/give relevant name and address] |
| Delivery: | Delivery [against/free of] payment |
| Names and addresses of initial Paying Agent(s): | [•] |
| Names and addresses of additional Paying Agent(s) (if any): | [•] |
| Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes] [No] |
| | [Note that designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs[34] as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper][35] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either on issue or subsequently. Such recognition will depend on satisfaction of Eurosystem eligibility criteria] [*include this text if "yes" selected, in which case the Bearer Notes must be issued in NGN form]* |

10. TERMS AND CONDITIONS OF THE OFFER

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

[34] International Central Securities Depositories.

[35] To be included for Registered Notes.

| | |
|---|---|
| Conditions to which the offer is subject: | [Not Applicable/ Offers of the Notes are conditional upon their issue] |
| Description of the application process: | [Not Applicable/*give details*] |
| Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: | [Not Applicable/*give details*] |
| Details of the minimum and/or maximum amount of application: | [Not Applicable/*give details*] |
| Details of the method and time limited for paying up and delivering the Notes: | [Not Applicable/ The Notes will be issued on the Issue Date against payment to the Issuer of the net subscription moneys] |
| Manner in and date on which results of the offer are to be made public: | [Not Applicable/*give details*] |
| Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: | [Not Applicable/*give details*] |
| Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: | [Not Applicable/ Offers may be made by Offerors authorised to do so by the Issuer in [*insert jurisdiction where the Base Prospectus has been approved and published and jurisdictions into which it has been passported*] to any person [*insert suitability criteria, if any are deemed appropriate, pursuant to any applicable conduct of business rules*]. In other EEA countries, offers will only be made pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus.] |
| Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: | [Not Applicable/*give details*] |
| Amount of any expenses and taxes specifically charged to the subscriber or purchaser: | [Not Applicable/*give details*] |
| Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. | [None/*give details*] |

11. ***(Preference Share-Linked Notes Only)*** **PERFORMANCE OF THE SIENNA UK PREFERENCE SHARES, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE SIENNA UK PREFERENCE SHARES**

[The Notes relate to the [•] preference shares relating to [•] of the Sienna UK.

The Sienna UK Preference Share Value will be published on each Business Day on www.morganstanleyiq.co.uk.

The performance of the Sienna UK Preference Shares depends on the performance of the relevant underlying asset(s) or basis of reference to which the Sienna UK Preference Shares are linked (the "**Preference Share Underlying**"). The Preference Share Underlying is [*insert details of the relevant* *underlying asset(s) or basis of reference to which the Sienna UK Preference Shares relate*]. Information on the Preference Share Underlying (including past and future performance and volatility) is published on [•].] Investors should review the Terms of the Sienna UK Preference Shares and consult with their own professional advisors if they consider it necessary. The Terms of the Sienna UK Preference Shares will be made available to Investors upon written request to the specified office of Sienna UK.

## FORMS OF NOTES

Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may issue Notes in bearer form, to the extent that it has been determined that such Notes should be in registered form for U.S. federal income tax purposes ("**Bearer Notes**"). Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may also issue Notes in registered form ("**Registered Notes**"). Bearer Notes may be in either definitive form or global form. Notes in definitive bearer form will be serially numbered. Registered Notes may be in either individual certificate form or global certificate form. MSBV and MSI plc may also issue Notes in dematerialised and uncertificated book-entry form with a Nordic central securities depositary ("**Nordic Notes**") and in uncertificated registered form ("**Uncertificated Notes**"). MSI plc may also issue Immobilised Bearer Notes.

### Bearer Notes

Unless otherwise specified in the Conditions or the applicable Final Terms, each issuance of Bearer Notes having a maturity of more than 183 days in the case of Morgan Stanley and more then one year in the case of MSIP, MSJ and MSBV (and any Tranche thereof) will initially be in the form of a temporary global note in bearer form (a "**Temporary Global Note**"), without interest coupons. Each Temporary Global Note will be deposited on or around the issue date of such Notes (or any Tranche thereof) either;

(a) if the Temporary Global Note is intended to be issued in New Global Note ("**NGN**") form, as stated in the applicable Final Terms, with a common safekeeper (the "**Common Safekeeper**") for Euroclear and/or Clearstream, Luxembourg; and

(b) if the Temporary Global Note is not intended to be issued in NGN form, with a depositary or a common depositary (together with a "**Common Safekeeper**", a "**Bearer Note Depositary**") for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Upon deposit of each Temporary Global Note, Euroclear or Clearstream, Luxembourg or, as applicable, any other relevant clearing system, will credit each subscriber with a principal amount of Notes equal to the principal amount for which it has subscribed and paid.

The interests of the beneficial owner or owners in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note in bearer form (a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Notes**"), without interest coupons, to be held by a Bearer Note Depositary from the date (the "**Exchange Date**") that is 40 days after the date on which the relevant Issuer receives the proceeds of the sale of that Note (or the relevant Tranche thereof) (the "**Closing Date**"). Each issuance of Notes having a maturity of 183 days or less in the case of Morgan Stanley and one year or less in the case of MSIP, MSJ and MSBV will be in the form of a Permanent Global Note.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the relevant Issuer shall procure (in the case of the first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Fiscal Agent, within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts of the Temporary Global Note presented; **provided**, **however**, **that** in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Bearer Notes in definitive form ("**Definitive Notes**"), which will be serially numbered, with coupons, if any, attached:

(a) in the case of Notes issued by Morgan Stanley or a U.S. based Additional Issuer, if a beneficial owner gives 30 days' written notice to the Fiscal Agent through either Euroclear or Clearstream, Luxembourg or, as applicable, any other relevant clearing system; upon receipt of a request to exchange an interest in a Permanent Global Note for Definitive Notes, all other interests in that Permanent Global Note will be exchanged for Definitive Notes; or

(b) in the case of Notes issued by a non-U.S. based Additional Issuer, if (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) any Note is accelerated following any of the circumstances described in Condition 26 (*Events of Default*) of "*Terms and Conditions of the Notes*".

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons (as defined in "*Terms and Conditions of the Notes*" below) and Talons attached (if so specified in the applicable Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange. The Bearer Note Depositary for Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system will instruct the Fiscal Agent regarding the aggregate principal amount and denominations of Definitive Notes that must be authenticated and delivered to each of Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system. Definitive Notes may not be delivered in the United States. Definitive Notes will be serially numbered.

**Terms and Conditions Applicable to the Bearer Notes**

The terms and conditions of any Definitive Note will be endorsed on that Definitive Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" as set out above (or in the relevant Supplemental Base Prospectus) and the provisions of the applicable Final Terms, which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

**Immobilised Bearer Notes**

The Immobilised Bearer Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global security in bearer form (an "**Immobilised Bearer Global Note**")

The Immobilised Bearer Global Notes will initially be issued in bearer form, without interest coupons, and title thereto will pass by delivery. Pursuant to an agreement (such agreement as amended and/or supplemented and/or restated from time to time, the "**Depositary Agreement**") dated on or about the date of this Base Prospectus between the Issuer, Citibank N.A., London Branch (the "**Book-Entry Depositary**"), Citibank N.A., London Branch (the "**Custodian**") and Citigroup Global Markets Deutschland AG (the "**CDI Registrar**"), the Immobilised Bearer Global Notes of each Series will on issue be deposited with the Book-Entry Depositary and held by the Custodian on behalf of the Book-Entry Depositary.

In respect of Immobilised Bearer Notes to be settled through Euroclear and/or Clearstream, Luxembourg which are deposited with the Book-Entry Depositary, the Book-Entry Depositary will issue registered certificated depositary interests ("**CDIs**") to a common depositary for Euroclear and Clearstream, Luxembourg or its nominee, and will record the CDIs in the books and records of the Registrar in the name of the common depositary or its nominee, as applicable. Ownership of interests in the Immobilised Bearer Global Notes deposited with the Book-Entry Depositary (the "**Book-Entry Interests**") will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be affected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

Subject as set out below, the Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream, Luxembourg will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. However, while the Immobilised Bearer Notes are in global form, holders of Book-Entry Interests will not be considered the owners or holders of such Notes for any purpose.

Interests in an Immobilised Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Notes in definitive registered form without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means:

(a) an Event of Default has occurred and is continuing;

(b) the Issuer has been notified that (x) either Euroclear or Clearstream, Luxembourg is unwilling or unable to continue to act as depositary for the Notes and no alternative clearing system is available or (y) both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available;

(c) the Book-Entry Depositary is at any time unwilling or unable to continue as Book-Entry Depositary in respect of any Immobilised Bearer Notes or its appointment as such under the Depositary Agreement is (or is to be) terminated and no successor is appointed by the Issuer within 90 days; or

(d) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive registered form.

The Issuer will promptly give notice to Noteholders in accordance with Condition 33 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Immobilised Bearer Global Note) may give notice to the CDI Registrar (or request that a Paying Agent does so) requesting exchange and the Issuer may also give notice to the CDI Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the CDI Registrar.

In such an event, the Issuer (or the CDI Registrar on behalf of the Issuer) will exchange the Book-Entry Interests in the relevant Immobilised Bearer Global Note for Notes in definitive form, registered in the name or names and issued in any approved denominations, requested by on or behalf of Clearstream, Luxembourg (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and which may bear a restrictive legend unless such legending is not required by applicable law.

To the extent permitted by law, the Issuer, the Paying Agent and the CDI Registrar shall be entitled to treat the holder of any Note as the absolute owner thereof.

***Transfers***: Pursuant to the Depositary Agreement, an Immobilised Bearer Global Note may be transferred only to a successor to the relevant Book-Entry Depositary.

Unless and until Book-Entry Interests are exchanged for Notes in definitive registered form, the CDIs held for the common depositary for Euroclear and Clearstream, Luxembourg may not be transferred except as a whole to a nominee or a successor approved by the Issuer.

Book-Entry Interests will be subject to certain restrictions on transfer and certification requirements.

All transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream, Luxembourg will be effected by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, Luxembourg and their respective participants.

Book-Entry Interests in an Immobilised Bearer Global Note may be exchanged for Notes in definitive registered form upon receipt by the CDI Registrar of instructions from a Paying Agent. It is expected that such instructions of the Paying Agent will be based upon directions received by Euroclear or Clearstream, Luxembourg, as applicable, from the participant which owns the relevant Book-Entry Interests.

**Registered Notes**

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

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

If the relevant Final Terms specify the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the relevant Final Terms specify "in the limited circumstances described in the Global Note Certificate", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 26 (*Events of Default*) occurs.

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

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

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

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" above and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

**Nordic Notes**

Notes issued by MSBV or MSI plc and designated as "Finnish Notes" or "Swedish Notes" in the applicable Final Terms will be issued in uncertificated and dematerialised book-entry form in accordance with the Finnish or, as applicable, Swedish legislation and all other applicable local laws, regulations and operating procedures applicable to and/or issued by the Finnish or, as applicable, Swedish central securities depository from time to time (the "**NCSD Rules**") designated as registrar for the Nordic Notes in the relevant Final Terms (the "**NCSD**"). No physical global or definitive Notes or certificates will be issued in respect of Nordic Notes and the provisions relating to presentation, surrender or replacement of such physical bearer instruments shall not apply. Payments of principal, interest (if any) or any other amounts on any Nordic Note will be made through the relevant NCSD in accordance with the NCSD Rules.

**Uncertificated Notes**

Uncertificated Notes will be held in uncertificated form in accordance with the Uncertificated Securities Regulations 2001, including any modification or re-enactment thereof for the time being in force (the "**Regulations**"). The Uncertificated Notes are participating securities for the purposes of the Regulations. Title to the Uncertificated Notes is recorded on the relevant Operator register of eligible debt securities (as defined in the Regulations) and the relevant "**Operator**" (as such term is used in the Regulations) in Euroclear UK & Ireland Limited or any additional or alternative operator from time to time approved by the Issuer and the Registrar and in accordance with the Regulations. Notes in definitive registered form will not be issued (either upon issue or in exchange for Uncertificated Notes).

The Euroclear Registrar will make all payments in respect of Uncertificated Notes.

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

### Clearing System Accountholders

In relation to any Bearer Notes (or any Tranche thereof) (other than Immobilised Bearer Notes) represented by a Global Note, references in the "*Terms and Conditions of the Notes*" to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a Bearer Note Depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that Bearer Note Depositary or, as the case may be, the common safekeeper.

In relation to any Registered Notes (or any Tranche thereof) represented by a Global Note Certificate, references in the "*Terms and Conditions of the Notes*" to "Noteholder" are references to the person in whose name such Global Note Certificate is for the time being registered in the Register which, for so long as the Global Note Certificate is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or a nominee for that depositary or common depositary.

In relation to any Immobilised Bearer Notes (or any Tranche thereof) represented by an Immobilised Bearer Global Note, references in the "Terms and Conditions of the Notes" to "Noteholder" are references to the person in whose name the relevant CDIs are registrered.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate or any Book-Entry Interests (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the relevant Issuer to the holder of such Global Note or Global Note Certificate or Immobilised Bearer Global Note and in relation to all other rights arising under such Global Note or Global Note Certificate or Immobilised Bearer Global Note, including any right to exchange any exchangeable Notes or any right to require the relevant Issuer to repurchase such Notes. The respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time will determine the extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Note Certificate or Immobilised Bearer Global Note and the timing requirements for meeting any deadlines for the exercise of those rights. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate or Immobilised Bearer Global Note, Accountholders shall have no claim directly against the relevant Issuer in respect of payments due under the Notes and such obligations of the relevant Issuer will be discharged by payment to the holder of such Global Note or Global Note Certificate or Immobilised Bearer Global Note.

### Exchange of Temporary Global Notes

If:

(a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5:00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

(b) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the terms and conditions of such Temporary Global Note as set out in "*Terms and Conditions of the Notes*" or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof, as the case may be) will become void at 5:00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5:00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have in respect of Notes under (i) in respect of Notes issued by Morgan Stanley, the Morgan Stanley Deed of Covenant; (ii) in respect of Notes issued by Morgan Stanley Jersey, the MSJ Deed of Covenant; (iii) in respect of Notes issued by MSBV, the MSBV Deed of Covenant; (iv) in respect of Notes issued by an Additional Issuer, a deed of covenant to be executed by such Additional Issuer on or prior to the date on which such Additional Issuer accedes to the Program (an "**Additional Deed of Covenant**")). Under the Morgan Stanley Deed of Covenant, the MSI plc Deed of Covenant, the MSJ Deed of Covenant, the MSBV Deed of Covenant or, as the case may be, any Additional Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note in respect of Notes will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before such Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

**Exchange of Permanent Global Notes and Immobilised Bearer Global Notes**

Whenever a Permanent Global Note or Immobilised Bearer Global Note is to be exchanged for Notes in definitive form, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (in the case of a Permanent Global Note and if so specified in the applicable Final Terms) or of Notes in definitive registered form (in the case of an Immobilised Bearer Global Note), in each case in an aggregate principal amount equal to the principal amount of the Permanent Global Note or Immobilised Bearer Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note or Immobilised Bearer Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(a) in the case of Notes issued by Morgan Stanley, Definitive Notes have not been delivered by 5:00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or

(b) a Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or

(c) a Permanent Global Note (or any part of it) or an Immobilised Bearer Global Note (or any part of it) has become due and payable in accordance with the terms and conditions of such Permanent Global Note or such Immobilised Bearer Global Note, as applicable, as set out in "*Terms and Conditions of the Notes*" or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note or Immobilised Bearer Global Note, as applicable, in accordance with the terms of the relevant Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) or the Immobilised Bearer Global Note (including the obligation to deliver Notes in definitive registered form) as the case may be will become void at 5:00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5:00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5:00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the relevant Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the relevant Global Note or others may have in respect of Notes under the Morgan Stanley Deed of Covenant, the MSI plc Deed of Covenant, the MSJ Deed of Covenant, the MSBV Deed of Covenant or, as the case may be, any Additional Deed of Covenant). Under the Morgan Stanley Deed of Covenant, the MSI plc Deed of Covenant, the MSJ Deed of Covenant, the MSBV Deed of Covenant or, as the case may be, any Additional Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system in force as being entitled to an interest in a relevant Global Note in respect of Notes will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before such relevant Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

**Exchange of Global Note Certificates**

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

If:

(a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or

(b) any of the Notes represented by a Global Note Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Note Certificate in accordance with the terms of the Global Note Certificate on the due date for payment,

then at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) each person shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interest in the Notes (each an "**Accountholder**"), shall acquire the right under the Morgan Stanley Deed of Covenant, the MSI plc Deed of Covenant, the MSJ Deed of Covenant and the MSBV Deed of Covenant (the "**Deeds of Covenant**"), as the case may be, or any Additional Deed of Covenant to enforce against the Issuer, the Issuer's obligations to the Noteholder in respect of the Notes represented by the Global Note Certificate, including the obligation of the Issuer to make all payments and deliveries when due at any time in respect of such Notes as if such Notes had been duly presented and (where required by the Conditions) surrendered on the due date in accordance with the Conditions. Each Accountholder shall acquire such right without prejudice to any other rights which the Noteholder may have under the Global Note Certificate and the Deeds of Covenant. Notwithstanding the rights that each Accountholder may acquire under the Deeds of Covenant, payment or delivery to the Noteholder in respect of any Notes represented by the Global Note Certificate shall constitute a discharge of the Issuer's obligations to the extent of any such payment or delivery and nothing in the Deed of Covenant shall oblige the Issuer to make any payment or delivery under the Notes to or to the order of any person other than the Noteholder.

**Conditions Applicable to Global Notes**

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

***Payments***: All payments in respect of the Global Note, the Immobilised Bearer Global Note or Global Note Certificate as the case may be which, according to the Terms and Conditions of the Notes (except in the case of Global Notes in NGN form), require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note, the Immobilised Bearer Global Note or the Global Note Certificate as the case may be at the Specified Office or to the order of any paying agent and will be effective to satisfy and discharge the corresponding liabilities of the relevant Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the relevant Issuer shall procure that in respect of a CGN the same is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg. On each occasion on which a payment of principal or interest is made in respect of an Immobilised Bearer Global Note, the Issuer shall procure that the same is noted in the relevant schedule to the Immobilised Bearer Global Note.

***Exercise of Put Option***: In order to exercise the Noteholder's put option set out in Condition 18.9 (*Redemption at the Option of Noteholders*) of the Terms and Conditions of the Notes, the bearer of the Permanent Global Note, the Immobilised Bearer Global Note or the holder of a Global Note Certificate as the case may be must, within the period specified therein for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent and/or such other person as is specified in the relevant Final Terms specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

***Partial Exercise of Call Option***: In connection with an exercise of the option contained in Condition 18.7 (*Redemption at the Option of the Issuer*) of the Terms and Conditions of the Notes in relation to some but not all of the Notes, the Permanent Global Note, the Immobilised Bearer Global Note or Global Note Certificate as the case may be may be redeemed in part in the principal amount specified by the relevant Issuer in accordance with the provisions set out therein and the Notes to be redeemed will not be selected as provided therein.

***Notices***: Notwithstanding Condition 33 (*Notices*) of the Terms and Conditions of the Notes while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note), an Immobilised Bearer Global Note or Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and the Temporary Global Note are), the Immobilised Bearer Global Note is, or Global Note Certificate is, deposited with a Bearer Note Depositary, the Book-Entry Depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 33 (*Notices*) of the Terms and Conditions of the Notes, on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as the Notes are listed on any stock exchange or are admitted to trading by another relevant authority, any notice to Noteholders shall be published in accordance with the rules and regulations of each such stock exchange or other relevant authority.

***Redenomination***: If the Notes are redenominated pursuant to Condition 37 (*Redenomination, Renominalisation and Reconventioning*) of the Terms and Conditions of the Notes then following redenomination:

(a) if Definitive Notes are required to be issued, they shall be issued at the expense of the relevant Issuer in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the relevant Fiscal Agent shall determine and notify to the Noteholders; and

(b) the amount of interest due in respect of Notes represented by a Permanent Global Note, an Immobilised Bearer Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

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

"**Payment Business Day**" means:

(i) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Business Centre; or

(ii) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Business Centre.

**Registered Notes**

Notwithstanding Condition 21 (*Payments – Registered Notes*), each payment in respect of any Global Note Certificate shall be made to the person shown in the Register as the registered holder of the Notes represented by such Global Note Certificate at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where the "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

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

## TERMS AND CONDITIONS OF THE WARRANTS AND CERTIFICATES

*The following are the terms and conditions of the Warrants and Certificates which, as supplemented by the applicable Final Terms, will be applicable to each Series of Warrants and Certificates issued by Morgan Stanley, Morgan Stanley & Co. International plc, Morgan Stanley (Jersey) Limited or Morgan Stanley B.V.* ***provided that*** *the relevant Final Terms in relation to any Series of Warrants or Certificates may supplement these terms and conditions and/or may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace the following terms and conditions for the purposes of such Series of Warrants or Certificates.*

This security is one of a series (each, a "**Series**") of Warrants (the "**Warrants**") or Certificates (the "**Certificates**") issued pursuant to an issue and paying agency agreement dated 5 August 2011 as modified and restated on 21 June 2012 (the "**Issue and Paying Agency Agreement**", which expression shall include any amendments or supplements thereto). The parties to the Issue and Paying Agency Agreement are (1) Morgan Stanley, (2) Morgan Stanley (Jersey) Limited, (3) Morgan Stanley B.V., (4) Morgan Stanley & Co. International plc, (5) Citibank Europe plc, as principal Securities Agent (the "**Principal Securities Agent**" and the "**Securities Transfer Agent**") (6) Citigroup Global Markets Deutschland AG (the "**Securities Registrar**", which expressions includes any successor or substitute Principal Securities Agent, Securities Registrar or Securities Transfer Agent, as the case may be, appointed in accordance with the Issue and Paying Agency Agreement) and (7) Citibank N.A., Las Vegas, Zurich Branch acting as Securities Agent in connection with Warrants and Certificates listed on the SIX Swiss Exchange and any other Securities Agents appointed under the Issue and Paying Agency Agreement (together the "**Securities Agents**"). In the following provisions of these terms and conditions (the "**Conditions**"), each reference to the "**Issuer**" is a reference to whichever of Morgan Stanley, Morgan Stanley & Co. International plc, Morgan Stanley (Jersey) Limited and Morgan Stanley B.V. is identified as the Issuer in the relevant Final Terms (as defined below). The payment obligations of Morgan Stanley (Jersey) Limited and Morgan Stanley B.V. in respect of Warrants and Certificates issued by them under the Program are (unless otherwise stated in the relevant Final Terms) guaranteed by Morgan Stanley (the "**Guarantor**") under the terms of a guarantee dated 5 August 2011.

Warrants and Certificates issued by Morgan Stanley in global form are constituted by a deed of covenant entered into by Morgan Stanley dated 21 June 2012 (the "**Morgan Stanley Deed of Covenant**"). Warrants and Certificates issued by MSI plc in global form or in dematerialised form are constituted by a deed of covenant entered into by MSI plc dated 21 June 2012 (the "**MSI plc Deed of Covenant**"). Warrants and Certificates issued by Morgan Stanley Jersey in global form are constituted by a deed of covenant entered into by Morgan Stanley Jersey dated 21 June 2012 (the "**MSJ Deed of Covenant**"). Warrants and Certificates issued by MSBV in global form or in dematerialised form are constituted by a deed of covenant entered into by MSBV dated 21 June 2012 (the "**MSBV Deed of Covenant**", and together with the Morgan Stanley Deed of Covenant, the MSI plc Deed of Covenant and the MSJ Deed of Covenant, the "**Deeds of Covenant**").

In relation to a Series of Warrants or Certificates, the expression "**Warrants**" and the term "**Certificates**" shall, unless the context otherwise requires, include any further Warrants or, as the case may be, Certificates issued pursuant to Condition 25 (*Further Issues*) of these Conditions and forming a single series with such Series. The Securityholders (as defined below) are entitled to the benefit of, and are bound by and are deemed to have notice of, all the provisions of the Issue and Paying Agency Agreement, these Conditions and the Final Terms (as defined below) relating to the relevant Warrants or Certificates.

Each Series of Warrants and each Series of Certificates may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Warrants or, as the case may be, Certificates. Each Tranche will be the subject of a set of Final Terms supplemental hereto (each, "**Final Terms**"), a copy of which may, in the case of a Tranche in relation to which application has been made for admission to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange, be obtained free of charge from the specified office of the Principal Securities Agent. In the case of a Tranche in relation to which application has not been made for admission to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by a holder of Warrants or Certificates of that Tranche.

References in the Conditions to Warrants or Certificates are to the Warrants or Certificates of the relevant Series and references to the Issuer, the Guarantor, the Principal Securities Agent, the Securities Registrar, the Securities Transfer Agent, the Determination Agent, any holder or the Securityholders are to those persons in relation to the Warrants or Certificates of the relevant Series. Capitalised terms used but not defined in these Conditions shall have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Warrants or Certificates of the relevant Series.

## 1. DEFINITIONS

As used in these Conditions, the following expressions shall have the following meanings in respect of any Warrants or Certificates or Series of Warrants or Certificates:

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

"**Bearer Certificates**" has the meaning ascribed thereto in Condition 2 (*Form, Title and Transfer*);

"**Bearer Warrants**" has the meaning ascribed thereto in Condition 2 (*Form, Title and Transfer*);

"**Bond Securities**" means Warrants or Certificates relating to bonds or other debt securities;

"**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 London;

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

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

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

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

(iv) "**Preceding**" means that the relevant date will be the first preceding day that is a Business Day; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

"**CEA**" means the United States Commodity Exchange Act, as amended;

"**Clearing System**" means Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system located outside the United States specified in the relevant Final Terms which the Underlying Security is, for the time being, held;

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

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

"**Commencement Date**" means the date specified as such in the relevant Final Terms, or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day;

"**Commodity Securities**" means any Series of Warrants or Certificates that relate to a commodity or commodities or to a commodity index;

"**Currency Business Day**" means, unless otherwise specified in the applicable Final Terms and subject as provided in Condition 9.5 with respect to Currency Securities, for the purpose of the definition of Cash Settlement Payment Date in respect of any Series of Warrants or Certificates, any day (1) that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close (x) in The City of New York or London, (y) in relation to sums payable in currencies other than U.S. dollars, euro or Australian dollars, in the principal financial centre of the country of the relevant currency or (z) in relation to sums payable in Australian dollars, in Sydney and (2) in relation to sums payable in euro, a day that is also a TARGET Settlement Day;

"**Currency Securities**" means Warrants or Certificates relating to a currency exchange rate or currency exchange rates;

"**Determination Agent**" means Morgan Stanley & Co. International plc ("**MSI plc**") or, in respect of any Series of Warrants or Certificates, such other determination agent as may be specified in the relevant Final Terms;

"**Disrupted Day**" has the meaning ascribed thereto in Condition 7.1.2;

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

"**ETF Basket Securities**" means any Series of Warrants or Certificates that relates to a basket of Underlying Securities that are exchange traded funds;

"**ETF Securities**" means any Series of Warrants and Certificates that relates to a single Underlying Security that is an exchange traded fund;

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

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

"**European Economic and Monetary Union**" means economic and monetary union pursuant to the EC Treaty;

"**Exercise Date**" means, in respect of any Warrant or Certificate, the day on which such Warrant or Certificate is deemed to have been exercised in accordance with Condition 5.6 (*Deemed Exercise*), if applicable, or on which an Exercise Notice relating to that Warrant or Certificate is delivered in accordance with the provisions of Condition 5.1 (*Exercise Notice*);

"**Exercise Notice**" means any notice in the form scheduled to the Issue and Paying Agency Agreement (or such other form as may from time to time be agreed by the Issuer and the Principal Securities Agent (in the case of Bearer Warrants or Bearer Certificates) or the Securities Registrar (in the case of Registered Warrants or Registered Certificates)) which is delivered by a Securityholder in accordance with Condition 5.1 (*Exercise Notice*);

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

"**Exercise Receipt**" means a receipt issued by a Securities Agent or Securities Registrar to a depositing Securityholder upon deposit of a Warrant or Certificate with such Securities Agent or Securities Registrar by any Securityholder wanting to exercise a Warrant or Certificate;

"**Expiration Date**" means:

(i) in respect of any Share Security, Share Basket Security, Index Security, Index Basket Security, ETF Security or ETF Basket Security, the date specified as such in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), unless such date is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Latest Exercise Time on such date. If such date is a Disrupted Day due to the occurrence of such an event, then the Expiration Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Expiration Date is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Expiration Date, notwithstanding the fact that such day is a Disrupted Day. Notwithstanding the foregoing, if a Warrant or Certificate is exercised on a Scheduled Trading Day that would have been an Expiration Date but for the occurrence of an event giving rise to a Disrupted Day, such Scheduled Trading Day shall be deemed to be the Expiration Date for the purpose of determining whether an Exercise Date has occurred during the Exercise Period; and

(ii) in respect of any Bond Security, Commodity Security, Currency Security, Inflation Security, Property Security, Fund Security or Fund Basket Security, the date specified as such in the relevant Final Terms or, if that date is not a Business Day and, if specified in the relevant Final Terms, an Exchange Business Day, a Commodity Business Day, a Currency Business Day or a Fund Business Day, the next following day that is a Business Day and, as the case may be, an Exchange Business Day, a Commodity Business Day, a Currency Business Day or a Fund Business Day;

"**Finnish CSD**" means a duly authorised Finnish central securities depository (*Fi.: Arvopaperikeskus*) under the Finnish Act on Book-Entry Securities System (*Fi.*: *laki arvo-osuujärjestelmästä 17.5.1991/826*), which is expected to be Euroclear Finland Oy, Urho Kekkosen katu 5 C, Box 1110, FI-00101 Helsinki, Finland;

"**Finnish Securities**" means any Tranche of Warrants or Certificates issued by Morgan Stanley B.V. or, as applicable, MSI plc and designated by the Issuer as "Finnish Securities" in paragraph 7 (Form of Warrants or Certificates) of the relevant Final Terms;

"**Fund Basket Securities**" means Warrants or Certificates that relate to a basket of Underlying Securities that are funds;

"**Fund Securities**" means Warrants or Certificates relating to a single Underlying Security that is a fund;

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

"**Index Securities**" means Warrants or Certificates relating to a single Index;

"**Inflation Securities**" means Warrants or Certificates relating to an inflation index;

"**Initial Date**" means the date specified as such in the relevant Final Terms;

"**Latest Exercise Time**" means 10:00 a.m. (local time in the place where the Specified Office of the relevant Securities Agent or Securities Registrar, as the case may be, is located), unless specified otherwise in the relevant Final Terms;

"**NCSD**" means the Finnish CSD or the Swedish CSD, as applicable;

"**NCSD Issuing Agent**" means a duly authorised issuing agent under the relevant NCSD Rules and designated as such by the Issuer in Part A, paragraph 31 of the relevant Final Terms;

"**NCSD Register**" means the book entry register maintained by the relevant NCSD on behalf of the Issuer in respect of the relevant Tranche of Nordic Securities;

"**NCSD Rules**" means any Finnish or, as applicable, Swedish legislation, regulations, rules and operating procedures applicable to and/or issued by the relevant NCSD (including, but not limited to, the Finnish Act on Book-Entry Securities System (Fi.: *laki arvo-osuujärjestelmästä 17.5.1991/826*) and the Swedish Financial Instruments Accounts Act (Sw.: *lag (1998:1479) om kontoföring av finansiella instrument*));

"**Nordic Securities**" means Finnish Securities or Swedish Securities, as applicable;

"**Optional Settlement Amount (Call)**" has the meaning given in the applicable Final Terms;

"**Optional Settlement Date (Call)**" has the meaning given in the applicable Final Terms;

"**Property Securities**" means Warrants or Certificates relating to a property index;

"**Physical Settlement Date**" means, in relation to Underlying Securities to be delivered following exercise of a Warrant or Certificate on an Exercise Date, and unless otherwise specified in the relevant Final Terms, the first day on which settlement of a sale of such Underlying Securities on that Exercise Date customarily would take place through the relevant Clearing System, unless a Settlement Disruption Event prevents delivery of such Underlying Securities on that day;

"**Potential Exercise Date**" means:

(i) in respect of any Share Security, Share Basket Security, Index Security, Index Basket Security, ETF Security or ETF Basket Security, each date specified as such in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), unless such date is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Latest Exercise Time on such date. If such date is a Disrupted Day due to the occurrence of such an event, then the Potential Exercise Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Potential Exercise Date is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Potential Exercise Date. Notwithstanding the fact that such day is a Disrupted Day. Notwithstanding the foregoing, if a Warrant or Certificate is exercised on a Scheduled Trading Day that would have been a Potential Exercise Date prior to the occurrence of an event giving rise to a Disrupted Day, such Scheduled Trading Day shall be deemed to be the Potential Exercise Date for the purpose of determining whether an Exercise Date has occurred during the Exercise Period; and

(ii) in respect of any Bond Security, Commodity Security, Currency Security, Inflation Security, Property Security, Fund Security or Fund Basket Security, the dates specified in the relevant Final Terms (or, if any such date is not a Business Day, and, if so specified in the relevant Final Terms, an Exchange Business Day, a Commodity Business Day, a Currency Business Day or a Fund Business Day, the next following date that is a Business Day and, as the case may be, an Exchange Business Day, a Commodity Business Day, a Currency Business Day or a Fund Business Day);

"**Principal Financial Centre**" means, in respect of any Series of Warrants or Certificates and any currency, the financial centre(s) for that currency specified as such in the relevant Final Terms, or, if none is specified, the financial centre or centres determined by the Determination Agent in its sole and absolute discretion;

"**Reference Dealers**" means, in respect of any Series of Warrants or Certificates, the dealers specified as such in the relevant Final Terms;

"**Registered Certificates**" has the meaning ascribed thereto in Condition 2(Form, Title and Transfer);

"**Registered Warrants**" has the meaning ascribed thereto in Condition 2(Form, Title and Transfer);

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

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

"**Security** " means any Warrant or Certificate;

"**Securityholder**" has the meaning ascribed thereto in Condition 2 (Form, Title and Transfer);

"**Settlement Currency**" means, in respect of any Series of Warrants or Certificates, the currency specified as such in the relevant Final Terms;

"**Settlement Cycle**" means, in respect of an Underlying Security, Index or ETF, the period of Settlement Cycle Days following a trade in such Underlying Security or the securities or other property underlying such Index or ETF as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period) and for this purpose "**Settlement Cycle Day**" means a day on which the relevant Exchange at the relevant time is (or, but for the occurrence of a Settlement Disruption Event would have been) open for the acceptance and execution of settlement instructions or, if none, a day selected by the Determination Agent;

"**Settlement Election Date**" means, in respect of any Series of Warrants or Certificates, the date specified in the relevant Final Terms or, if such date is not a Business Day, the next following day that is a Business Day;

"**Share Basket Securities**" means Warrants or Certificates relating to a basket of Underlying Securities that are shares;

"**Share Securities**" means Warrants or Certificates relating to a single Underlying Security that is a share;

"**Specified Office**" means, in respect of any Series of Warrants or Certificates, in the case of a Relevant Dealer, any office or branch of the Relevant Dealer located in the city specified for such purpose in the relevant Final Terms and, in the case of the Securities Agent, the Securities Registrar or the Securities Transfer Agent, has the meaning given to such term in the Issue and Paying Agency Agreement. If a city is not so specified in respect of a Relevant Dealer, the Specified Office will be deemed to be an office or branch of such Relevant Dealer located in the Principal Financial Centre of the Reference Currency unless no quotations are available from the relevant office or branch of such Reference Dealer in which case, the Specified Office of the relevant Reference Dealer shall be the office or branch of such Reference Dealer located in any major financial market for the purchase and sale of the Reference Currency and the Settlement Currency outside the country where the Reference Currency is the lawful currency, as selected by the Determination Agent;

"**Specified Time**" means, in respect of any Series of Warrants or Certificates and the determination of the Spot Rate, the time specified as such in the relevant Final Terms;

"**Strike Price**" means, in respect of any Series of Warrants or Certificates, the price, level or amount specified as such or otherwise determined as provided in the relevant Final Terms;

"**Strike Price Payment Date**" has the meaning ascribed thereto in the relevant Final Terms;

"**Swedish CSD**" means a duly authorised Swedish central securities depository (Sw.: *central värdepappersförvarare*) under the Swedish Financial Instruments Accounts Act (Sw.: *lag*

*(1998:1479) om kontoföring av finansiella instrument*), which is expected to be Euroclear Sweden AB, Klarabergsviadukten 63, Box 191, SE-101 23 Stockholm, Sweden;

"**Swedish Securities**" means any Tranche of Warrants or Certificates issued by Morgan Stanley B.V. or, as applicable, MSI plc and designated by the Issuer as "Swedish Securities" in paragraph 7 (Form of Warrants or Certificates) of the relevant Final Terms;

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

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

"**Taxes**" has the meaning ascribed thereto in Condition 4.5.1 (*Physical Settlement Securities*);

"**Underlying Securities**" means shares, bonds, other debt securities, other securities or other property specified as such in the relevant Final Terms, and "**Underlying Security**" shall be construed accordingly; and

"**Underlying Security Issuer**" means, in respect of Underlying Securities, the issuer of the relevant Underlying Securities.

2. **FORM, TITLE AND TRANSFER**

2.1 **Form**: Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may issue Warrants and Certificates in bearer form ("**Bearer Warrants** and "**Bearer Certificates**") or in registered form ("**Registered Warrants**" and "**Registered Certificates**"). MSBV and MSI plc may also issue Warrants and Certificates in dematerialised and uncertificated book-entry form with a Nordic central securities depositary ("**Nordic Securities**").

2.2 **Bearer Warrants and Bearer Certificates**:

2.2.1 ***Form***: Bearer Warrants and Bearer Certificates in definitive form will be serially numbered.

2.2.2 ***Title***: Title to the Bearer Warrants and Bearer Certificates will pass by delivery. "**holder**" means the holder of such Bearer Warrant or Bearer Certificate and "**Securityholder**" shall be construed accordingly.

2.2.3 ***Ownership***: The holder of any Bearer Warrant or Bearer Certificate shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.

2.3 **Registered Warrants and Registered Certificates**:

2.3.1 **Form**: Registered Warrants and Registered Certificates may be in either individual certificate form or in global certificate form.

2.3.2 **Title**: Title to the Registered Warrants and Registered Certificates passes by registration in the Register which is kept by the Securities Registrar in accordance with the provisions of the Issue and Paying Agency Agreement. A certificate (a "**Warrant Certificate**" and a "**Registered Certificate Form**") will be issued to each holder of Registered Warrants and Registered Certificates in respect of its registered holding. Each Warrant Certificate and Registered Certificate Form will be numbered serially with an identifying number which will be recorded in the Register. "**holder**" means, in the case of Registered Warrants and Registered Certificates, the person in whose name such Registered Warrant or Registered Certificate is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Securityholder**" shall be construed accordingly.

2.3.3 **Ownership**: The holder of any Registered Warrant or Registered Certificate shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or on the Warrant Certificate or Registered Certificate Form relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

2.3.4 **Transfers**: Subject to Conditions 3.4.6 (*Closed Periods*) and 3.4.7 (*Regulations concerning transfers and registration*) below, a Registered Warrant or Registered Certificate may be transferred upon surrender of the relevant Warrant Certificate or Registered Certificate Form, with the endorsed form of transfer duly completed, at the Specified Office of the Securities Registrar or any Securities Transfer Agent, together with such evidence as the Securities Registrar or (as the case may be) such Securities Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Registered Warrants or Registered Certificates represented by the surrendered Warrant Certificate or Registered Certificate Form are the subject of the transfer, a new Warrant Certificate or Registered Certificate Form in respect of the balance of the Registered Warrants or Registered Certificates will be issued to the transferor.

2.3.5 **Registration and Delivery**: Within five business days of the surrender of a Registered Certificate Form in accordance with Condition 3.4.3 (*Transfers*) above, the Securities Registrar will register the transfer in question and deliver a new Warrant Certificate or Registered Certificate Form, as the case may be, of a like number or nominal amount to the Registered Warrants or Registered Certificates transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Securities Transfer Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 3.4.4 (*Registration and Delivery*) "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Securities Registrar or (as the case may be) the relevant Securities Transfer Agent has its Specified Office.

2.3.6 **No charge**: The transfer of a Registered Warrant or Registered Certificate will be effected without charge by or on behalf of the Issuer or the Securities Registrar or any Securities Transfer Agent but against such indemnity as the Securities Registrar or (as the case may be) such Securities Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

2.3.7 **Closed Periods**: Holders of Registered Warrants and Registered Certificates may not require transfers to be registered during the period of 15 days ending on the due date for any payment in respect of the Registered Warrants and Registered Certificates.

2.3.8 **Regulations concerning transfers and registration**: All transfers of Registered Warrants and Registered Certificates and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Warrants and Registered Certificates scheduled to the Issue and Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Securities Registrar. A copy of the current regulations will be mailed (free of charge) by the Securities Registrar to any holder of Registered Warrants and Registered Certificates who requests in writing a copy of such regulations.

2.4 **Nordic Securities**:

Warrants and Certificates designated as "Finnish Securities" or "Swedish Securities" in the applicable Final Terms will be issued in uncertificated and dematerialised book–entry form in accordance with the NCSD Rules. In respect of Nordic Securities, "**Securityholder**" and "**holder**" means the person in whose name a Nordic Security is registered in the NCSD Register and the reference to a person in whose name a Nordic Security is registered shall include also any person duly authorised to act as a nominee (Sw. *Förvaltare*) and so registered for the Nordic Security. Title to Nordic Securities shall pass by registration in the NCSD Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined above) of any Nordic Security shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it and no person shall be liable for so treating the holder. The Issuer shall be entitled to obtain information from the NCSD Register in accordance with the NCSD Rules. The Nordic Securities will be constituted further on a NCSD agreement and the relevant book-entry registration actions being fulfilled. No physical global or definitive warrants or certificates will be issued in respect of Nordic Securities and the provisions relating to presentation, surrender or replacement of bearer instruments shall not apply.

2.5 **General provisions relating to the Warrants and Certificates:**

Interests in any Warrants or Certificates will be transferable in a minimum amount of such number of Warrants or Certificates (the "**Minimum Transfer Amount**") as is specified in the applicable Final Terms.

Warrants and Certificates may not be offered, sold, delivered or otherwise transferred at any time within the United States or for account or benefit of U.S. persons (as such are used in Regulation S under the Securities Act and the CEA) and each Warrant or Certificate will have a legend to such effect.

## 3. STATUS OF WARRANTS AND CERTIFICATES

3.1 **Status of Warrants and Certificates**:

The Warrants and Certificates of each Series constitute direct and general obligations of the Issuer which rank *pari passu* among themselves.

3.2 **Status of Guarantee**:

The Guarantor's obligations in respect of Warrants and Certificates issued by Morgan Stanley (Jersey) Limited or Morgan Stanley B.V. (other than Warrants and Certificates the Final Terms relating to which specifies that such Warrants or Certificates are not guaranteed by Morgan Stanley) constitute direct and general obligations of the Guarantor which rank *pari passu* between themselves.

3.3 **The Issuer may elect the form of settlement**:

By exercising a Warrant or Certificate, the holder thereof shall be deemed to have agreed to such form of settlement as the Issuer may elect in accordance with Conditions 4.6 (*Optional Physical Settlement*) and 4.7 (*Optional Cash Settlement*), if applicable.

## 4. RIGHTS ON EXERCISE OF WARRANTS AND CERTIFICATES

4.1 **American Style Securities**:

If the Warrants or Certificates are specified in the relevant Final Terms as being "**American Style Securities**", then this Condition 4.1 (*American Style Securities*) is applicable and the Warrants or Certificates are exercisable not later than the Latest Exercise Time on any day during the Exercise Period which is a Business Day and, if so specified in the relevant Final Terms, a Scheduled Trading Day, an Exchange Business Day, a Commodity Business Day, a Currency Business Day and/or a Fund Business Day, subject to Condition 4.9 (*Warrants and Certificates void on expiry*) and to prior termination of the Warrants or Certificates as provided in Conditions 7.3 (*Adjustments affecting Underlying Shares and ETF Interests*) to 15 (*Provisions relating to all Warrants and Certificates*) (as applicable), 18 (*Events of Default*)and 19 (*Force Majeure and Illegality*).

4.2 **European Style Securities**:

If the Warrants or Certificates are specified in the relevant Final Terms as being "**European Style Securities**", then this Condition 4.2 (*European Style Securities*) is applicable and the Warrants or Certificates are exercisable only not later than the Latest Exercise Time on the Expiration Date, subject to Condition 4.9 (*Warrants and Certificates void on expiry*) and to prior termination of the Warrants or Certificates as provided in Conditions 7.3 (*Adjustments affecting Underlying Shares and ETF Interests*) to 15 (*Provisions relating to all Warrants and Certificates*) (as applicable), 18 (*Events of Default*) and 19 (*Force Majeure and Illegality*).

4.3 **Bermudan Style Securities**:

If the Warrants or Certificates are specified in the relevant Final Terms as being "**Bermudan Style Securities**", then this Condition 4.3 (*Bermudan Style Securities*) is applicable and the Warrants or Certificates are exercisable only not later than the Latest Exercise Time on each Potential Exercise Date, subject to Condition 4.9 (*Warrants and Certificates void on expiry*) and to prior termination of the Warrants or Certificates as provided in Conditions 7.3 (*Adjustments affecting Underlying Shares and ETF Interests*) to 15 (*Provisions relating to all Warrants and Certificates*) (as applicable), 18 (*Events of Default*) and 19 (*Force Majeure and Illegality*).

4.4 **Cash Settlement Securities**:

If the Warrants or Certificates are specified in the relevant Final Terms as being "**Cash Settlement Securities**", then, subject to Condition 4.6 (*Optional Physical Settlement*) if applicable, upon exercise each Warrant and Certificate entitles the holder thereof to receive from the Issuer on the Cash Settlement Payment Date an amount (the "**Cash Settlement Amount**") calculated in accordance with the relevant Final Terms in the currency (the "**Settlement Currency**") specified in the relevant Final Terms (less any amount in respect of Taxes, as defined below). The Cash Settlement Amount will be rounded down to the nearest minimum unit of the Settlement Currency, with Warrants or Certificates exercised at the same time by the same Securityholder being aggregated for the purpose of determining the aggregate Cash Settlement Amount payable in respect of such Warrants or Certificates.

4.5 **Physical Settlement Securities**:

4.5.1 ***Full Physical Settlement Securities:*** If the Warrants or Certificates are specified in the relevant Final Terms as being "**Full Physical Settlement Securities**", then, subject to Condition 4.7 (*Optional Cash Settlement*) if applicable, upon the exercise of a Warrant or Certificate by a Securityholder, the Issuer will deliver or procure the delivery of all the Underlying Securities in respect of such Warrant or Certificate on the Physical Settlement Date to the account of the Clearing System specified, or as the case may otherwise be specified, for that purpose by such Securityholder in the relevant Exercise Notice, following payment by such Securityholder to or to the order of the Issuer on or before the Strike Price Payment Date of the Strike Price (plus an amount equal to all applicable stamp tax, stamp duty reserve tax, estate, inheritance, gift, transfer, capital gains, corporation, income, property, withholding, other taxes, duties and charges ("**Taxes**") due by reason of the exercise of such Warrant or Certificate and the purchase for, and credit to or to the order of such Securityholder of such Underlying Securities and, in the case of Bond Securities, accrued interest, if any, on the Bond Security Entitlement computed by the Determination Agent in accordance with customary trade practices employed with respect to bonds or such other debt securities), all as more fully described in Condition 5 (*Exercise*).

4.5.2 ***Part Physical Settlement Securities:*** If the Warrants or Certificates are specified in the relevant Final Terms as being "**Part Physical Settlement Securities**", then, subject to Condition 4.7 (*Optional Cash Settlement*) if applicable, upon the exercise of a Warrant or Certificate by a Securityholder, the Issuer will deliver or procure the delivery of all the Underlying Securities in respect of such Warrant or Certificate on the Physical

Settlement Date to the account of the Clearing System specified, or as may otherwise be specified, for that purpose by such Securityholder in the relevant Exercise Notice. The number of Underlying Securities to be so delivered shall be an amount of Underlying Securities, rounded down if not a whole number, whose market value (as determined by the Determination Agent in its sole and absolute discretion) on the Exercise Date (less any commissions which the Issuer may charge at such rate as it deems fit in its sole and absolute discretion and any applicable Taxes due by reason of the exercise of such Warrant or Certificate and the purchase for, and credit to or to the order of such Securityholder of such Underlying Securities) is equal to the excess, if any, of the Settlement Price over the Strike Price (plus, in the case of Bond Securities, any accrued interest, as specified in Condition 4.5.1 (*Full Physical Settlement Securities*) above). Where a Securityholder becomes entitled to receive Underlying Securities in respect of more than one Warrant or Certificate, any rounding adjustment referred to in this Condition 4.5.2 (*Part Physical Settlement Securities*) shall be applied only to the aggregate number of Underlying Securities deliverable in respect of such Warrants or Certificates.

4.5.3 ***Other Physical Settlement Securities:*** If the Warrants or Certificates are specified in the relevant Final Terms as being "**Other Physical Settlement Securities**", then, subject to Condition 4.7 (*Optional Cash Settlement*) if applicable, upon the exercise of a Warrant or Certificate by a Securityholder, the Issuer will deliver or procure the delivery of such amount of Underlying Securities, or the Warrants or Certificates will be settled in any other manner, as may be specified in, or determined in accordance with, the relevant Final Terms.

4.5.4 In these Conditions, references to "Physical Settlement Securities" shall, where the context so admits, comprise Full Physical Settlement Securities, Part Physical Settlement Securities and Other Physical Settlement Securities.

4.6 **Optional Physical Settlement**:

If this Condition 4.6 (*Optional Physical Settlement*) is specified in the relevant Final Terms as being applicable, then, upon the exercise of a Warrant or Certificate by a Securityholder, the Issuer may elect not to pay the Cash Settlement Amount to that Securityholder in accordance with Condition 4.4 (*Cash Settlement Securities*), but instead deliver or procure the delivery of Underlying Securities in accordance with Condition 4.5.1 (*Full Physical Settlement Securities*) or Condition 4.5.2 (*Part Physical Settlement Securities*).

4.7 **Optional Cash Settlement**:

If this Condition 4.7 (*Optional Cash Settlement*) is specified in the relevant Final Terms as being applicable, then, upon the exercise of a Warrant or Certificate by a Securityholder, the Issuer may elect not to deliver or procure the delivery of Underlying Securities in accordance with Condition 4.5.1 (*Full Physical Settlement Securities*) or Condition 4.5.2 (*Part Physical Settlement Securities*), but instead to pay the Cash Settlement Amount to that Securityholder in accordance with Condition 4.4 (*Cash Settlement Securities*).

4.8 **Notification of election**:

If Condition 4.6 (*Optional Physical Settlement*) or Condition 4.7 (*Optional Cash Settlement*) is specified in the relevant Final Terms as being applicable, the Issuer will, by the close of business (London time) on the Settlement Election Date, notify the Principal Securities Agent, the Securities Registrar (in the case of Registered Warrants or Registered Certificates), the Determination Agent and the relevant Securityholder whether it has elected to pay the Cash Settlement Amount in accordance with Condition 4.4 (*Cash Settlement Securities*) or deliver or procure the delivery of Underlying Securities in accordance with Condition 4.5.1 (*Full Physical Settlement Securities*) or Condition 4.5.2 (*Part Physical Settlement Securities*). Notice to the relevant Securityholder shall be given by facsimile to the number specified in the relevant

Exercise Notice, and any notice so given shall be deemed received by the relevant Securityholder.

4.9 **Warrants and Certificates void on expiry**:

Subject to Condition 5.6 (*Deemed Exercise*), Warrants or Certificates with respect to which an Exercise Notice has not been duly completed and delivered to the Principal Securities Agent or the Securities Registrar, in the manner set out in Condition 5 (Exercise), before the Latest Exercise Time shall become void for all purposes and shall cease to be transferable.

4.10 **Delivery outside the United States**:

Notwithstanding the foregoing, no cash, securities or other property shall be delivered in the United States (as defined in Regulation S under the Securities Act and in the CEA) in connection with the settlement of, or exercise of, Warrants or Certificates.

5. **EXERCISE**

5.1 **Exercise Notice**:

5.1.1 Subject to Condition 4.9 (*Warrants and Certificates void on expiry*) and to prior termination of the Warrants or Certificates as provided in Conditions 10.3 (*Adjustments affecting Underlying Shares and ETF Interests*) to 15 (*Provisions relating to all Warrants and Certificates*) (as applicable), 18 (*Events of Default*), 19 (*Force Majeure and Illegality*), Warrants and Certificates may be exercised by a Securityholder (at his own expense) at such time and on such day(s) as provided in Condition 4.1 (*American Style Securities*), 4.2 (*European Style Securities*) or 4.3 (*Bermudan Style Securities*), as applicable, by (i) depositing from a location outside the United States the relevant definitive Bearer Warrant, definitive Bearer Certificate, individual Warrant Certificate or individual Registered Certificate Form (as applicable) and delivering from a location outside the United States a duly completed and signed Exercise Notice to a Securities Agent (in the case of any Bearer Warrants or Bearer Certificates) or to the Securities Registrar (in the case of any Registered Warrants or Registered Certificates) and (ii) delivering a copy of such Exercise Notice to the Determination Agent.

5.1.2 Subject to Condition 4.9 (*Warrants and Certificates void on expiry*), any Exercise Notice delivered after the Latest Exercise Time on any day shall: (a) in the case of Bermudan Style Securities and European Style Securities, be void and (b) in the case of American Style Securities, be deemed to have been delivered on the next following day on which such Warrants or Certificates are exercisable (unless no such day occurs on or prior to the Expiration Date, in which case that Exercise Notice shall be void).

5.1.3 The relevant Securities Agent or Securities Registrar (as applicable) with which a definitive Bearer Warrant, definitive Bearer Certificate, individual Warrant Certificate or individual Registered Certificate Form is so deposited shall deliver a duly completed Exercise Receipt to the depositing Securityholder.

5.1.4 No definitive Bearer Warrant, definitive Bearer Certificate, individual Warrant Certificate or individual Registered Certificate Form, once deposited with a duly completed Exercise Notice in accordance with this Condition 5 (*Exercise*), may be withdrawn; **provided however that** if, following due presentation of any such definitive Bearer Warrant, definitive Bearer Certificate, individual Warrant Certificate or individual Registered Certificate Form, payment of the moneys falling due is improperly withheld or refused by the relevant Issuer, the relevant Securities Agent or Securities Registrar (as applicable) shall mail notification thereof to the depositing Securityholder at such address as may have been given by such Securityholder in the relevant Exercise Notice and shall hold such definitive Bearer Warrant, definitive Bearer Certificate, individual Warrant Certificate or individual Registered Certificate Form at its Specified Office for collection by the depositing Securityholder against surrender of the relevant Exercise Receipt.

5.2 **Form of Exercise Notice for Cash Settlement Securities**:

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

(a) specify the name, address, telephone and facsimile details of the Securityholder in respect of the Warrants or Certificates being exercised;

(b) specify the number of Warrants or Certificates of the relevant Series being exercised by the Securityholder (which must not be less than the Minimum Exercise Number);

(c) include an irrevocable undertaking to pay prior to the Cash Settlement Payment Date any applicable Taxes due by reason of exercise of the relevant Warrants or Certificates and, if such amounts have not been paid prior to the Cash Settlement Payment Date, an authority to the Issuer to deduct an amount in respect thereof from any Cash Settlement Amount due to such Securityholder or otherwise (on the Cash Settlement Payment Date) and to credit the specified account of the Principal Securities Agent (for the account of the relevant Issuer) with an amount or amounts in respect thereof;

(d) specify the details of the relevant account of the Securityholder to be credited with the relevant Cash Settlement Amount; and

(e) contain a representation and warranty from the Securityholder to the effect that the Warrants or Certificates to which the Exercise Notice relates are free from all liens, charges, encumbrances and other third party rights.

5.3 **Form of Exercise Notice for Physical-Settlement Securities**:

If the Warrants or Certificates are specified in the relevant Final Terms as being Physical Settlement Securities or if Condition 4.6 (*Optional Physical Settlement*) is specified in the relevant Final Terms as being applicable, the Exercise Notice shall:

(a) specify the name, address, telephone and facsimile details of the Securityholder in respect of the Warrants or Certificates being exercised;

(b) specify the number of Warrants or Certificates of the relevant Series being exercised by the Securityholder (which must not be less than the Minimum Exercise Number);

(c) in the case of Full Physical Settlement Securities, include an irrevocable undertaking to pay on or prior to the Strike Price Payment Date to the specified account of the Principal Securities Agent (for the account of the relevant Issuer) the aggregate Strike Price in respect of the Warrants or Certificates being exercised (plus any applicable Taxes and, in the case of Bond Securities, any accrued interest, as specified in Condition 4.5.1 (*Full Physical Settlement Securities*) above);

(d) include an irrevocable undertaking to pay to the specified account of the Principal Securities Agent (for the account of the relevant Issuer) on or prior to the Strike Price Payment Date any applicable Taxes due by reason of the transfer (if any) of Underlying Securities to the account specified by the Securityholder to the account of the Issuer with an amount in respect thereof;

(e) specify the details of the Securityholder's account to be credited with the relevant Underlying Securities;

(f) contain a representation and warranty from the Securityholder to the effect that the Warrants or Certificates to which the Exercise Notice relates are free from all liens, charges, encumbrances and other third party rights; and

(g) specify such other details as the relevant Final Terms may require.

5.4 **Verification of Securityholder**:

5.4.1 To exercise Warrants or Certificates, the holder thereof must duly complete an Exercise Notice. The relevant Securities Agent or the Securities Registrar shall, in accordance with its normal operating procedures, verify that each person exercising the Warrants and Certificates is the holder thereof.

5.4.2 If, in the determination of the relevant Securities Agent or the Securities Registrar:

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

(b) the person submitting an Exercise Notice is not validly entitled to deliver such Exercise Notice on behalf of the relevant Securityholder (in the case of Bearer Warrants and Bearer Certificates) or the person submitting an Exercise Notice is not validly entitled to exercise the relevant Warrants or Certificates or not validly entitled to deliver such Exercise Notice (in the case of Registered Warrant and Registered Certificates); or

(c) the relevant Securityholder does not provide evidence, at the reasonable request of the relevant Securities Agent or Securities Registrar, that sufficient funds equal to any applicable Taxes and the aggregate Strike Price (if any) will be available and not paid on the Exercise Date,

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

5.4.3 Any determination by the relevant Securities Agent or Securities Registrar as to any of the matters set out in Condition 5.4.2 above shall, in the absence of manifest error, be conclusive and binding upon the Issuer and the Securityholder of the Warrants or Certificates exercised.

5.4.4 In the case of Warrants and Certificates the exercise of which would require the Issuer to deliver indebtedness in bearer form, the issuance of, payment on and delivery of the Warrants or Certificates and the indebtedness will be subject to the limitations set out in these Conditions and the applicable Final Terms.

5.5 **Notification to the relevant Securities Agent or Securities Registrar**:

5.5.1 Subject to the verification set out in Condition 5.4.1 above, the relevant Securities Agent or the Securities Registrar will confirm to the Principal Securities Agent (copied to the Issuer and the Determination Agent) the receipt of the Exercise Notice and the number of Warrants or Certificates being exercised;

5.5.2 Upon the exercise in part of the total number or aggregate nominal amount of Warrants or Certificates represented by a definitive Bearer Warrant, definitive Bearer Certificate, an individual Registered Warrant or an individual or Registered Certificate, the Principal Securities Agent or the Securities Registrar, as the case may be, will note such exercise and in the case of Bearer Warrants and Bearer Certificates, the Principal Securities Agent or, in the case of the Registered Warrants and Registered Certificates, the Securities Registrar, shall cancel the relevant definitive Bearer Warrant, definitive Bearer Certificate, the individual Registered Warrant or individual Registered Certificate (as applicable) deposited and issue the holder of the relevant Warrant or Certificate with a new definitive Bearer Warrant, definitive Bearer Certificate, individual Registered Warrant or individual Registered Certificate Form (as applicable) representing the number or nominal amount of the holder's Warrants or Certificates not exercised.

5.6 **Deemed Exercise**:

If "**Deemed Exercise**" is specified in the relevant Final Terms to be applicable in relation to a Series of Warrants or Certificates, where an Exercise Notice has not been duly completed and delivered by the Latest Exercise Time on the Expiration Date in respect of any Warrants or

Certificates of such Series, each such Warrant or Certificate which is "in-the-money" shall be deemed to have been exercised at that time on such date and/or upon such other terms as may be specified in the relevant Final Terms, subject in each case to prior termination as provided for in Conditions 7.3 (*Adjustments affecting Underlying Shares and ETF Interests*) to 15 (*Provisions relating to all Warrants and Certificates*) (as applicable), 18 (*Events of Default*) and 19 (*Force Majeure and Illegality*). Notwithstanding such deemed exercise, the Issuer shall be under no obligation to settle any such Warrant or Certificate until the holder has delivered an Exercise Notice in the prescribed form in accordance with Conditions 5.2 (*Form of Exercise Notice for Cash Settlement Securities*) and/or 8.3 (*Form of Exercise Notice for Physical Settlement Securities*) above, **provided that** where the holder has not delivered an Exercise Notice within 30 Business Days of the day on which such Warrants or Certificates were deemed to have been exercised, such Warrants or Certificates shall become void for all purposes.

5.7 **Payment and delivery – Bearer Warrants and Bearer Certificates**:

5.7.1 In respect of Bearer Warrants or Bearer Certificates which have been exercised and which are specified in the relevant Final Terms as being Cash Settlement Securities, or in respect of which the Issuer has elected Cash Settlement in accordance with Condition 4.7 (*Optional Cash Settlement*) payments in respect of any amounts in respect of a Bearer Warrant or Bearer Certificate shall be made only following presentation and surrender of such Bearer Warrants or Bearer Certificates at the Specified Office of the relevant Securities Agent outside the United States by cheque drawn in the currency in which the payment is due on, or upon application of a holder or a Bearer Warrant or Bearer Certificate, by transfer to the account specified by the relevant Securityholder in the Exercise Notice denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre of that currency.

5.7.2 In respect of Bearer Warrants or Bearer Certificates which have been exercised and which are specified in the relevant Final Terms as being Physical Settlement Securities, or in respect of which the Issuer has elected Physical Settlement in accordance with Condition 4.6 (*Optional Physical Settlement*), subject, in the case of Full Physical Settlement Securities, to transfer of the Strike Price (plus any applicable Taxes and, in the case of Bond Securities, any accrued interest, as specified in Condition 4.5.1 (*Full Physical Settlement Securities*) above) by the Securityholder to the relevant account of the Principal Securities Agent (in favour of the Issuer) as aforesaid, the Issuer shall, on the Physical Settlement Date, deliver or procure the delivery of the relevant number of Underlying Securities in respect of each Bearer Warrant or Bearer Certificate for credit to the account specified in the relevant Exercise Notice. The Issuer shall be entitled, if it so elects, to divide any Underlying Securities to be transferred into such number of lots of such size as it desires to facilitate its delivery obligations.

5.7.3 Exercise of the Bearer Warrants or Bearer Certificates and payments and deliveries by the Issuer and the Securities Agents will be subject in all cases to all applicable fiscal and other laws, regulations and practices in force at the relevant time (including, without limitation, any relevant exchange control laws or regulations and none of the Issuer or any Securities Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices.

5.7.4 If the due date for payment or delivery in respect of the Bearer Warrants and Bearer Certificates is not a Business Day, the holder of the Bearer Warrants or Bearer Certificates shall not be entitled to payment or delivery until the next following Business Day and shall not be liable for any interest or other payment in respect of such delay.

5.7A **Payment and delivery – Registered Warrants and Registered Certificates**:

5.7A.1 In respect of Registered Warrants or Registered Certificates which have been exercised in full and which are specified in the relevant Final Terms as being Cash Settlement Securities, or in respect of which the Issuer has elected Cash Settlement in accordance with Condition 4.7 (*Optional Cash Settlement*) payments in respect of any amounts in respect of a Registered Warrant or Registered Certificate shall be made only following surrender of the relevant Warrant Certificate or Registered Certificate Form at the Specified Office of the Securities Registrar outside the United States by cheque drawn in the currency in which the payment is due on, or, upon application of a holder of a Registered Warrant or Registered Certificate, by transfer to the account specified by the relevant Securityholder in the Exercise Notice denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre of that currency not later than the Business Day that is not later than fifteen days prior to the due date for payment.

5.7A.2 In respect of Registered Warrants or Registered Certificates which have been exercised and which are specified in the relevant Final Terms as being Physical Settlement Securities, or in respect of which the Issuer has elected Physical Settlement in accordance with Condition 4.6 (*Optional Physical Settlement*), subject, in the case of Full Physical Settlement Securities, to transfer of the Strike Price (plus any applicable Taxes and, in the case of Bond Securities, any accrued interest, as specified in Condition 4.5.1 (*Full Physical Settlement Securities*) above) from the relevant account of the Securityholder to the relevant account of the Principal Securities Agent (in favour of the Issuer) as aforesaid, the Issuer shall, on the Physical Settlement Date deliver or procure the delivery of the relevant number of Underlying Securities in respect of each Registered Warrant or Registered Certificate for credit to the account specified in the relevant Exercise Notice. The Issuer shall be entitled, if it so elects, to divide any Underlying Securities to be transferred into such number of lots of such size as it desires to facilitate its delivery obligations.

5.7A.3 Exercise of the Registered Warrants or Registered Certificates and payments and deliveries by the Issuer and the Securities Agents will be subject in all cases to all applicable fiscal and other laws, regulations and practices in force at the relevant time (including, without limitation, any relevant exchange control laws or regulations) and none of the Issuer or any Securities Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices.

5.7A.4 Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Business Day, for value the next succeeding Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed on the later of the due date for payment and the day on which the relevant Warrant Certificate or Registered Certificate Form is surrendered at the Specified Office of the Securities Registrar. A holder of a Registered Warrant or Registered Certificate shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Business Day or (B) a cheque mailed in accordance with this Condition 5 (*Exercise*) arriving after the due date for payment or being lost in the mail.

5.7A.5 Each payment or delivery in respect of a Registered Warrant or Registered Certificate will be made to the person shown as the holder in the Register at the opening of business in the place of the Securities Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where the payment in respect of a Registered Warrant or Registered Certificate is to be made by cheque, the cheque will be mailed to the address of the holder in the Register at the opening of business on the relevant Record Date.

5.7A.6 In the case of payments by Morgan Stanley in respect of Warrants and Certificates, the beneficial owner of a Warrant or Certificate (or a financial institution holding a Warrant or Certificate on behalf of the beneficial owner) shall be required under current applicable law to furnish the U.S. Internal Revenue Service Form W-8BEN on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person.

5.8 **Effect of Exercise Notice**:

5.8.1 For so long as any outstanding Warrant or Certificate is held by a Securities Agent, Securities Registrar or Securities Transfer Agent in accordance with this Condition 5 (*Exercise*), the depositor of the relevant definitive Bearer Warrant, definitive Bearer Certificate, individual Warrant Certificate or individual Registered Certificate Form and not such Securities Agent, Securities Registrar or Securities Transfer Agent (as applicable) shall be deemed to be the Securityholder for all purposes.

5.8.2 Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Securityholder to exercise the Warrants or Certificates specified therein, **provided that**, in the case of a Registered Warrant or Registered Certificate, the person exercising and delivering such Exercise Notice is the person then appearing in the Register as the holder of the relevant Registered Warrant or Registered Certificate (as the case may be). If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become void and shall be deemed not to have been so delivered.

5.8.3 After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 8.1.2) by a Securityholder, such Securityholder shall not be permitted to transfer either legal or beneficial ownership of the Warrants or Certificates exercised thereby. Notwithstanding this, if any Securityholder does so transfer or attempt to transfer such Warrants or Certificates, the Securityholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related hedging operations in reliance on the relevant Exercise Notice and subsequently: (i) entering into replacement hedging operations in respect of such Warrants or Certificates; or (ii) paying any amount on the subsequent exercise of such Warrants or Certificates without having entered into any replacement hedging operations.

5.9 **Minimum Number of Warrants and Certificates Exercisable**:

The Warrants and Certificates are exercisable in the minimum number (the "**Minimum Exercise Number**") specified in the relevant Final Terms (or, if a "**Permitted Multiple**" is specified in the relevant Final Terms, higher integral multiples of the Minimum Exercise Number) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the Securityholders in accordance with Condition 33 (*Notices*).

5.10 **Exercise and Settlement of Nordic Securities**:

Nordic Securities may only be exercised by delivery of a duly completed Exercise Notice to the NCSD Issuing Agent in respect of the relevant Tranche of Nordic Securities and these Conditions shall be construed accordingly. The NCSD Issuing Agent (or such other person designated by the then applicable NCSD Rules as responsible for such actions) shall perform the verification and debiting of the relevant securities accounts referred to in Conditions 5.4 (*Verification of Securityholder*), 5.7 (*Payment and delivery – Bearer Warrants and Bearer Certificates*) and 5.7A (*Payment and delivery – Registered Warrants and Registered Certificates*) (or, as the case may be under the then applicable NCSD Rules, request and/or effect the transfer by the holder of the relevant Nordic Securities to an account blocked for further transfers until such debiting may occur) and notify the Principal Securities Agent in accordance with Condition 5.5 (*Notification to the relevant Securities Agent, or Securities Registrar*). Cash Settlement and, to the extent applicable, settlement in respect of Physical Settlement Securities, will occur in accordance with the NCSD Rules and payments will be effected to the holder recorded as such on the fifth business day (as defined by the then applicable NCSD Rules) before the due date for such payment, or such other business day falling closer to the due date as may then be stipulated in said NCSD Rules (such date being the "**Record Date**" for the purposes of the Nordic Securities). Claims for any amount payable in respect of the Nordic Securities shall become void unless made within a period of ten years after the relevant due date.

## 6. ISSUER CALL OPTION

If the Call Option is specified in the applicable Final Terms as being applicable, the Warrants or Certificates may be cancelled at the option of the Issuer in whole or, if so specified in the applicable Final Terms, in part on any Optional Settlement Date at the relevant Optional Settlement Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders (which notice shall be irrevocable and shall oblige the Issuer to cancel the Warrants or Certificates specified in such notice on the relevant Optional Settlement Date (Call) at the Optional Settlement Amount (Call)).

## 7. PROVISIONS RELATING TO SHARE SECURITIES, SHARE BASKET SECURITIES, INDEX SECURITIES, INDEX BASKET SECURITIES, ETF SECURITIES AND ETF BASKET SECURITIES

This Condition 7 (Provisions relating to Share Securities, Share Basket Securities, Index Securities, Index Basket Securities, ETF Securities and ETF Basket Securities) is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Share Securities, Share Basket Securities, Index Securities, Index Basket Securities, ETF Securities or ETF Basket Securities.

### 7.1 Valuation, Market Disruption and Averaging Dates:

7.1.1 "**Valuation Date**" means each date specified as such in the applicable Final Terms or, if no date is specified, each Exercise Date (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 7.1.2. If any Valuation Date is a Disrupted Day, then:

(a) in the case of an Index Security, a Single Share Security or ETF Security, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date) is a Disrupted Day. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine in its sole and absolute discretion:

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

(ii) in respect of a Share Security or a ETF Security, its good faith estimate of the value for the Underlying Share or the ETF Interest (as the case may be) as of the Determination Time on that eighth Scheduled Trading Day;

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

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

7.1.2 For the purposes hereof:

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

7.1.3 If Averaging Dates are specified in the applicable Final Terms as being applicable, then, notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index, Underlying Share, ETF Interest, Basket of Indices, Basket of Shares or Basket of ETF Interests in relation to a Valuation Date:

(a) "**Averaging Date**" means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).

(b) For purposes of determining the Settlement Price in relation to a Valuation Date, the Settlement Price will be:

(i) in respect of a Index Security, a Share Security, a ETF Security, in respect of a Share Basket Security, that is a Cash Settlement Security or a Part Physical Settlement Security, the arithmetic mean of the relevant Prices of the Index, the Underlying Shares or ETF Interests (as the case may be);

(ii) in respect of an Index Basket Security, and the arithmetic mean of the amounts for the Basket of Indices determined by the Determination Agent in its sole and absolute discretion as provided in the applicable Final Terms as of the relevant Determination Time(s) on each Averaging Date or, if no means for determining the Settlement Price are so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the applicable Final Terms);

(iii) in respect of a Share Basket Security the arithmetic mean of the amounts for the Basket of Shares determined by the Determination Agent in its sole and absolute discretion as provided in the applicable Final Terms as of the relevant Determination Time(s) on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the values calculated for the Underlying Shares of each Underlying Issuer as the product of (1) the Relevant Price of such Underlying Share and (2) the number of such Underlying Shares comprised in the Basket; and

(iv) in respect of an ETF Basket Security, the arithmetic mean of the amounts for the Basket of ETF Interests determined by the Determination Agent in its sole and absolute discretion as provided in the applicable Final Terms as of the relevant Determination Times(s) on each Averaging Date or, if no means for determining the Settlement Price is provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the values calculated for the ETF Interests as the product of (1) the Relevant Price of such ETF Interest and (2) the number of such ETF Interests comprised in the Basket.

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

(i) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for the purposes of determining the relevant Settlement Price, **provided that**, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 7.1.1 will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day;

(ii) "**Postponement**", then Condition 7.1.1 will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the relevant Warrants or Certificates; or

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

(1) in the case of a Index Security, a Share Security or a ETF Security, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Determination Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and (B) the Determination Agent shall determine, in its sole and absolute discretion, the relevant level or price for that Averaging Date in accordance with (x) in the case of a Index Security, Condition 7.1.1(a)(i) and (y) in the case of a Share Security or a ETF Security, Condition 7.1.1(a)(ii);

(2) in the case of an Index Basket Security, a Share Basket Security or an ETF Basket Security, the Averaging Date for each Index, Underlying Share or ETF Interest (as the case may be) not affected by the occurrence of a Disrupted Day shall be the date specified in the applicable Final Terms as an Averaging Date in relation to the relevant Valuation Date, and the Averaging Date for an Index, Underlying Share or ETF Interest (as the case may be) affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index, Underlying Share or ETF Interest (as the case may be). If the first succeeding Valid Date in relation to such Index, Underlying Share or ETF Interest (as the case may be) has not occurred as of the Determination Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Index, Underlying Share or ETF Interest (as the case may be), and (B) the Determination Agent shall determine, in its sole and absolute discretion, the relevant level or amount for that Averaging Date in accordance with (x) in the case of an Index Basket Security, Condition 7.1.1(b) and (y) in the case of a Share Basket Security or an ETF Basket Security, Condition 7.1.1(c); and

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

(d) If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Maturity Date or, as the case may be, the relevant Physical Settlement Date or (ii) the occurrence of an Extraordinary Event, an Extraordinary ETF Event, an Index Adjustment Event a Potential Adjustment Event or an Additional Disruption Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

7.2 **Adjustments to Indices:**

This Condition 7.2 (*Adjustments to Indices*) is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Index Securities or Index Basket Securities.

7.2.1 ***Successor Index***:

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

7.2.2 *Index Adjustment Events*:

If (i) on or prior to any Valuation Date, or any Averaging Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent securities and capitalisation and other routine events) (an "**Index Modification**") or permanently cancels the Index and no Successor Index exists (an "**Index Cancellation**") or (ii) on any Valuation Date, or any Averaging Date, the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then (A) in the case of an Index Modification or an Index Disruption, the Determination Agent shall determine if such Index Adjustment Event has a material effect on the Warrants or Certificates and, if so, shall calculate in its sole and absolute discretion the relevant Settlement Price using, *in lieu* of a published level for that Index, the level for that Index as at that Valuation Date or, as the case may be, that Averaging Date as determined by the Determination Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event and (B) in the case of an Index Cancellation, the Issuer may, at any time thereafter and in its sole and absolute discretion, determine that the Warrants or Certificates shall be terminated as of any later date. If the Issuer so determines that the Warrants or Certificates shall be terminated, then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the Underlying Shares or ETF Interests or payment of the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion. The Issuer's obligations under the Warrants or Certificates shall be satisfied in full upon payment of such amount.

If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the exercise, settlement, or payment terms of the relevant Warrants or Certificates and/or any other adjustment (including without limitation, the substitution of the Index) which adjustment shall be effective on such date as the Determination Agent shall determine.

7.2.3 *Correction of Index Levels*:

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

7.2.4 ***Currency Inconvertibility***:

If the Issuer in good faith determines that a Currency Inconvertibility Event has occurred, it may at any time thereafter, in its sole discretion give notice to the holders stating whether the Issuer's obligations under the Warrants or Certificates will be suspended or terminated (any election to suspend shall not preclude the Issuer at any time thereafter giving notice to terminate the relevant Warranties or Certificates), all as more fully set out in Condition 20 (*Notices*). If the Issuer elects to terminate the relevant Warrants or Certificates then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the Underlying Shares or ETF Interests or payment of the Cash Settlement Amount, as the case may be. Pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion. The Issuer's obligations under the Warrants or Certificates shall be satisfied in full upon payment of such amount. Upon the occurrence of any event that constitutes both a Currency Inconvertibility Event and a Market Disruption Event or an event causing a Disrupted Day, it will be deemed to be a Market Disruption Event or an event causing a Disrupted Day and will not constitute a Currency Inconvertibility Event.

7.3 **Adjustments affecting Underlying Shares and ETF Interests:**

This Condition 7.3 (*Adjustments affecting Underlying Shares and ETF Interests*) is applicable only in relation to Share Securities, ETF Securities, Share Basket Securities and ETF Basket Securities.

7.3.1 ***Adjustments for Potential Adjustment Events***:

Following the declaration by the Underlying Issuer, the relevant ETF or an ETF Service Provider of the terms of a Potential Adjustment Event, the Determination Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Underlying Shares or ETF Interests and, if so, will (i) make such adjustment as it in its sole and absolute discretion considers appropriate, if any, to the Strike Price, to the formula for the Cash Settlement Amount and/or the Settlement Price set out in the relevant Final Terms, the number of Underlying Shares or ETF Interests to which each Warrant or Certificate relates, the number of Underlying Shares or ETF Interests comprised in a Basket of Shares or Basket of ETF Interests, the amount, the number of or type of shares, fund interests or other securities which may be delivered in respect of such Warrants or Certificates and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the relevant Warrants or Certificates as the Determination Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and (ii) determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s).

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

If any price published on the Exchange and which is utilised by the Determination Agent for any calculation or determination (the "**Original Determination**") under the Warrants or Certificates is subsequently corrected and the correction (the "**Corrected Value**") is published by the Exchange by such time as may be specified in the relevant Final Terms (or, if none is so specified, within one Settlement Cycle after the original publication and prior to the Expiration Date), then the Determination Agent will notify the Issuer and the

Principal Securities Agent of the Corrected Value as soon as reasonably practicable and shall determine the relevant value (the "**Replacement Determination**") using the Corrected Value. If the result of the Replacement Determination is different from the result of the Original Determination, to the extent that it determines to be necessary and practicable, the Determination Agent may adjust any relevant terms accordingly.

7.4 **Extraordinary Events:**

This Condition 7.4 (*Extraordinary Events*) is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Share Securities, ETF Securities, Share Basket Securities or ETF Basket Securities.

7.4.1 ***Merger Event or Tender Offer***:

(a) Following the occurrence of any Merger Event or Tender Offer, the Issuer will, in its sole and absolute discretion, determine whether the relevant Warrants or Certificates shall continue or shall be terminated early.

(b) If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its *sole and absolute discretion, considers appropriate, if any, to the Strike Price*, to the formula for the Cash Settlement Amount and/or the Settlement Price set out in the applicable Final Terms, the number of Underlying Shares or ETF Interests to which each Warrant or Certificate relates, the number of Underlying Shares or ETF Interests comprised in a Basket of Shares or a Basket of ETF Interests, the amount, the number of or type of shares or other securities which may be delivered under such Warrants or Certificates and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Warrants or Certificates and/or any other adjustment (including, without limitation, in relation to *Share Basket Warrants or Certificates or ETF Basket Warrants or Certificates*, the cancellation of terms applicable in respect of Underlying Shares or ETF Interests affected by the relevant Merger Event or Tender Offer) which adjustment shall be effective on such date as the Determination Agent shall determine.

(c) If the Issuer determines that the relevant Warrants or Certificates shall be terminated then the relevant Warrants or Certificates shall cease to be exercisable as of the Merger Date (in the case of a Merger Event) or Tender Offer Date (in the case of a Tender Offer) (or, in the case of any Warrants or Certificates which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to receive Underlying Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants or Certificates shall be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below) (in the case of a Merger Event) or Tender Offer Settlement Amount (in the case of a Tender Offer).

(d) For the purposes hereof:

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

"**Merger Event**" means, in respect of any relevant Underlying Shares or ETF Interests, as determined by the Determination Agent, acting in a commercially reasonable manner, any: (i) reclassification or change of such Underlying Shares or ETF Interests that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Shares or ETF Interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Issuer or ETF with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Issuer or ETF is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares or ETF Interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Shares or ETF Interests of the Underlying Issuer or ETF that results in a transfer of or an irrevocable commitment to transfer all such Underlying Shares or ETF Interests (other than such Underlying Shares or ETF Interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Issuer or its subsidiaries or ETF or its sub funds with or into another entity in which the Underlying Issuer or ETF is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares or ETF Interests outstanding but results in the outstanding Underlying Shares (other than Underlying Shares or ETF Interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Shares or ETF Interests immediately following such event (a "**Reverse Merger**"), in each case if the Merger Date is on or before, (A) in respect of Physical Settlement Warrants or Certificates the later to occur of the Maturity Date and the Physical Settlement Date or, (B) in any other case, the final Valuation Date.

"**Merger Event Settlement Amount**" means an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of the Merger Event, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

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

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

"**Tender Offer Settlement Amount**" means an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of the Tender Offer, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

7.4.2 ***Nationalisation, Insolvency and Delisting***:

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

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

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

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

then the Issuer will, in its sole and absolute discretion, determine whether or not the Warrants or Certificates shall continue.

(b) If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the Strike Price, to the formula for the Cash Settlement Amount and/or the Settlement Price set out in the applicable Final Terms, the number of Underlying Shares or ETF Interests to which each Warrant or Certificate relates, the number of Underlying Shares or ETF Interests comprised in a Basket of Shares, the amount, the number of or type of shares or other securities which may be delivered under such Warrants or Certificates and, in any case, any other variable relevant to the settlement or payment terms of the relevant Warrants or Certificates and/or any other adjustment (including without limitation, in relation to Share Basket Warrants or Certificates or ETF Basket Warrants or Certificates, the cancellation of terms applicable in respect of Underlying Shares or ETF Interests affected by the relevant Extraordinary Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

(c) If the Issuer determines that the relevant Warrants or Certificates shall be terminated, then the relevant Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised but remain unsettled, the entitlements of the respective exercising Securityholders to receive Underlying Shares, ETF Interests or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) as of the Announcement Date and the Issuer's obligations under the Warrants or Certificates shall be satisfied in full upon payment of an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or

Certificate after that date but for the occurrence of such Nationalisation, Insolvency or Delisting, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

(d) For the purposes hereof, "**Announcement Date**" means, as determined by the Determination Agent in its sole and absolute discretion: (i) in the case of a Nationalisation, the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (ii) in the case of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency and (iii) in the case of a Delisting, the date of the first public announcement by the Exchange that the Underlying Securities will cease to be listed, traded or publicly quoted in the manner described in (a)(3) above. In respect of any such event, if the announcement of such event is made after the actual closing time for the regular trading session on the relevant Exchange, without regard to any after hours or any other trading outside of regular trading session hours, the Announcement Date shall be deemed to be the next following Scheduled Trading Day.

7.5 **Extraordinary ETF Events**

This Condition 7.5 (*Extraordinary ETF Events*) is applicable only in relation to ETF Securities or ETF Basket Securities.

(a) Following the occurrence of any Extraordinary ETF Event, the Issuer will, in its sole and absolute discretion, determine whether the relevant Warrants or Certificates shall continue or shall be terminated early. The Determination Agent shall not have any obligation to monitor the occurrence of an Extraordinary ETF Event nor shall it have any obligation to make a determination of an Extraordinary ETF Event.

(b) If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may:

(i) substitute any Affected ETF Interest with the Successor ETF Interest relating to such Affected ETF Interest, **provided that** if no Successor ETF Interest has been identified in the manner set forth below within 10 Business Days of the Extraordinary ETF Event Notice Date (as defined below), then sub-paragraph (ii) below shall apply; and/or

(ii) make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the Strike Price to the formula for the Cash Settlement Amount and/or the Settlement Price set out in the applicable Final Terms, the number of ETF Interests to which each Warrant or Certificate relates, the number of ETF Interests comprised in a Basket of ETF Interests, the amount, the number of or type of shares or other securities which may be delivered under such Warrants or Certificates and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Warrants or Certificates and/or any other adjustment (including without limitation, in relation to ETF Basket Securities, the cancellation of terms applicable in respect of ETF Interests affected by the relevant Extraordinary ETF Event) which adjustment shall be effective on such date as the Determination Agent shall determine.

(c) If the Issuer determines that the relevant Warrants or Certificates shall be terminated, then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the ETF Interests or payment of the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

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

(e) For the purposes hereof:

(i) "**Extraordinary ETF Event**" shall mean, with respect to an ETF or ETF Service Provider (as the case may be), the occurrence of any of the following events, as determined by the Determination Agent, in its sole and absolute discretion:

(ii) there exists any litigation against the ETF or an ETF Service Provider which in the sole and absolute discretion of the Determination Agent could materially affect the value of the ETF Interests or on the rights or remedies of any investor therein;

(iii) an allegation of criminal or fraudulent activity is made in respect of the ETF, or any ETF Service Provider, or any employee of any such entity, or the Determination Agent reasonably determines that any such criminal or fraudulent activity has occurred, or (ii) any investigative, judicial, administrative or other civil or criminal proceedings is commenced or is threatened against the ETF, any ETF Service Provider or any key personnel of such entities if such allegation, determination, suspicion or proceedings could, in the sole and absolute discretion of the Determination Agent, materially affect the value of the ETF Interests or the rights or remedies of any investor in such ETF Interests;

(iv) (A) an ETF Service Provider ceases to act in such capacity in relation to the ETF (including by way of Merger Event or Tender Offer) and is not immediately replaced in such capacity by a successor acceptable to the Determination Agent; and/or (B) any event occurs which causes, or will with the passage of time (in the opinion of the Determination Agent) cause, the failure of the ETF and/or any ETF Service Provider to meet or maintain any obligation or undertaking under the ETF Documents which failure is reasonably likely to have an adverse impact on the value of the ETF Interests or on the rights or remedies of any investor therein;

(v) a material modification of or deviation from any of the investment objectives, investment restrictions, investment process or investment guidelines of the ETF (howsoever described, including the underlying type of assets in which the ETF invests), from those set out in the ETF Documents, or any announcement regarding a potential modification or deviation, except where such modification or deviation is of a formal, minor or technical nature;

(vi) a material modification, cancellation or disappearance (howsoever described), or any announcement regarding a potential future material modification, cancellation or disappearance (howsoever described), of the type of assets (i) in which the ETF invests, (ii) the ETF purports to track, or (iii) the ETF accepts/provides for purposes of creation/redemption baskets;

(vii) a material modification, or any announcement regarding a potential future material modification, of the ETF (including but not limited to a material modification of the ETF Documents or to the ETF's liquidity terms) other than a modification or event which does not affect the ETF Interests or the or any portfolio of assets to which the ETF Interest relates (either alone or in common with other ETF Interests issued by the ETF);

(viii) the ETF ceases to be an undertaking for collective investments under the legislation of its relevant jurisdiction, **provided that** on the relevant Issue Date, the ETF was such an undertaking, and any such cessation would, in the sole and absolute discretion of the Determination Agent have a material adverse effect on any investor in such ETF Interests;

(ix) any relevant activities of or in relation to the ETF or any ETF Service Provider are or become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any present or future law, regulation, judgment, order or–directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, in any applicable jurisdiction (including, but not limited to, any cancellation, suspension or revocation of the registration or approval of the ETF by any governmental, legal or regulatory entity with authority over the ETF), (B) a relevant authorisation or licence is revoked, lapses or is under review by a competent authority in respect of the ETF or the ETF Service Provider or new conditions are imposed, or existing conditions varied, with respect to any such authorisation or licence, (C) the ETF is required by a competent authority to redeem any ETF Interests, (D) any hedge provider is required by a competent authority or any other relevant entity to dispose of or compulsorily redeem any ETF Interests held in connection with any hedging arrangements relating to the Warrants or Certificates and/or (E) any change in the legal, tax, accounting or regulatory treatment of the ETF or any ETF Service Provider that is reasonably likely to have an adverse impact on the value of the ETF Interests or other activities or undertakings of the ETF or on the rights or remedies of any investor therein;

(x) the value of any ETF Interest held by the Issuer and its Affiliates is greater than 10 per cent, of the aggregate net asset value of the relevant ETF (whether or not all of such holding results from hedging transactions entered into in connection with the Warrants or Certificates) and including, where the excess holding results from a reduction in the aggregate net asset value of the relevant ETF; or

(xi) any event specified as an Additional Extraordinary ETF Event in respect of the Notes in the applicable Final Terms occurs; and

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

7.6 **Additional Disruption Events:**

(a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Warrants and Certificates shall continue or be terminated early.

(b) If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the Strike Price, to the formula for the Cash Settlement Amount and/or the Settlement Price set out in the relevant Final Terms, the number of Underlying Shares or ETF Interests to which each Warrant or Certificate relates, the number of Underlying Shares or ETF Interest comprised in a Basket, the amount, the number of or type of shares, fund interests or other securities or assets which may be delivered under such Warrant or Certificate and, in any case, any other variable relevant to the termination, settlement, or payment terms of the relevant Warrants or Certificates and/or any other adjustment (including without limitation, in relation to Share Basket Warrants or Certificates, Index Basket Warrants or Certificates or ETF Basket Warrants or Certificates, the cancellation of terms applicable in respect of any Underlying Shares, Index or ETF Interest, as the case may be, affected by the relevant Additional Disruption Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

(c) If the Issuer determines that the relevant Warrants or Certificates shall be terminated, then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the Underlying Shares or ETF Interests or payment of the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

(d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Principal Securities Agent and the Determination Agent of the occurrence of an Additional Disruption Event.

(e) For the purposes hereof:

"**Additional Disruption Event**" means, with respect to any Series of Warrants or Certificates (unless otherwise specified in the applicable Final Terms), a Change in Law, Hedging Disruption, Increased Cost of Hedging and Loss of Stock Borrow, and any further event or events as may be specified in the applicable Final Terms as an Additional Disruption Event with respect to such Warrants or Certificates.

7.7 **Definitions applicable to Share Securities, Share Basket Securities, Index Securities, Index Basket Securities, ETF Securities and ETF Basket Securities:**

In relation to Share Securities, Share Basket Securities, Index Securities, Index Basket Securities, ETF Securities and ETF Basket Securities, the following expressions have the meanings set out below:

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

"**Basket**" means in relation to any Share Basket Warrants or Certificates, the Underlying Shares specified in the applicable Final Terms as comprising the Basket, in relation to Index Basket

Warrants or Certificates, the Indices specified in the applicable Final Terms as comprising the Basket and in relation to any ETF Basket Warrants or Certificates, the ETF Interests specified in the applicable Final Terms as comprising the Basket, in each case in the relative proportions specified in such Final Terms;

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

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

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

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

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

"**Currency Inconvertibility Event**" means it has become impracticable, illegal or impossible: (i) for the Determination Agent to determine a rate at which any Local Currency (defined below) can be lawfully exchanged for U.S. dollars; or (ii) to convert the currency in which any of the securities which comprise the Index is denominated (a "**Local Currency**") into U.S. dollars; or (iii) to exchange or repatriate any funds outside of any jurisdiction in which any of the securities which comprise the Index is issued due to the adoption of or any change in any applicable law, regulation, directive or decree of any Governmental Authority or otherwise; or (iv) for the Issuer or any of its affiliates to hold, purchase, sell or otherwise deal in any Warrants or Certificates or any other property in order for the Issuer or any of its affiliates to perform, or for the purposes of the Issuer or any affiliate of the Issuer performing its obligations, in respect of any Warrants or Certificates or in respect of any related hedging arrangements. For the purposes hereof, "**Governmental Authority**" means any governmental, administrative, legislative or judicial authority or power;

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

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

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

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

"**ETF**" means any fund specified in the applicable Final Terms;

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

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

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

"**Exchange**" means:

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

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

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

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

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

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

"**Extraordinary ETF Event**" has the meaning given in Condition 10.5(e);

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

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

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

"**Index**" means any index specified as such in the applicable Final Terms, subject to Condition 7.2 (*Adjustments to Indices*);

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

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

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

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

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

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

"**Observation Period**" has the meaning given in the applicable Final Terms;

"**Potential Adjustment Event**" means, in respect of Share Securities. ETF Securities, Share Basket Securities or ETF Basket Securities;

(i) a subdivision, consolidation or reclassification of an Underlying Share or ETF Interest (unless resulting in a Merger Event), or a free distribution or dividend of Underlying

Shares or ETF Interests to existing holders by way of bonus, capitalisation or similar issue;

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

(iii) an Extraordinary Dividend;

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

(v) a repurchase by an Underlying Issuer or ETF (as the case may be) or any of its subsidiaries of Underlying Shares or ETF Interests, whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

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

(vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Underlying Shares or ETF Interests.

"**Related Exchange**", in respect of an Index relating to Index Securities or Index Basket Securities, an Underlying Share relating to Share Securities or Share Basket Securities or an ETF Interest relating to ETF Securities or ETF Basket Securities, means the Exchange specified as the Relevant Exchange in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures and options contracts relating to such Index, Underlying Shares or ETF Interest has temporarily relocated (**provided that** the Determination Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index, Underlying Shares or ETF Interests on such temporary substitute exchange or quotation system as on the original Related Exchange) or, if none is specified each exchange or quotation system where trading has a material effect (as determined by the Determination Agent) on the overall market for futures or options contracts relating to such Index, Underlying Shares or ETF Interests, as the case may be;

"**Relevant Price**" on any day means:

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

Determination Time on the relevant day (or the last such prices quoted immediately before the Determination Time), without regard to quotations that "lock" or "cross" the dealer exchange or dealer quotation system;

(ii) in respect of an Index to which an Index Security or an Index Basket Security relates, the level of such Index determined by the Determination Agent as provided in the relevant Final Terms as of the Determination Time on the relevant day or, if no method for determining the Relevant Price is so provided, the level of the Index as of the Determination Time on the relevant day; and

(iii) in respect of an ETF Interest to which a Single ETF Security or a ETF Basket relates, the price per ETF Interest determined by the Determination Agent in the manner provided in the applicable Final Terms as of the Determination Time on the relevant day, or, if no means for determining the Relevant Price are so provided: (a) in respect of any ETF Interest for which the Exchange is an auction or "open outcry" exchange that has a price as of the Determination Time at which any trade can be submitted for execution, the Relevant Price shall be the price per ETF Interest as of the Determination Time on the relevant day as reported in the official real time price dissemination mechanism for such Exchange; and (b) in respect of any ETF Interest for which the Exchange is a dealer exchange or dealer quotation system, the Relevant Price shall be the mid point of the highest bid and lowest ask prices quoted as of the Determination Time on the relevant day (or the last such prices quoted immediately before the Determination Time) without regard to quotations that "lock" or "cross" the dealer exchange or dealer quotation system;

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

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

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

"**Settlement Price**" means, in respect of a Share Security, a Share Basket Security, an Index Security, an Index Basket Security, a ETF Security or an ETF Basket Security, the price, level or amount as determined by the Determination Agent, in its sole and absolute discretion, in accordance with the relevant Final Terms;

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

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

"**Underlying Share**" means, in relation to a particular Series of Securities, a share specified as such in the applicable Final Terms, or in the case of a Share Basket Security, a share forming part of a basket of shares to which such Warrants or Certificates relates.

## 8. PROVISIONS RELATING TO BOND SECURITIES

This Condition 8 (*Provisions relating to Bond Securities*) is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Bond Securities.

8.1 **Conversion**:

8.1.1 Following the occurrence of any Conversion, the Issuer will, in its sole and absolute discretion, determine whether or not the Warrants or Certificates will continue and, if so, the Determination Agent will determine, in its sole and absolute discretion, any adjustments to be made.

8.1.2 If the Issuer determines that the Warrants or Certificates shall continue, the Determination Agent may make such adjustment as it, in its sole and absolute discretion considers appropriate, to the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms, the Bond Security Entitlement, the number of Underlying Securities to which each Warrant or Certificate relates, the number of Underlying Securities comprised in a Basket, the amount, number of or type of bonds or other debt securities which may be delivered under such Warrants or Certificates and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Warrants or Certificates and/or any other adjustment and determine, in its sole and absolute discretion, the effective date(s) of such adjustment.

8.1.3 If the Issuer determines that the Warrants or Certificates shall be terminated, then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive Underlying Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise, shall cease) and the Issuer's obligations under the Warrants or Certificates shall be satisfied in full upon payment of the Conversion Settlement Amount.

8.1.4 For the purposes hereof:

"**Conversion**" means, as determined by the Determination Agent, acting in a commercially reasonable manner, in respect of any relevant Underlying Securities any irreversible conversion by the Underlying Security Issuer, of such Underlying Securities into other securities.

"**Conversion Settlement Amount**" means an amount which the Determination Agent, acting in a commercially reasonable manner, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the Warrant or Certificate but for the occurrence of the Conversion, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

8.2 **Correction to published prices:**

For the purposes of determining the Spot Price for any day, if applicable, as specified in the relevant Final Terms for the purposes of calculating the Cash Settlement Amount or any other amount in respect of a Bond Security, if the price published or announced on a given day and used or to be used by the Determination Agent to determine a Spot Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement by such time as may be specified in the relevant Final Terms (or, if none is so specified, within thirty days of the original publication or announcement, and the Determination Agent determines (in its sole and absolute discretion) that an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Securityholder, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of actual cost) to the Issuer of funding that amount for the period from and including the day on which a payment originally was made, to but excluding the day of payment of the refund or payment resulting from that correction (all as determined by the Determination Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall agree with the Principal Securities Agent and shall be notified to the relevant Securityholder(s) by facsimile to the number specified in the relevant Exercise Notice.

8.3 **Additional Disruption Events:**

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Warrants and Certificates shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Warrants or Certificates and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

(iii) If the Issuer determines that the relevant Warrants or Certificates shall be terminated, then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the Underlying Securities or payment of the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

(iv) The Issuer shall as soon as reasonably practicable under the circumstances notify the Principal Securities Agent and the Determination Agent of the occurrence of an Additional Disruption Event.

(v) For the purposes hereof:

"**Additional Disruption Event**" means with respect to any Series of Warrants or Certificates (unless otherwise specified in the applicable Final Terms), a Change in Law, Hedging Disruption, Increased Cost of Hedging and any further event or events as may be specified in the applicable Final Terms as an Additional Disruption Event with respect to such Warrants or Certificates.

8.4 **In relation to Bond Securities, the following expressions have the meanings set out below:**

"**Change in Law**" means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of Hedge Positions or (y) it will incur a materially increased cost in performing its obligations with respect to the Warrants or Certificates (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"**Exchange**" means each securities exchange or trading market specified as such in the relevant Final Terms (including any successor to that securities exchange or trading market) for so long as the Underlying Securities are listed or otherwise included in that securities exchange or trading market. If the specified Exchange ceases to list or otherwise include the Underlying Securities and the Underlying Securities are listed or otherwise included in any other securities exchange or trading market, the Determination Agent will, in its sole and absolute discretion, select an alternative securities exchange or trading market;

"**Exchange Business Day**" means, in respect of any Bond Security, any day that is a trading day on the Exchange (or on each Exchange if more than one is specified) other than a day on which trading on the Exchange is scheduled to close prior to its regular weekday closing time;

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

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

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

"**Spot Price**" means, in respect of any Bond Security:

(i) if the Strike Price is stated as an amount in the relevant currency, the price for the Underlying Securities, stated as an amount in the relevant currency, equal in amount to the nominal amount (the "**Bond Security Entitlement**") specified in the relevant Final Terms of the relevant Underlying Securities to which one Warrant or Certificate, as applicable relates; and

(ii) if the Strike Price is stated as a percentage of the nominal value of the Underlying Securities, the price of the Underlying Securities stated as a percentage of their nominal value,

in each case, as of the Valuation Time on the relevant Exercise Date, as determined by the Determination Agent in its sole and absolute discretion; and

"**Valuation Time**" means in the case of Bond Securities, the time specified as such in the relevant Final Terms.

## 9. PROVISIONS RELATING TO CURRENCY SECURITIES

This Condition 9 (*Provisions relating to Currency Securities*) is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Currency Securities.

9.1 **Valuation Date**: "**Valuation Date**" means, in respect of any Series of Currency Securities, the date(s) specified as such in the relevant Final Terms, **provided that** where the Valuation Date is not a Currency Business Day then the Valuation Date shall be the first preceding day that is a Currency Business Day, unless otherwise specified in the relevant Final Terms. Unless otherwise specified in the relevant Final Terms and subject to Condition 9.2 (*Averaging*), the Valuation Date will be the two Currency Business Days prior to the Exercise Date.

9.2 **Averaging**: If Averaging Dates are specified in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the determination of the Settlement Rate in relation to a Valuation Date:

9.2.1 "**Averaging Date**" means, in respect of a Valuation Date, each date specified as such or otherwise determined as provided in the relevant Final Terms, **provided that** if any such date is not a Currency Business Day, such date shall be the first preceding day that is a Currency Business Day, unless otherwise specified in the relevant Final Terms.

9.2.2 For purposes of determining the Settlement Rate in relation to a Valuation Date, the Settlement Rate will be the arithmetic mean of the Spot Rates on each Averaging Date (or, if different, the day on which rates for each Averaging Date would, in the ordinary course, be published or announced by the relevant price source).

9.2.3 Unless otherwise specified in the relevant Final Terms, in the case where it becomes impossible to obtain the Spot Rate on an Averaging Date (or, if different, the day on which rates for that Averaging Date would, in the ordinary course, be published or announced by the relevant price source), such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Rate. If through the operation of this Condition 9.2.3, there would not be an Averaging Date with respect to the relevant Valuation Date, the provisions of Conditions 9.3 (*Currency Disruption Events*) and 9.4 (*Currency Disruption Fallbacks*) shall apply for purposes of determining the relevant Spot Rate on the final Averaging Date with respect to that Valuation Date as if such Averaging Date were a Valuation Date on which a Price Source Disruption had occurred.

9.3 **Currency Disruption Events:**

9.3.1 If so specified in the Final Terms relating to any Series of Warrants or Certificates, the following shall constitute "**Currency Disruption Events**" for the purposes of such Series:

(a) "**Price Source Disruption**", which means it becomes impossible, as determined by the Determination Agent, acting in a commercially reasonable manner, to determine the Settlement Rate on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source in accordance with the relevant price source); and

(b) any other (if any) currency disruption event specified in the relevant Final Terms.

9.3.2 If the applicable Final Terms specifies that any Currency Disruption Event shall be applicable to such Series, then, where the Determination Agent determines, acting in a commercially reasonable manner, that such Currency Disruption Event has occurred and is continuing in respect of such Series:

(a) in the case of Price Source Disruption, on the day that is the Valuation Date in respect of such Series (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source); and

(b) in the case of any other Currency Disruption Event, on such day as may be specified for this purpose in the relevant Final Terms, then the Settlement Rate for such Series will be determined, or the Warrants or Certificates of such Series shall be settled following exercise, as the case may be, in accordance with the terms of the Currency Disruption Fallback first applicable pursuant to Condition 9.4 (*Currency Disruption Fallbacks*).

9.4 **Currency Disruption Fallbacks:**

9.4.1 If so specified in the Final Terms relating to any Series of Warrants or Certificates, the following shall constitute "**Currency Disruption Fallbacks**" for the purposes of such Series, and the relevant Final Terms shall specify which Currency Disruption Fallback(s) shall apply to such Series, to which Currency Disruption Event each such Currency Disruption Fallback shall apply and, where more than one Currency Disruption Fallback may apply to a Currency Disruption Event, the order in which such Currency Disruption Fallback(s) shall apply to such Currency Disruption Event:

(a) "**Determination Agent Determination of Settlement Rate**" means that the Determination Agent will determine, in its sole and absolute discretion, the Settlement Rate (or a method for determining the Settlement Rate), taking into consideration all available information that it deems relevant;

(b) "**Fallback Reference Price**" means, in respect of Price Source Disruption or any other Currency Disruption Event, that the Determination Agent will determine, in its sole and absolute discretion, the Settlement Rate for such Series on the relevant Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced) pursuant to the Settlement Rate Option referred to as Currency-Reference Dealers (save that, if so specified in the relevant Final Terms, the reference in the definition of Currency-Reference Dealers to the Cash Settlement Payment Date shall be a reference to such date as is specified for such purpose in the relevant Final Terms) or pursuant to such other Settlement Rate Option as may be specified in the relevant Final Terms; and

(c) any other currency disruption fallbacks specified in the relevant Final Terms.

9.4.2 Where more than one Currency Disruption Event occurs or exists or is deemed to occur or exist, then, unless the relevant Final Terms has specified which Currency Disruption Fallback shall apply in such circumstances, the Determination Agent shall determine, in its sole and absolute discretion, which Currency Disruption Fallback shall apply.

9.5 **Additional Disruption Events:**

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Warrants and Certificates shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Warrants or Certificates and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

(iii) If the Issuer determines that the relevant Warrants or Certificates shall be terminated, then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the Reference Currency or the Cash Settlement Amount pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the

Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

(iv) The Issuer shall as soon as reasonably practicable under the circumstances notify the Principal Securities Agent and the Determination Agent of the occurrence of an Additional Disruption Event.

(v) For the purposes hereof:

"**Additional Disruption Event**" means with respect to any Series of Warrants or Certificates (unless otherwise specified in the applicable Final Terms), a Change in Law, Hedging Disruption, Increased Cost of Hedging and any further event or events as may be specified in the applicable Final Terms as an Additional Disruption Event with respect to such Warrants or Certificates.

9.6 **In relation to Currency Securities, the following expressions have the meanings set out below:**

"**Basket**" means a basket composed of each Reference Currency specified in the relevant Final Terms;

"**Change in Law**" means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of Hedge Positions or (y) it will incur a materially increased cost in performing its obligations with respect to the Warrants or Certificates (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"**Currency Business Day**" means, unless otherwise specified in the relevant Final Terms, for the purposes of:

(i) the definition of Valuation Date in Condition 9.1 (*Valuation Date*): (1) a day on which commercial banks are (or but for the occurrence of a Currency Disruption Event would have been) open for general business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange markets) in the Principal Financial Centre(s) of the Reference Currency or (2) where the currency to be valued is euro, a day that is a TARGET Settlement Day and a Business Day; and

(ii) the definition of Cash Settlement Payment Date, Exercise Date, Exercise Period and Expiration Date and any other purpose: (1) a day on which commercial banks are open for general business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the Principal Financial Centre(s) of the Reference Currency and (2) where one of the Currency Pair is euro, a day that is a TARGET Settlement Day;

"**Currency Pair**" means the Reference Currency and the Settlement Currency;

"**Currency-Reference Dealers**" is a Settlement Rate Option which means that the Spot Rate for a Rate Calculation Date will be determined on the basis of quotations provided by Reference Dealers on that Rate Calculation Date of that day's Specified Rate, expressed as the amount of Reference Currency per one unit of Settlement Currency for the purposes of calculating the Cash Settlement Amount. The Determination Agent will request the Specified Office of each of the Reference Dealers to provide a firm quotation of its Specified Rate for a transaction where the amount of Reference Currency equals the Specified Amount. If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the Specified Rates, without regard to the Specified Rates having the highest and lowest value. If exactly three quotations are provided, the rate for a Rate Calculation Date will be the Specified Rate provided by the Reference Dealer that remains after disregarding the Specified Rates having the highest and lowest values. For this purpose, if more than one quotation has the same highest value or lowest value, then the Specified Rate of one of such quotations shall be disregarded. If exactly two quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the Specified Rates. If only one quotation is provided, the rate for a Rate Calculation Date will be the Specified Rate quoted by that Reference Dealer. The quotations used to determine the Spot Rate for a Rate Calculation Date will be determined in each case at the Specified Time on that Rate Calculation Date or, if no such time is specified, the time chosen by the Determination Agent;

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

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

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

"**Rate Calculation Date**" means any Valuation Date or Averaging Date (as defined in Conditions 9.1 (*Valuation Date*) and 9.2 (*Averaging*) respectively);

"**Reference Currency**" means the currency specified as such in the relevant Final Terms;

"**Reference Currency Jurisdiction**" means the jurisdiction specified as such in the relevant Final Terms;

"**Settlement Rate**" means the rate as determined by the Determination Agent, in its sole and absolute discretion, in accordance with the relevant Final Terms and, where applicable shall be determined in accordance with Condition 9.2 (*Averaging*);

"**Settlement Rate Option**" means for the purposes of calculating the Settlement Rate, the Settlement Rate Option specified in the relevant Final Terms (or deemed specified pursuant to Condition 9.4 (*Currency Disruption Fallbacks*));

"**Specified Amount**" means the amount of Reference Currency specified as such in the relevant Final Terms;

"**Specified Rate**" means any of the following rates, as specified in the relevant Final Terms: (i) the Reference Currency bid exchange rate, (ii) the Reference Currency offer exchange rate, (iii) the average of the Reference Currency bid and offer exchange rates, (iv) the Settlement Currency bid exchange rate, (v) the Settlement Currency offer exchange rate, (vi) the average of the Settlement Currency bid and offer exchange rates, (vii) the official fixing rate or (viii) any other exchange rate specified in the relevant Final Terms. If no such rate is specified, the Specified Rate will be deemed to be the average of the Reference Currency bid and offer rate;

"**Specified Time**" means, in respect of any series of Warrants or Certificates and the determination of the Spot Rate, the times specified as such in the applicable Final Terms of if no such time is specified the time chosen by the Determination Agent; and

"**Spot Rate**" means for any Valuation Date (as defined in Condition 9.1 (*Valuation Date*)), the relevant currency exchange rate determined in accordance with the specified (or deemed specified) Settlement Rate Option and, if a Settlement Rate Option is not specified (or deemed specified), the currency exchange rate at the time at which such rate is to be determined for foreign exchange transactions in the Currency Pair for value on the relevant Valuation Date, as determined in good faith and in a commercially reasonable manner by the Determination Agent.

## 10. PROVISIONS RELATING TO COMMODITY SECURITIES

This Condition 10 (*Provisions relating to Commodity Securities*) is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Commodity Securities.

10.1 **Corrections to published prices**: For the purposes of determining the Relevant Price for any Pricing Date, if applicable, as specified in the relevant Final Terms for the purposes of calculating the Cash Settlement Amount or any other amount in respect of a Commodity Security, if the price published or announced on a given day and used or to be used by the Determination Agent to determine such Relevant Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement by such time as may be specified in the relevant Final Terms (or, if none is so specified, within thirty days of the original publication or announcement, and the Determination Agent determines (in its sole and absolute discretion) that an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Securityholder, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of actual cost) to the Issuer of funding that amount for the period from and including the day on which a payment originally was made, to but excluding the day of payment of the refund or payment resulting from that correction (all as determined by the Determination Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall agree with the Principal Securities Agent and shall be notified to the relevant Securityholder(s) by facsimile to the number specified in the relevant Exercise Notice.

10.2 **Commodity Disruption Events**:

10.2.1 If so specified in the Final Terms relating to any Series of Commodity Securities, the following shall constitute "**Commodity Disruption Events**" for the purposes of such Series:

(a) "**Price Source Disruption**", which means (i) the failure of the Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price) for the relevant Commodity Reference Price, (ii) the temporary or permanent discontinuance or unavailability of the Price Source, (iii) if the Commodity Reference Price is "Commodity-Reference Dealers," the failure to obtain at least three quotations from the relevant Reference Dealers or (iv) if Price Materiality Percentage is specified in the applicable Final Terms, the Specified Price for the relevant Commodity Reference Price differs from the Specified Price determined in accordance with the Commodity Reference Price "Commodity-Reference Dealers" by such Price Materiality Percentage;

(b) "**Trading Disruption**", which means the material suspension of, or the material limitation imposed on, trading in the Futures Contract or the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any Exchange as specified in the applicable Final Terms. The determination of whether a suspension of or limitation on trading is material shall be made by the Determination Agent in its sole and absolute discretion;

(c) "**Disappearance of Commodity Reference Price**", which means (i) the permanent discontinuation of trading in the relevant Futures Contract on the relevant Exchange or (ii) the disappearance of, or of trading in, the relevant Commodity or (iii) the disappearance or permanent discontinuance or unavailability of a Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Futures Contract or the relevant Commodity;

(d) "**Material Change in Content**", which means the occurrence since the Initial Date of a material change in the content, composition or constitution of the relevant Commodity or relevant Futures Contract;

(e) "**Material Change in Formula**", which means the occurrence since the Initial Date of a material change in the formula for or method of calculating the relevant Commodity Reference Price;

(f) "**Tax Disruption**", which means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measure by reference to, the relevant Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Initial Date, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal;

(g) "**Trading Limitation**", which means the material limitation imposed on trading in the Futures Contract or the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any exchange or principal trading market as specified in the relevant Final Terms; and

(h) any other (if any) Commodity Disruption Event specified in the relevant Final Terms.

10.2.2 If the applicable Final Terms for a Series of Commodity Securities specifies that any Commodity Disruption Event shall be applicable to such Series, then, where the Determination Agent determines, acting in a commercially reasonable manner, that such Commodity Disruption Event has occurred and is continuing in respect of such Series on the Pricing Date in respect of such Series (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source), or on any other day as may be specified for this purpose in the relevant Final Terms, then the Relevant Price will be determined, or the Warrants or Certificates of such Series shall be settled following exercise, as the case may be, in accordance with the terms of the Commodity Disruption Fallback first applicable pursuant to Condition 10.3 (*Commodity Disruption Fallbacks*).

10.3 **Commodity Disruption Fallbacks:**

Where one or more Commodity Disruption Events occurs or exists, then unless the relevant Final Terms specifies that any other Commodity Disruption Fallback shall apply in respect of any Commodity Disruption Event, "**Determination Agent Determination**" shall apply.

"**Determination Agent Determination**" means that the Determination Agent will determine, in its sole and absolute discretion, the Relevant Price (or a method for determining the Relevant Price), taking into consideration the latest available quotation for the relevant Commodity Reference Price and any other information that it deems relevant.

10.4 **Common Pricing:**

With respect to Warrants or Certificates relating to a Basket of Commodities, if "**Common Pricing**" has been selected in the applicable Final Terms as:

(i) "Applicable", then no date will be a Pricing Date unless such date is a day on which all referenced Commodity Reference Prices (for which such date would otherwise be a

Pricing Date) are scheduled to be published or announced, as determined as of the time of issue of the Warrants or Certificates.

(ii) "Inapplicable", then if the Determination Agent determines that a Commodity Disruption Event has occurred or exists on the Pricing Date in respect of any Commodity in the Basket (the "**Affected Commodity**"), the Relevant Price of each Commodity within the basket which is not affected by the occurrence of a Commodity Disruption Event shall be determined on its scheduled Pricing Date and the Relevant Price for each Affected Commodity shall be determined in accordance with the first applicable Commodity Disruption Fallback that provides a Commodity Reference Price.

10.5 **Commodity Index Disruption Events:**

10.5.1 The following shall constitute "**Commodity Index Disruption Events**" for the purposes of any Series of Warrants or Certificates with respect to a Commodity Index:

(a) a temporary or permanent failure by the applicable exchange or other price source to announce or publish the final settlement price for the Commodity Index; or

(b) the occurrence in respect of any Component of the relevant Commodity Index of a Commodity Disruption Event (as defined in Condition 10.2.1).

10.5.2 Where the Determination Agent determines, acting in a commercially reasonable manner, that a Commodity Index Disruption Event has occurred and is continuing in respect of a Series on the Pricing Date in respect of such Series (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source), or on any other day as may be specified for this purpose in the relevant Final Terms, then (unless Condition 10.5.3 (*Physical Hedging Fallback*) is specified to apply) the following provisions shall apply:

(a) with respect to each Component which is not affected by the Commodity Index Disruption Event, the Relevant Price will be determined by the Determination Agent based on the closing prices of each Component on the applicable Pricing Date;

(b) with respect to each Component which is affected by the Commodity Index Disruption Event, the Relevant Price will be determined by the Determination Agent (in the case of any Dow Jones-UBS Commodity Index) as set out in the DJ-UBSCI Manual or (in the case of any S&P Commodity Index) as set out in the Index Methodology, and in respect of any other Commodity Index as set out in the applicable Final Terms, in each case based on the closing prices of each such Component on the first day following the applicable Pricing Date on which no Commodity Index Disruption Event occurs with respect to such Component;

(c) subject to (d) below, the Determination Agent shall determine the Relevant Price by reference to the closing prices determined in (a) and (b) above using the then-current method for calculating the relevant Commodity Index; and

(d) where a Commodity Index Disruption Event with respect to one or more Components continues to exist (measured from and including the first day following the applicable determination date) for five consecutive Trading Days, the Determination Agent shall determine the Relevant Price acting in good faith and in a commercially reasonable manner. In calculating the Relevant Price as set out in this paragraph, the Determination Agent shall use the formula for calculating the relevant Commodity Index last in effect prior to the Commodity Index Disruption Event. For the purposes of this paragraph (d), "**Trading Day**" shall mean a day when the exchanges for all Futures Contracts included in the relevant Commodity Index are scheduled to be open for trading.

10.5.3 ***Physical Hedging Fallback***: Where the Determination Agent determines that a Commodity Index Disruption Event has occurred and is continuing in respect of a Series on the Pricing Date in respect of such Series and "Physical Hedging Fallback" is specified as applicable in the relevant Final Terms, then the following provisions shall apply:

(a) with respect to each Component included in the Commodity Index which is not affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing prices of each such Component on the applicable determination date;

(b) with respect to each Component included in the Commodity Index which is affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing price of each such Component on the first day following the applicable determination date on which no Commodity Index Disruption Event occurs with respect to such Component;

(c) subject to (d) below, the Determination Agent shall determine the Relevant Price by reference to the closing prices determined in (a) and (b) above using the then-current method for calculating the Relevant Price; and

(d) where a Commodity Index Disruption Event with respect to one or more Components included in the Commodity Index continues to exist (measured from and including the first day following the applicable determination date) for five consecutive Trading Days, the Determination Agent shall determine the Relevant Price in good faith and in a commercially reasonable manner. For the purposes of this paragraph (d), "**Trading Day**" shall mean a day when the exchanges for all Futures Contracts included in the relevant Commodity Index are scheduled to be open for trading with respect to each Futures Contract included in the Commodity Index which is not affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing prices of each such contract on the applicable determination date.

10.6 **Adjustments to Commodity Index:**

10.6.1 If a Commodity Index is permanently cancelled or is not calculated and announced by the sponsor of such Commodity Index or any of its affiliates (together the "**Sponsor**") but (i) is calculated and announced by a successor sponsor (the "**Successor Sponsor**") acceptable to the Determination Agent, or (ii) replaced by a successor index (the "**Successor Index**") using, in the determination of the Determination Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of such Commodity Index, then the Commodity Reference Price will be determined by the Index so calculated and announced by that Successor Sponsor or that Successor Index, as the case may be.

10.6.2 If, for a Commodity Index with respect to a Commodity Reference Price, on or prior to the Expiry Date or an Exercise Date, (i) the Sponsor makes a material change in the formula for or the method of calculating such Commodity Index or in any other way materially modifies such Commodity Index (other than a modification prescribed in that formula or method to maintain the Commodity Index in the event of changes in constituent commodities and weightings and other routine events), or (ii) the Sponsor permanently cancels the Commodity Index or (iii) the Sponsor fails to calculate and announce the Commodity Index for a continuous period of three Trading Days and the Determination Agent determines that there is no Successor Sponsor or Successor Index, then the Determination Agent may at its option (in the case of (i)) and shall (in the case of (ii) and (iii)) (such events (i) (ii) and (iii) to be collectively referred to as "**Index Adjustment Events**") calculate the Relevant Price using in lieu of the published level for that Commodity Index (if any), the level for that Commodity Index as at the relevant determination date as determined by the Determination Agent in accordance with the formula for and method of calculating that Commodity Index last in effect prior to the relevant Index Adjustment Event (as the case may be), but using only those Futures

Contracts that comprised that Index immediately prior to the relevant Index Adjustment Event (as the case may be) (other than those futures contracts that have ceased to be listed on any relevant exchange).

10.7 **Additional Disruption Events:**

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Warrants and Certificates shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Warrants or Certificates and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

(iii) If the Issuer determines that the relevant Warrants or Certificates shall be terminated, then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the relevant Commodity or payment of the Cash Settlement Amount pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

(iv) The Issuer shall as soon as reasonably practicable under the circumstances notify the Principal Securities Agent and the Determination Agent of the occurrence of an Additional Disruption Event.

(v) For the purposes hereof:

"**Additional Disruption Event**" means, with respect to any Series of Warrants or Certificates (unless otherwise specified in the applicable Final Terms), a Change in Law, Hedging Disruption, Increased Cost of Hedging and any further event or events as may be specified in the applicable Final Terms as an Additional Disruption Event with respect to such Warrants or Certificates.

10.8 **In relation to Commodity Securities, the following expressions have the meanings set out below:**

"**Basket**" means a basket composed of each Commodity specified in the relevant Final Terms;

"**Change in Law**" means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of Hedge Positions or (y) it will incur a materially increased cost in performing its obligations with respect to the Warrants or Certificates (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"**Commodity**" means each commodity specified in the relevant Final Terms;

"**Commodity Business Day**" means:

(i) in the case where the Commodity Reference Price is a price announced or published by an Exchange, a day that is (or, but for the occurrence of a Commodity Disruption Event, would have been) a day on which the Exchange is open for trading during its regular trading session; and

(ii) in the case where the Commodity Reference Price is not a price announced or published by an Exchange, a day in respect of which the relevant Price Source published (or, but for the occurrence of a Commodity Disruption Event, would have published) a price;

"**Commodity Index**" means an index comprising commodities specified as such in the relevant Final Terms;

"**Commodity Reference Price**" means the commodity reference price(s) specified in the relevant Final Terms;

"**Component**" means, in respect of a Commodity Index, each commodity or Futures Contract comprising such Commodity Index;

"**Delivery Date**" means the relevant date or month for delivery of the underlying Commodity (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) as specified in, or determined in accordance with the provisions in, the relevant Final Terms. In relation to any underlying Commodity which is specified in the relevant Final Terms to be a "Non Metal" and each Pricing Date, the relevant Delivery Date shall be the month of expiration of the first Futures Contract to expire following such Pricing Date. In relation to any underlying Commodity which is specified in the applicable Final Terms to be a "Base Metal" or a "Precious Metal" and each Pricing Date, the Delivery Date shall be such Pricing Date;

"**DJ-UBS Commodity Index**" means the Dow Jones-UBS Commodity Index and any other Commodity Index, in each case which is calculated and sponsored by Dow Jones Inc, or any successor to such sponsor;

"**DJ-UBSCI Manual**" means the manual or handbook in respect of a DJ-UBS Commodity Index published by the sponsor of the relevant Commodity Index and in effect from time to time;

"**Exchange**" means each exchange or principal trading market specified in the relevant Final Terms, or any successor to such exchange or principal trading market;

"**Futures Contract**" means either (a) the contract for future delivery in respect of the relevant Delivery Date relating to the relevant Commodity referred to in the relevant Commodity Reference Price or (b) each futures contract underlying or included in a Commodity Index;

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

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

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

"**Index Methodology**" means the manual or handbook in respect of an S&P Commodity Index published by the sponsor of the relevant Commodity Index and in effect from time to time;

"**Price Source**" means the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated) specified in the relevant Final Terms;

"**Pricing Date**" means each date specified as such (or determined pursuant to a method specified for such purpose) in the relevant Final Terms;

"**Relevant Price**" on any day means, in respect of a unit of measure of the Commodity to which a Commodity Security relates, the price, expressed as a price per unit, determined by the Determination Agent as provided in the relevant Final Terms with respect to such day for the specified Commodity Reference Price; and

"**S&P Commodity Index**" means the S&P GSCI Commodity Index and any other Commodity Index, in each case which is calculated and sponsored by Standard & Poor's, or any successor to such sponsor;

"**Specified Price**" means any of the following prices of a Commodity or Commodities or levels of a Commodity Index (which must be a price reported or capable of being determined from information reported in or by the relevant Price Source), as specified in the applicable Final Terms (and, if applicable, as of the time so specified) (a) the high price, (b) the low price, (c) the average of the high price and the low price, (d) the closing price, (e) the opening price, (f) the bid price, (g) the asked price, (h) the average of the bid price and the asked price, (i) the settlement price, (j) the official settlement price (which shall be the Specified Price for any Commodity Index, and for any Commodity specified in the applicable Final Terms as a "Non Metal"), (k) the official price, (l) the morning fixing, (m) the afternoon fixing (which shall be the Specified Price in respect of any Commodity specified in the applicable Final Terms as a "Precious Metal"), (n) the spot price or (o) any other price specified in the applicable Final Terms. The Specified Price for any Commodity specified in the applicable Final Terms as a "Precious Metal" shall be the official cash bid price.

## 11. PROVISIONS RELATING TO PHYSICAL SETTLEMENT SECURITIES

This Condition 11 (*Provisions Relating to Physical Settlement Securities*) is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Physical Settlement Securities.

### 11.1 Settlement Disruption:

11.1.1 The Determination Agent shall determine, acting in a commercially reasonable manner, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Underlying Securities on the original day that but for such Settlement Disruption Event would have been the Physical Settlement Date, then the Physical Settlement Date will be the first succeeding day on which delivery of such Underlying Securities can take place through the relevant Clearing System unless a Settlement Disruption Event prevents settlement on each of the 10 relevant Clearing System Business Days immediately following the original date or during such other period specified in the relevant Final Terms that, but for the Settlement Disruption Event, would have been the Physical Settlement Date. In that case, if the Underlying Securities are bonds or other debt securities, the Issuer shall use reasonable efforts to deliver such Underlying Securities promptly thereafter in a commercially reasonable manner outside the relevant Clearing System or exchange on a delivery versus payment basis, and in all other cases: (a) if such Underlying Securities can be delivered in any other commercially reasonable manner, then the Physical Settlement Date will be the first day on which settlement of a sale of Underlying Securities executed on that 10th relevant Clearing System Business Day, or during such other period specified in the relevant Final Terms, customarily would take place using such other commercially reasonable manner of delivery (which other manner of delivery will be deemed the relevant Clearing System for the purpose of delivery of the relevant Underlying Securities), and (b) if such Underlying Securities cannot be delivered in any other commercially reasonable manner, then the Physical Settlement Date will be postponed until delivery can be effected through the relevant Clearing System or in any other commercially reasonable manner, as determined by the Determination Agent.

11.1.2 For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Underlying Securities comprised in a Basket, the Physical Settlement Date for Underlying Securities not affected by the Settlement Disruption Event will be the first day on which settlement of a sale of such Underlying Securities executed on that Exercise Date customarily would take place through the relevant Clearing System. In the event that a Settlement Disruption Event will result in the delivery on a Physical Settlement Date of some but not all of the Underlying Securities comprised in a Basket, the Determination Agent shall determine in its sole and absolute discretion the appropriate *pro rata* portion of the Strike Price (if any) to be paid by the relevant party in respect of that partial settlement.

11.1.3 For the purposes hereof, "**Settlement Disruption Event**" in relation to an Underlying Security means an event beyond the control of the Issuer as a result of which or following which the relevant Clearing System cannot clear the transfer or otherwise prevents the settlement of such Underlying Security.

11.2 **Delivery Disruption:**

11.2.1 If the Determination Agent determines, acting in a commercially reasonable manner, that a Delivery Disruption Event has occurred and the Determination Agent has notified the Issuer, the Principal Securities Agent and the relevant Securityholder(s) within one Clearing System Business Day of the relevant Exercise Date to that effect, then the Issuer may:

(a) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Underlying Securities will be terminated and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of the relevant delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such Delivery Disruption Event, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion, in which event the entitlements of the respective exercising Securityholders to receive Underlying Securities pursuant to such exercise shall cease and the Issuer's obligations under the Warrants or Certificates shall be satisfied in full upon payment of such amount; or

(b) deliver on the Physical Settlement Date such number of Underlying Securities (if any) as it can deliver on that date and pay an amount, as determined by the Determination Agent in its sole and absolute discretion, which shall seek to preserve for the Securityholder the economic equivalent of the delivery of the remainder of Underlying Securities (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such Delivery Disruption Event, in which event the entitlements of the respective exercising Securityholders to receive Underlying Securities pursuant to such exercise shall cease and the Issuer's obligations under the Warrants or Certificates shall be satisfied in full upon delivery of such number of Underlying Securities and payment of such amount.

11.2.2 For the purposes hereof, "**Delivery Disruption Event**" means the failure by the Issuer or the Principal Securities Agent to deliver on the relevant Physical Settlement Date the requisite number of relevant Underlying Securities under the relevant Warrant or Certificate which is due to illiquidity in the market for such Underlying Securities.

## 12. INFLATION SECURITIES

This Condition 12 (*Inflation Securities*) is applicable only in relation to Warrants and Certificates specified in the relevant Final Terms as being Inflation Securities.

12.1 **Delay of Publication**: If any level of an Index for a Reference Month which is relevant to the calculation of a an amount payable under the Warrants or Certificates (a "**Relevant Level**") has not been published or announced by the day that is five Business Days prior to the next Exercise Date under the Warrants or Certificates, the Determination Agent shall determine a Substitute Index Level (in place of such Relevant Level) in a commercially reasonable manner in its sole discretion. If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Exercise Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 12.1 (*Delay of Publication*) will be the definitive level for that Reference Month.

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

12.2.1 If at any time a Successor Index has been designated by the Determination Agent pursuant to the terms and conditions of the Related Bond, such Successor Index shall be designated a "Successor Index" for the purposes of all subsequent Exercise Dates in relation to the Warrants or Certificates, notwithstanding that any other Successor Index may previously have been determined under Conditions 12.2.2, 12.2.3 or 12.2.4 below; or

12.2.2 If a Successor Index has not been determined under Condition 12.2.1 above and a notice has been given or an announcement has been made by the Index Sponsor, specifying that the Index will be superseded by a replacement index specified by the Index Sponsor, and the Determination Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index for purposes of the Warrants or Certificates from the date that such replacement index comes into effect; or

12.2.3 If a Successor Index has not been determined under Condition 12.2.1 or 12.2.2 above the Determination Agent shall ask five leading independent dealers to state what the replacement Index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same Index, this Index will be deemed the "Successor Index". If three responses are received, and two or more leading independent dealers state the same Index, this Index will be deemed the "Successor Index". If fewer than three responses are received, the Determination Agent will proceed to Condition 12.2.4 below; or

12.2.4 If no Successor Index has been deemed under Condition 12.2.1 or 12.2.2 or 12.2.3 above by the fifth Business Day prior to the next Affected Exercise Date the Determination Agent will determine an appropriate alternative index for such Affected Exercise Date and such index will be deemed a "Successor Index"; the Determination Agent shall determine the method of determining the Relevant Level if no such alternative Index is available.

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

12.4 **Material Modification Prior to Payment Date***:* If, on or prior to the day that is five Business Days before an Exercise Date, an Index Sponsor announces that it will make a material change to an Index then the Determination Agent shall make any such adjustments to the Index consistent with adjustments made to the Related Bond, or if there is no Related Bond, only those adjustments necessary for the modified Index to continue as the Index.

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

12.6 **Additional Disruption Events**:

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Warrants and Certificates shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Warrants or Certificates and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

(iii) If the Issuer determines that the relevant Warrants or Certificates shall be terminated, then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the payment of the Cash Settlement Amount pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

(iv) The Issuer shall as soon as reasonably practicable under the circumstances notify the Principal Securities Agent and the Determination Agent of the occurrence of an Additional Disruption Event.

(v) For the purposes hereof:

"**Additional Disruption Event**" means, with respect to any Series of Warrants or Certificates (unless otherwise specified in the applicable Final Terms), a Change in Law, Hedging Disruption, Increased Cost of Hedging and any further event or events as may be specified in the applicable Final Terms as an Additional Disruption Event with respect to such Warrants or Certificates.

12.7 **Definitions Applicable to Inflation Securities**

In relation to Inflation Securities the following expressions have the meanings set out below:

"**Affected Exercise Date**" means each Exercise Date in respect of which an Index has not been published or announced;

"**Change in Law**" means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of Hedge Positions or (y) it will incur a materially increased cost in performing its obligations with respect to the Warrants or Certificates (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"**Fallback Bond**" means an inflation linked bond selected by the Determination Agent that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Determination Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Settlement Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Determination Agent from those bonds. If the Fallback Bond redeems the Determination Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged);

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

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

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

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

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

"**Reference Month**" means the calendar month for which the level of the relevant Index was reported, regardless of when this information is published or announced. If the period for which the Index level was reported is a period other than a month, the Reference Month will be the period for which the Index level was reported;

"**Related Bond**" means the bond specified in the relevant Final Terms, or if no bond is so specified, the Fallback Bond. If the Related Bond is "Fallback Bond", then for any Related Bond determination under these Conditions, the Determination Agent shall use the Fallback Bond (as that is defined in this Condition 12.7 (*Definitions Applicable to Inflation Securities*) herein). If no bond is specified in the relevant Final Terms as the Related Bond and "Fallback Bond: Not applicable" is specified in the relevant Final Terms there will be no Related Bond. If a bond is selected as the Related Bond in the relevant Final Terms, and that bond redeems or matures before the relevant Maturity Date, unless "Fallback Bond: Not applicable" is specified in the relevant Final Terms, the Determination Agent shall use the Fallback Bond for any Related Bond determination;

"**Substitute Index Level**" means an Index level, determined by the Determination Agent pursuant to the provisions of Condition 12.1 (*Delay of Publication*) in respect of an Affected Exercise Date; and

"**Successor Index**" has the meaning specified in Condition 12.2 (*Cessation of Publication*).

## 13. PROPERTY SECURITIES

This Condition 13 (*Property Securities*) is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Property Securities.

### 13.1 Rebasing of the Property Index

If the Determination Agent determines that an Index has been or will be Rebased at any time (the Property Index as so Rebased the "**Rebased Property Index**"), the Rebased Property Index will be used for the purposes of determining the level of the Property Index from the date of such Rebasing, **provided however**, **that** the Determination Agent shall adjust the terms of the Warrants or Certificates so that the use of the Rebased Property Index reflects what would have been the performance of the Index had the Rebasing not occurred save that any such Rebasing shall not affect any prior payments under the Warrants or Certificates.

### 13.2 Error in Publication

If the Determination Agent determines that an Error in Publication has occurred with respect to the Property Index, the Determination Agent may (a) use the corrected level of the Property Index to make any relevant calculations and/or (b) make any necessary adjustments to the relevant Property Index Level and such other terms of the Warrants or Certificates as it in its sole and absolute discretion determines to be appropriate to account for such Error in Publication.

For these purposes:

An "**Error in Publication**" will occur if the Property Index Sponsor announces that an error has occurred with respect to the Property Index Level as published on any Publication Date; the Property Index Level for such Publication Date is corrected to remedy such error; and the correction is published by the Index Sponsor at any time prior to the next following Scheduled Publication Date or if earlier any relevant determination date. An Error in Publication will not include a routine revision in the level of the Index in a regularly scheduled republication of the Index.

13.3 **Delay in Publication**

If the Property Index Level has not been announced by the Scheduled Publication Date or if earlier any relevant determination date, the following will apply:

(a) if the Property Index Sponsor publishes a provisional Property Index Level prior to the next Scheduled Publication Date or if earlier any relevant determination date, such provisional level of the Property Index for that Measurement Period shall apply for the purposes of the Notes; or

(b) if the Property Index Sponsor fails to publish the Property Index Level prior to the next occurring Scheduled Publication Date or if earlier any relevant determination date, a Property Index Disruption Event shall be deemed to have occurred and Condition 13.5 (*Property Index Disruption Event*) shall apply.

13.4 **Methodology Adjustment**

If the Property Index Sponsor announces that it has changed the methodology in calculating a Property Index and:

(a) continues publication of a property index based on the original methodology (the "**Replacement Property Index**"), such Replacement Property Index shall apply in lieu of the original Property Index in relation to the Warrants or Certificates; or

(b) discontinues publication of the Property Index based on the original Computational Methodology, a Property Index Disruption Event shall be deemed to have occurred and the procedure set out in Condition 13.5 (*Property Index Disruption Event*) shall apply.

13.5 **Property Index Disruption Event**

Following the occurrence of a Property Index Disruption Event, the Issuer shall, in its sole and absolute discretion, determine whether or not the relevant Warrants or Certificates shall continue or be terminated early. If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, to preserve the economic value of the Warrants or Certificates. If the Issuer determines that the Warrants or Certificates shall be terminated, then the Warrants or Certificates shall cease to be exercisable (or in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive payment of the Cash Settlement Amount pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

13.6 **Additional Disruption Events:**

(i) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Warrants and Certificates shall continue or be redeemed early.

(ii) If the Issuer determines that the relevant Warrants or Certificates shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption, settlement, or payment terms of the relevant Warrants or Certificates and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

(iii) If the Issuer determines that the relevant Warrants or Certificates shall be terminated, then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive payment of the Cash Settlement Amount pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.

(iv) The Issuer shall as soon as reasonably practicable under the circumstances notify the Principal Securities Agent and the Determination Agent of the occurrence of an Additional Disruption Event.

(v) For the purposes hereof:

"**Additional Disruption Event**" means, if specified as applicable in the relevant Final Terms (unless specified otherwise in the applicable Final Terms), with respect to any Series of Warrants or Certificates, a Change in Law, Hedging Disruption, Increased Cost of Hedging and any further event or events as may be specified in the applicable Final Terms as an Additional Disruption Event with respect to such Warrants or Certificates.

13.7 **Definitions Applicable to Property Securities**

In relation to Property Securities, the following expressions have the meanings set out below:

"**Change in Law**" means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of Hedge Positions or (y) it will incur a materially increased cost in performing its obligations with respect to the Warrants or Certificates (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"**Data Pool**" means the pool of properties underlying a Property Index;

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

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

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

"**Property Index**" means any index specified as such in the applicable Final Terms;

"**Property Index Level**" means the final level of the relevant Property Index for a specified period or a specified date (as set out in the Final Terms), as published by the Property Index Sponsor (or otherwise determined as set out in the applicable Final Terms);

"**Publication Date**" means, in respect of an Index, each date on which such Property Index is published by the Property Index Sponsor;

"**Rebasing**" means the revaluation of an Property Index by the Property Index Sponsor by the application of a new Reference Price, without amendment to the formula for or the method of calculating the Index, and "Rebased" will be construed accordingly;

"**Reference Price**" means the historic value of the Data Pool used by the Property Index Sponsor as the benchmark for a Property Index; and

"**Scheduled Publication Date**" means the date on which the Property Index Level is scheduled to be published.

## 14. FUND SECURITIES

This Condition 14 (*Fund Securities*) shall apply only to Warrants or Certificates specified in the applicable Final Terms as being Fund Securities or Fund Basket Securities.

### 14.1 Adjustments for Disrupted Days

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

14.1.2 If any Valuation Date is a Disrupted Day then:

(a) in the case of Fund Securities, the Valuation Date shall be the next succeeding day that is not a Disrupted Day, unless no day that is not a Disrupted Day has occurred prior to the last day of one Cut-off Period following the Scheduled Valuation Date. In that case, (i) the last day of such Cut-off Period shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Determination Agent shall determine its good faith estimate of the value for the Fund Interest as of the Valuation Time on that deemed Valuation Date; or

(b) in the case of Fund Basket Securities, the Valuation Date for each Fund Interest not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Fund Interest affected by the occurrence of a Disrupted Day shall be the first succeeding day that is not a Disrupted Day relating to that Fund Interest, unless no day that is not a Disrupted Day has occurred prior to the last day of one Cut-off Period following the Scheduled Valuation Date. In that case, (i) the last day of such Cut-off Period shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Determination Agent shall determine its good faith estimate of the value for that Fund Interest as of the Valuation Time on that deemed Valuation Date.

In addition, the Determination Agent will account for such occurrence or continuance of a Disrupted Day as it sees fit which may include but is not limited to delaying calculation and payment of the Cash Settlement Amount and/or any other amounts payable under the Warrants or Certificates, and no interest or other amount shall be payable to Securityholders in respect of any such delay, or making the appropriate adjustment to the calculation of the Cash Settlement Amount and/or any such other amounts, all in the determination of the Determination Agent.

14.1.3 If Averaging Dates are specified in the applicable Final Terms with respect to a Valuation Date then the following provisions will apply. If any Averaging Date is a Disrupted Day:

(a) in the case of Fund Securities, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred prior to one Cut-off Period following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in respect of the relevant Scheduled Valuation Date, then (1) the last day of such Cut-off Period shall be deemed the Averaging Date (irrespective of whether such day is already an Averaging Date), and (2) the Determination Agent shall determine its good faith estimate of the value for the Fund Interest as of the Valuation Time on that deemed Averaging Date, where "**Valid Date**" means a Business Day that is not a Disrupted Day and on which another Averaging Date in respect of the relevant Valuation Date does not or is not deemed to occur; and

(b) in the case of Fund Basket Securities, the Averaging Date for each Fund Interest not affected by the occurrence of a Disrupted Day shall be the date specified in the applicable Final Terms as that Averaging Date and the Averaging Date for any Fund Interest affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Fund Interest. If the first succeeding Valid Date has not occurred prior to one Cut-off Period following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in respect of the relevant Scheduled Valuation Date, then (1) the last day of such Cut-off Period shall be deemed the Averaging Date (irrespective of whether such day is already an Averaging Date), and (2) the Determination Agent shall determine its good faith estimate of the value for that Fund Interest as of the Valuation Time on that deemed Averaging Date.

In addition, the Determination Agent will account for such occurrence or continuance of a Disrupted Day as it sees fit which may include but is not limited to delaying calculation and payment of the Cash Settlement Amount and/or any other amounts payable under the Warrants or Certificates, and no interest or other amount shall be payable to Securityholders in respect of any such delay, or making the appropriate adjustment to the calculation of the Cash Settlement Amount and/or any such other amounts, all in the determination of the Determination Agent.

14.2 **Postponement of Settlement**

14.2.1 Unless otherwise specified in the applicable Final Terms, if the Determination Agent determines on the date which is not later than 3 Business Days prior to any date on which the Cash Settlement Amount or any other amounts would otherwise be due to be paid (each a "**Scheduled Settlement Date**") that a Settlement Postponement Event has occurred, then the Determination Agent shall make such adjustment to account for such Settlement Postponement Event and such adjustment shall include the postponement of the obligation of the Issuer to pay the Cash Settlement Amount or any such other amounts, as applicable, until the Postponed Settlement Date and no interest or other amount shall be payable to Securityholders in respect of such postponement.

14.2.2 If the Postponed Settlement Date is the Postponed Settlement Long Stop Date, for the purposes of determining the Cash Settlement Amount or any other relevant amounts, as applicable, whether determined by reference to the Reference Price or otherwise, each Fund Interest Unit will be deemed to have a value equal to the redemption proceeds (if any) that a Hypothetical Investor which had submitted a Final Redemption Notice in respect of such Fund Interest Unit would have received in respect of such redemption on or before the Postponed Settlement Long Stop Date (in the case of Fund Securities) or each Long Stop Date Fund Interest Unit (if any) comprising the Basket of Funds will be deemed to have a value equal to the redemption proceeds (if any) that a Hypothetical Investor which had submitted a Final Redemption Notice in respect of such Long Stop Date Fund Interest Unit would have received in respect of such redemption on or before the Postponed Settlement Long Stop Date.

14.2.3 For the purposes hereof:

(a) a "**Settlement Postponement Event**" shall be deemed to occur if, as determined by the Determination Agent, a Hypothetical Investor which had submitted a Final Redemption Notice in respect of the Fund Interest Units (in the case of a Fund Security) or each Fund Interest Unit comprised in the Basket of Funds (in the case of a Fund Basket Security) would not have received in full the redemption proceeds in respect of such redemptions on or before the date which is 4 Business Days prior to the Scheduled Settlement Date;

(b) the "**Postponed Settlement Date**" means, unless otherwise specified in the applicable Final Terms, the earlier of (x) the date which is 3 Business Days after the date on which, as determined by the Determination Agent, such Hypothetical Investor would have received such redemption proceeds in full and (y) the Postponed Settlement Long Stop Date;

(c) the "**Postponed Settlement Long Stop Date**" means, unless otherwise specified in the applicable Final Terms, the date which is 3 months after the Scheduled Settlement Date;

(d) "**Long Stop Date Fund Interest Unit**" means, in relation to a Basket of Funds, any Fund Interest Unit in respect of which, if a Hypothetical Investor had submitted a Final Redemption Notice in respect of such Fund Interest Unit, such Hypothetical Investor would not have received in full the redemption proceeds in respect of such redemption on or before the Postponed Settlement Long Stop Date; and

(e) a "**Final Redemption Notice**" means, in respect of a Fund Interest Unit, a valid redemption notice submitted on the last date permitted pursuant to the Fund Documents of the related Fund for a redemption notice that would be timely for redemption prior to the Scheduled Settlement Date.

### 14.3 Potential Adjustment Events

Following the declaration by any Fund or Fund Service Provider of the terms of any Potential Adjustment Event, the Determination Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units or amount of Fund Interest and, if so, will (i) make the corresponding adjustment(s), if any, to any one or more of the Cash Settlement Amount and/or any such other amounts payable under the Warrants or Certificates the Reference Price, any Relevant Fund Interest Unit Price and, in any case, any other variable relevant to the calculation, valuation, payment or other terms of Warrants or Certificates as the Determination Agent determines appropriate to account for that diluting or concentrative effect (**provided that** no adjustments will be made to account solely for changes in volatility, expected dividends or liquidity relative to the relevant Fund Interest) and (ii) determine the effective date(s) of the adjustment(s).

### 14.4 Corrections and Adjustment

With the exception of any Adjustments (as defined below) made after the day which is 3 Business Days, unless otherwise specified in the applicable Final Terms, prior to a due date for any payment under the Warrants or Certificates calculated by reference to the price or level of any Fund Interest Unit, if the Determination Agent determines that a Fund adjusts the Redemption Proceeds that would have been paid to a Hypothetical Investor redeeming the number of Fund Interest Units that are subject to valuation and such adjustment would be reflected in either an additional payment to such Hypothetical Investor or a claim for repayment of excess Redemption Proceeds made against such Hypothetical Investor (each an

**"Adjustment"),** then the price or level to be used shall be the price or level of the relevant Fund Interest Units as so adjusted.

14.5 **Fund Events**

14.5.1 If at any time the Determination Agent determines that a Fund Event has occurred and/or is continuing then the Determination Agent shall provide written notice thereof to the Issuer (a **"Fund Event Notice").** The Determination Agent shall not have any obligation to monitor the occurrence of a Fund Event nor shall it have any obligation to make a determination that a Fund Event has occurred or is continuing.

14.5.2 The Issuer will, in its sole and absolute discretion, determine whether the relevant Warrants or Certificates shall continue or shall be terminated and the mechanics for determining and calculating the valuation of any Affected Fund Interest and any payments under the Warrants or Certificates shall be suspended, subject to Condition 14.5.3 and Condition 14.5.4 below.

14.5.3 If the Issuer determines that the relevant Warrants or Certificates shall continue then, the Issuer may direct the Determination Agent:

(i) to substitute any Affected Fund Interest with the Successor Fund Interest relating to such Affected Fund Interest, **provided that** if no Successor Fund has been identified in the manner set forth below within 10 Business Days of the Fund Event Notice, then sub-paragraph (ii) below shall apply; or

(ii) to make such adjustment to account for such Fund Event as it considers appropriate which may include, without limitation, delaying the calculation and payment of the Cash Settlement Amount and/or any such other amounts payable under the Warrants or Certificates, and no interest or other amount shall be payable to Securityholders in respect of any such delay, or making an adjustment to the calculation of the Cash Settlement Amount and/or any such other amounts due under the Warrants or Certificates, all in the determination of the Determination Agent.

For the purposes of this Condition 14.5.3:

(a) "**Successor Fund Interest"** means, in respect of any Affected Fund Interest, the related Eligible Fund Interest or, if the applicable Final Terms do not specify any Eligible Fund Interest relating to such Affected Fund Interest, then the Determination Agent will use commercially reasonable efforts to identify a Successor Fund Interest based on the eligibility criteria specified in the applicable Final Terms or, if the applicable Final Terms do not specify any, such eligibility criteria, with characteristics, investment objectives and policies similar to those in effect for the Affected Fund Interest immediately prior to the-occurrence of the relevant Fund Event; and

(b) any substitution of the Successor Fund Interest for the Affected Fund Interest shall be effected at such time and in such manner as specified in the applicable Final Terms or, if the time and manner for substitution of the Successor Fund Interest is not specified in the applicable Final Terms, then the Affected Fund Interest shall be replaced by a number of Fund Interest Units of the Successor Fund Interest with a combined value (as determined by the Determination Agent) equal to the relevant Removal Value of the applicable number of Fund Interest Units of the Affected Fund Interest. Such replacement shall be effected, from time to time whenever the Removal Value changes, on the date, as determined by the Determination Agent, on which the Fund issuing the Successor Fund Interest would admit a Hypothetical Investor who, on the Fund Business Day next following the date on which any Removal Value not previously applied toward any Successor Fund Interest would be received by such Hypothetical Investor redeeming out of the relevant amount of Affected Fund Interest, had submitted a valid order to purchase such amount of the Successor Fund Interest; and

(c) if necessary, the Determination Agent will adjust any relevant terms, including, but not limited to adjustments to account for changes in volatility, investment strategy or liquidity relevant to such Fund Interests or the Warrants or Certificates.

14.5.4 If the Issuer determines that the relevant Warrants or Certificates shall be terminated, then the Issuer shall terminate each Warrant or Certificate at its Fund-Linked Cash Settlement Amount on such date as the Issuer may notify to Securityholders in accordance with Condition 20 (*Notices*).

14.6 **Notice of Fund Event**

Notice of the consequences of a Fund Event shall be given to the Securityholders in accordance with Condition 20 (*Notices*). Such notice shall (i) identify the Affected Fund Interest (if applicable) and the relevant Fund Event and contain a summary of the facts constituting such event, (ii) if applicable, identify the Successor Fund Interest and specify the effective date of such substitution, (iii) if applicable, specify adjustments made or expected to be made by the Determination Agent and (iv) if applicable, specify the date on which the Warrants or Certificates are to be terminated.

14.7 **Definitions applicable to Fund Securities and Fund Basket Securities**

In relation to Fund Securities and Fund Basket Securities, the following expressions shall have the meanings set out below:

"**Additional Fund Service Provider**" means, in respect of any Fund, any person or entity (if any) specified as such in the applicable Final Terms;

"**Affected Fund Interest**" means, at any time, any Fund Interest in respect of which the Determination Agent has determined that a Fund Event has occurred;

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

"**Aggregate NAV Trigger Period**" means the period (if any) specified as such in the applicable Final Terms;

"**Aggregate NAV Trigger Value**" means the value (if any) specified as such in the applicable Final Terms;

"**Averaging Date**" means, in respect of each Valuation Date, each date (if any) specified as such or otherwise determined as provided in the applicable Final Terms or, if such day is not a Business Day, the next following Business Day, subject to the provisions of Condition 14.1 (*Adjustments for Disrupted Days*);

"**Basket of Funds**" means a basket composed of such Fund Interests in such Funds specified in the applicable Final Terms in the relative proportions or number of Fund Interest Units of each Fund Interest specified in the applicable Final Terms, subject to the provisions of Condition 14.5 (*Fund Events*);

"**Company**" means, in respect of a Fund Interest and the related Fund, the entity (if any) specified as such in the applicable Final Terms (if any);

"**Cut-off Period**" means, in respect of any date, the period specified in the applicable Final Terms, or if no such period is specified, a period of one calendar year; **provided that** if a "**Final Cut-off Date**" is specified in the applicable Final Terms, then any Cut-off Period that would otherwise end after such Final Cut-off Date shall end on such Final Cut-off Date;

"**Disrupted Day**" means any day on which a Market Disruption Event has occurred or is continuing;

"**Eligible Fund Interest**" means, in respect of any Affected Fund Interest, the interest issued to or held by an investor in a fund, pooled investment vehicle or any other interest (if any) specified as such in the applicable Final Terms;

"**Extraordinary Dividend**" means an amount per relevant Fund Interest Unit or other amount of Fund Interest specified or otherwise determined as provided in the applicable Final Terms **provided that** if no Extraordinary Dividend is specified in or otherwise determined as provided in the applicable Final Terms, the characterisation of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Determination Agent;

"**Final Cut-off Date**" means the date specified as such in the applicable Final Terms;

"**Final Valuation Date**" means, if there is more than one Valuation Date, the last Valuation Date or, if there is only one Valuation Date, the Valuation Date;

"**Final Valuation Time**" means, if there are more than one Valuation Date, the Valuation Time in relation to the last Valuation Date or, if there is only one Valuation Date, the Valuation Time;

"**Fund**" means, in respect of any Fund Interest, unless otherwise specified in the applicable Final Terms, the issuer of, or other legal arrangement (including, if applicable, any relevant class or series) giving rise to, the relevant Fund Interest;

"**Fund Administrator**" means, in respect of any Fund, any person specified as such in the applicable Final Terms or, if no person is so specified, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities to such Fund according to the Fund Documents;

"**Fund Adviser**" means, in respect of any Fund, any person specified as such in the applicable Final Terms, or if no person is so specified, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Fund;

"**Fund Business Day**" means, in respect of any Fund Interest and the related Fund, any day specified as such in the applicable Final Terms or, if no day is so specified, any day on which the Fund or the primary Fund Administrator acting on behalf of the Fund is open for business;

"**Fund Custodian**" means, in respect of any Fund, any person specified as such in the applicable Final Terms or, if no person is so specified, the fund custodian or similar person with the primary custodial responsibilities in relation to such Fund according to the Fund Documents;

"**Fund Documents**" means, in respect of any Fund Interest, the constitutive and governing documents, subscription agreements and other agreements of the related Fund specifying the terms and conditions relating to such Fund Interest (including, without limitation, the Fund Prospectus) and any additional documents specified in the applicable Final Terms (each an "**Additional Fund Document**"), in each case as amended from time to time;

"**Fund Event**" means, subject as otherwise provided in the applicable Final Terms, the occurrence of any of the following events in the determination of the Determination Agent:

(a) ***Nationalisation****:* in respect of a Fund Interest and the related Fund, all the Fund Interests or all or substantially all the assets of the Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

(b) ***Insolvency Event****:* in respect of a Fund Interest and the related Fund (i) the Fund, the related Company and/or any Fund Service Provider (A) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (B) makes a general assignment or arrangement with or for the benefit of its creditors; (C)(1) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (2) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in (1) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within 14 days of the institution or presentation thereof; (D) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (E) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 14 days thereafter; or (F) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (A) through (E) above; or (without prejudice to the foregoing) (ii) by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Fund, (A) all the Fund Interests of that Fund are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Fund Interests of that Fund become legally prohibited from transferring them;

(c) ***NAV Trigger/Restriction Event****:* in respect of any Fund Interest, (A) the Reported Fund Interest Unit Value has decreased by a percentage equal to, or greater than, the NAV Trigger Percentage(s) during the related NAV Trigger Period, each as specified in the applicable Final Terms; or (B) the related Fund has violated any leverage restriction that is applicable to, or affecting, such Fund or its assets by operation of any law, any order or judgment of any court or other agency of government applicable to it or any of its assets, the Fund Documents or any contractual restriction binding on or affecting the Fund or any of its assets;

(d) ***Aggregate NAV Trigger Event****:* in the case of Fund Basket Securities, the aggregate of the Reported Fund Interest Unit Values for each Fund Interest comprising the Basket has decreased to an amount equal to, or less than, the Aggregate NAV Trigger Value during the related Aggregate NAV Trigger Period, each as specified in the applicable Final Terms;

(e) ***Changes to Fund or Fund Service Providers****:* in respect of any Fund Interest and the related Fund: (i) any change in the organisation of the Fund or of any Fund Service Provider without the prior written consent of the Determination Agent including, without limitation, a change of control of, or a change of the main shareholders, managing directors or Key Personnel (if any) of a Fund Service Provider, (ii) any Fund Service Provider ceasing to act in the relevant capacity in relation to the Fund unless immediately replaced in such capacity by a successor acceptable to the Determination Agent or (iii) any delegation or transfer by the Fund Adviser of any of its powers, duties or obligations under the Fund Documents to a third party without the prior written consent of the Determination Agent;

(f) ***Fund Modification****:* in respect of any Fund Interest, any change or modification of the related Fund Documents or of any rights attaching to the related Fund Interest Units (including without limitation any change or modification affecting management policy, provisions as to redemption or the charging of expenses or increasing the existing level of or introducing any new, fees, commissions or other expenses payable to any person, in each case as determined by the Determination Agent) from those prevailing on the Issue Date (in the case of Fund Securities) or the date on which any Fund Interest issued by such Fund was first included in the Basket of Funds (in the case of Fund Basket

Securities) and which could reasonably be expected to affect the value of such Fund Interest;

(g) ***Strategy Breach****:* in respect of any Fund Interest, as determined by the Determination Agent, any material breach of or non-compliance with any investment objective, investment restrictions or other strategy or investment guidelines, subscription and redemption provisions (including, without limitation, the days treated as Fund Business Days) or valuation provisions (including, without limitation, the method of determining the net asset value of the relevant Fund), in each case as set out in the Fund Documents as in effect on the Issue Date or, if later, the date on which such Fund Interest was first included in the Basket of Funds (in the case of Fund Basket Securities);

(h) ***Breach by Fund Service Provider****:* in respect of any Fund Interest, the breach by any relevant Fund Service Provider of any obligation (including, without limitation, non-compliance with any investment guidelines relating to such Fund Interest), representation or warranties concerning the relevant Fund (including, without limitation, pursuant to any agreement with the Fund), which breach, if capable of remedy, has not been remedied within ten (10) calendar days of its occurrence;

(i) ***General Regulatory Event****:* (A) in respect of any Fund Interest, (1) any change in the legal, tax, accounting, or regulatory treatments of the relevant Fund or its Fund Adviser that is reasonably likely to have an adverse impact on the value of such Fund Interest or on any investor therein (as determined by the Determination Agent) or (2) the related Fund or any of its Fund Service Providers becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law in relation to any activities relating to or resulting from the operation of such Fund or (B) any event which would have the effect of: (i) imposing on the Issuer and/or any Affiliate or adversely modifying any reserve, special deposit, or similar requirement that would be applicable to the Issuer and/or such Affiliate in relation to the Warrants or Certificates or any related hedging arrangement or (ii) changing the amount of regulatory capital that would have to be maintained by the Issuer and/or any Affiliate in relation to the Warrants or Certificates or any related hedging arrangement;

(j) ***Reporting Disruption****:* in respect of any Fund Interest, (A) the occurrence of any event affecting such Fund Interest that, in the determination of the Determination Agent would make it impossible or impracticable for the Determination Agent to determine the value of such Fund Interest, and such event continues for at least the time period specified in the applicable Final Terms or, if no time period is so specified, the Determination Agent does not expect such event to cease in the foreseeable future; (B) any failure of the related Fund to deliver, or cause to be delivered, (1) information that such Fund has agreed to deliver, or cause to be delivered to the Determination Agent or the Issuer, as applicable, or (2) information that has been previously delivered to the Determination Agent or the Issuer, as applicable, in accordance with such Fund's, or its authorized representative's, normal practice and that the Determination Agent deems necessary for it or the Issuer, as applicable, to monitor such Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to such Fund Interest; or (C) the related Fund ceases, for any reason whatsoever (either directly or through any Fund Service Provider acting on its behalf for this purpose) to provide, publish or make available its net asset value on any Fund Reporting Date and this continues for 10 consecutive Business Days;

(k) ***Compulsory Redemption or Assignment****:* in respect of any Fund Interest, (i) the repurchase or redemption by the Fund of all or some of the Fund Interest Units otherwise than at the request of a holder of Fund Interest Units and which the Determination Agent determines could affect a Hypothetical Investor; or (ii) any event or circumstance (whether or not in accordance with the constitutive documents and investment guidelines of the Fund) which would mandatorily oblige a holder of Fund Interest Units to redeem, sell, assign or otherwise dispose of any Fund Interest Units and which the Determination Agent determines could affect a Hypothetical Investor;

(l) ***Closure to Subscriptions****; Dealing Restrictions:* in respect of any Fund Interest, (A) the closure of the related Fund to new subscriptions of Fund Interests, or (B) the imposition of any dealing restrictions (including, without limitation, material amendments to relevant documentation, delay (partial or otherwise), suspension or termination (partial or otherwise) of subscription, redemption or settlement) relating to the Fund or transactions in Fund Interests by any Fund Service Provider, any affiliate or agent of any Fund Service Provider, or any intermediary platform through which the Issuer or its affiliates may contract (via a trading agreement or otherwise) in order to carry out transactions in Fund Interests, which, in either case, remains in effect for five consecutive Business Days;

(m) ***Disposals****: Material Change: Merger:* in respect of any Fund Interest, (A) a disposal to any person(s) of all, or a material part, of the assets of (x) the related Fund, or (y) any significant Fund Service Provider; or (B) a material change in the business of the Fund or any significant Fund Service Provider, or (C) the merger, amalgamation or consolidation of (1) the related Fund with (x) any other sub-fund or compartment of the Fund or (y) any other collective investment undertaking (or sub-fund or compartment of such other collective investment undertaking, including another Fund), or (2) the relevant Company with any other collective investment undertaking (including, without limitation, another Fund or Company), which, in either case, may, in the determination of the Determination Agent, have an adverse effect on the Fund;

(n) ***Hedging Disruption****:* any of the following:

(i) the Determination Agent reasonably determines that the Issuer or any Affiliate (a "**Hedging Party**"**)** is unable (including without limitation by reason of illegality), or that it is impracticable for a Hedging Party, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) (each a "**Relevant Hedging Transaction**"**)** such Hedging Party deems necessary or appropriate to hedge its exposure to price variations of the Fund Interest (in the case of Fund Securities) or the Basket of Funds (in the case of Fund Basket Securities) inherent in its obligations, in the case of the Issuer, under the Warrants or Certificates or, in the case of an Affiliate, under any transaction pursuant to which it hedges the Issuer's exposure to the Fund Interest (in the case of Fund Securities) or the Basket of Funds (in the case of Fund Basket Securities)under the Warrants or Certificates, or (ii) realise, recover or remit to any person the proceeds of such transaction or asset; and/or

(ii) the Determination Agent reasonably determines that it has become illegal for any Hedging Party to hold, acquire or dispose of Fund Interests relating to the Warrants or Certificates; and/or

(iii) the Determination Agent reasonably determines that the Issuer would incur an increased cost in respect of the Relevant Hedging Transactions related to the performance of its obligation under the Warrants or Certificates (including without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position); and/or

(iv) the Determination Agent reasonably determines that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any Relevant Hedging Transaction, or (B) realize, recover or remit the proceeds of any such Relevant Hedging Transaction; unless any such materially increased amount is incurred solely due to the deterioration of the creditworthiness of the Hedging Party,

and such determinations by the Determination Agent may include, but are not limited to, the following: (A) any increased illiquidity in the market for the Fund Interest (in the case of Fund Securities) or the Basket of Funds (in the case of Fund Basket Securities) (as compared with circumstances existing on the Issue Date); or (B) a change in any applicable law (including, without limitation, any tax law) or the promulgation of or change in the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority); or (C) the general unavailability of market participants who will-so enter into a Relevant Hedging Transaction on commercially reasonable terms;

(o) Fraud: in respect of any Fund Interest and the related Fund, the Fund is the object of a material fraud which may, in the determination of the Determination Agent, have an adverse effect on the Fund or the value of Fund Interest Units; or any act or omission of a Fund Service Provider constitutes fraud (including, but not limited to, theft, misappropriation, mispricing of holdings or concealment of trades), bad faith, wilful misconduct or negligence, as determined by the Determination Agent in its reasonable discretion;

(p) *Special Regulatory Event:* in respect of any Fund Interest and the related Fund (i) the cancellation, suspension or revocation of the registration or approval of such Fund Interest or the related Fund by any governmental, legal or regulatory entity with authority over such Fund Interest or Fund or (ii) the withdrawal, suspension, cancellation or modification of any license, consent, permit, authorisation or clearance required for the Fund or any one or more of its significant Fund Service Providers to carry out their activities as they are or should be carried out in compliance with applicable law or regulation;

(q) *Force Majeure Event*: in respect of any Fund Interest and the related Fund, any Fund Service Provider fails to perform any of its obligations pursuant to the Fund Documents to the extent that such performance is prevented, hindered or delayed by a Force Majeure Event, where "**Force Majeure Event**" means any event due to any cause beyond the reasonable control of the applicable Fund Service Provider, such as unavailability of communications system, failure of or interruptions in power supply or network computer systems, sabotage, fire, flood, explosion, acts of God, civil commotion, riots, insurrection or war;

(r) *Value Limitation*: the value of any Fund Interest held by the Issuer and its Affiliates is greater than 10 per cent. of the aggregate net asset value of the relevant Fund (whether or not all of such holding results from hedging transactions entered into in connection with the Warrants or Certificates) and including, where the excess holding results from a reduction in the aggregate net asset value of the relevant Fund; or

(s) Additional Fund Event: any other event(s) specified as Fund Events in the applicable Final Terms;

"**Fund Event Notice**" has the meaning given to that term in Condition 15.5 (*Fund Events*);

"**Fund-Linked Cash Settlement Amount**" means, in respect of any Warrant or Certificate, an amount determined by the Determination Agent in the Specified Currency specified in the applicable Final Terms, to be the fair market value of a Warrant or Certificate based on the market conditions prevailing at the date of determination reduced to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation, any Fund Interests, options, swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the Warrants or Certificates);

"**Fund Interest**" means an interest issued to or held by an investor in a fund, pooled investment vehicle or any other interest identified as such in the applicable Final Terms, as specified in the applicable Final Terms;

"**Fund Interest Performance**" means, in respect of any Fund Interest and any Valuation Date or Averaging Date, a rate determined by the Determination Agent in accordance with the formula specified as such in the applicable Final Terms;

"**Fund Interest Unit**" means, in respect of any Fund Interest and the related Fund, a share in such Fund or, if Fund Interests in such Fund are not denominated as shares, a notional unit of account of ownership in such Fund in the amount specified in the applicable Final Terms;

"**Fund Prospectus**" means, in respect of any Fund Interest and the related Fund, the prospectus or other offering document issued by such Fund in connection with such Fund Interest, as amended or supplemented from time to time;

"**Fund Reporting Date**" means, in respect of any Fund Interest and any Fund Valuation Date, the date on which the Reported Fund Interest Unit Value of such Fund Interest as determined as of such Fund Valuation Date is reported or published;

"**Fund Service Provider**" means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, to that Fund, whether or not specified in the Fund Documents, including without limitation any Fund Adviser, Fund Administrator, Fund Custodian and Additional Fund Service Provider;

"**Fund Subscription Date**" means, in respect of any Fund Interest, the date specified as such in the applicable Final Terms or, if no such date is specified, the day as of which a request by a Hypothetical Investor for subscription to such Fund Interest that has been submitted on the related Subscription Notice Date and in a form and substance acceptable to the related Fund would be considered effective by such Fund;

"**Fund Valuation Date**" means, in respect of any Fund Interest, the date as of which the related Fund (or its Fund Service Provider that generally determines such value) determines the value of such Fund Interest or, if the related Fund only reports its aggregate net asset value, the date as of which such Fund determines its aggregate net asset value;

"**Hedging Party**" has the meaning given in the definition of "**Fund Event** " above;

"**Hypothetical Investor** " means, unless otherwise specified in the applicable Final Terms, in respect of any Fund Interest, a hypothetical investor in such Fund Interest located in the Hypothetical Investor Jurisdiction and deemed to have (a) the benefits and obligations, as provided under the Fund Documents, of an investor holding, as of the related Fund Subscription Date, an interest in the relevant Fund in an amount equal to the relevant number of relevant Fund Interest Units or amount of such Fund Interest; (b) in the case of any deemed redemption of such Fund Interest, to have submitted to the relevant Fund on the relevant Redemption Notice Date, a duly completed notice requesting redemption of the relevant number of Fund Interest Units; and (c) in the case of any deemed investment in such Fund Interest, to have submitted, on the Subscription Notice Date, a duly completed notice to the relevant Fund, requesting subscription to the relevant number of Fund Interest Units;

"**Hypothetical Investor Jurisdiction**" means the jurisdiction specified as such in the applicable Final Terms or, if no jurisdiction is so specified, the jurisdiction of incorporation of the Issuer;

"**Market Disruption Event**" means any of the following events as determined by the Determination Agent:

(a) in respect of any Fund Interest, the failure of a Scheduled Fund Valuation Date to be a Fund Valuation Date or any continued postponement of such Fund Valuation Date; or

(b) in respect of any Fund Interest, there is a failure by the Fund to pay the full amount (whether expressed as a percentage or otherwise) of the Redemption Proceeds with respect to the relevant number of Fund Interest Units or amount of such Fund Interest scheduled to have been paid on or by such day according to the Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of such Fund Interests);

the inability (including by reason of illegality) of, or the impracticability for, a Hedging Party to (i) unwind or dispose of any transaction it has entered into, or any asset it holds in either case for the purpose of hedging its exposure to price variations of the Fund Interest (in the case of Fund Securities) or the Basket of Funds (in the case of Fund

Basket Securities) inherent in its obligations, in the case of the Issuer, under the Warrants or Certificates or, in the case of an affiliate, under any transaction pursuant to which it hedges the Issuer's exposure to the Fund Interest (in the case of Fund Securities) or the Basket of Funds (in the case of the Fund Basket Securities) under the Warrants or Certificates, or (ii) realize, recover or remit to any person the proceeds of any such transaction or asset,

**provided that** if any event would otherwise be both a Market Disruption Event and Fund Event, such event shall be treated solely as a Fund Event;

"**NAV Trigger Percentage**" means the percentage (if any) specified as such in the applicable Final Terms;

"**NAV Trigger Period**" means the period (if any) specified as such in the applicable Final Terms;

"**Net Present Value**" means, in respect of an amount payable on a future date, the discounted value of such amount as calculated by the Determination Agent in its discretion taking into account the relevant interbank offered rate at the time of such calculation for one month deposits in the relevant currency or such other reference rate as the Determination Agent determines to be appropriate;

"**Potential Adjustment Event**" means, in respect of any Fund Interest, any of the following events in the determination of the Determination Agent:

(a) a subdivision, consolidation or reclassification of the relevant amount of Fund Interest or a free distribution or dividend of any such Fund Interest to existing holders by way of bonus, capitalization or similar issue;

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

(c) an Extraordinary Dividend;

(d) a repurchase by the Fund of relevant Fund Interests whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Fund Interests initiated by an investor in such Fund Interests; or

(e) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Fund Interests;

"**Redemption Notice Date**" means, in respect of any Fund Interest and any Valuation Date or Averaging Date, the date specified as such in the applicable Final Terms or, if no date is so specified, the last date on which a Hypothetical Investor in such Fund Interest would be permitted, pursuant to the Fund Documents of the related Fund, to submit a redemption notice that would be timely for a redemption as of the Scheduled Redemption Valuation Date for which the Scheduled Redemption Payment Date falls on or immediately prior to such Valuation Date or Averaging Date;

"**Redemption Proceeds**" means, in respect of the relevant number of Fund Interest Units or amount of any Fund Interest, the redemption proceeds that in the determination of the Determination Agent would be paid by the related Fund to a Hypothetical Investor who, as of the relevant Redemption Valuation Date, redeems such number of Fund Interest Units or amount of Fund Interest (for the avoidance of doubt after deduction of any tax, levy, charge, assessment or fee of any nature that, in the determination of the Determination Agent, would (or would be very likely to) be withheld or deducted from such amount); **provided that** (a) any such proceeds that would be paid in property other than cash shall be deemed to have a value of zero and (b) if the Hypothetical Investor would be entitled to elect payment of such redemption proceeds to be made either in the form of cash or other property, then the Hypothetical Investor shall be deemed to have elected cash payment, except as otherwise specified in the applicable Final Terms;

"**Redemption Valuation Date**" means, in respect of any Fund Interest and any Scheduled Redemption Valuation Date, the date as of which the related Fund (or its Fund Service Provider that generally determines such value) determines the net asset value of such Fund Interest for purposes of calculating the redemption proceeds to be paid to a Hypothetical Investor that has submitted a valid notice for redemption on or before the related Redemption Notice Date;

"**Reference Price**" means

(a) in the case of Fund Securities, the price per Fund Interest Unit determined as provided in the applicable Final Terms as of the Final Valuation Time on the Final Valuation Date or, if no means of determining such price are so provided, the Relevant Fund Interest Unit Price; and

(b) in the case of Fund Basket Securities, the price per Basket of Funds determined as provided in the applicable Final Terms as of the Final Valuation Time on the Final Valuation Date or, if no means of determining such price are so provided, the sum of the values calculated as of the Final Valuation Time on the Final Valuation Date for each Fund Interest Unit comprising the Basket of Funds as the product of the Relevant Fund Interest Unit Price of such Fund Interest Unit and the relevant number of Fund Interest Units comprised in the Basket of Funds,

**provided that** when calculating the Relevant Fund Interest Unit Price of any Fund Interest Unit for the purposes of determining the Reference Price, the Valuation Time and the Valuation Date will be the Final Valuation Time and the Final Valuation Date, respectively;

"**Relevant Fund Interest Unit Price**" means, in respect of a Fund Interest and any Valuation Date or Averaging Date, the price per related Fund Interest Unit determined by the Determination Agent as provided in the applicable Final Terms as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be, or, if no means for determining the Relevant Fund Interest Unit Price are so provided, an amount equal to the Redemption Proceeds relating to such Fund Interest Unit that in the determination of the Determination Agent would be received by a Hypothetical Investor in such Fund Interest in respect of a redemption of Fund Interest Units targeted to be effected as of the Scheduled Redemption Valuation Date relating to such Valuation Date or Averaging Date, as the case may be;

"**Removal Value**" means, in respect of any Affected Fund Interest, the value calculated by the Determination Agent in the same manner as would be used in determining the Relevant Fund Interest Unit Price of Fund Interest Units in the related Fund, but assuming a valid notice requesting redemption of Fund Interest Units in such Fund has been submitted to such Fund on the Fund Business Day next following delivery of the relevant Fund Event Notice;

"**Reported Fund Interest Unit Value**" means, in respect of any Fund Interest and a Fund Reporting Date relating to such Fund Interest, the value per Fund Interest Unit as of the related Fund Valuation Date or, if the related Fund reports only its aggregate net asset value, the portion of such Fund's aggregate net asset value relating to one Fund Interest Unit, in each case as reported on such Fund Reporting Date by the Fund Service Provider that generally reports such value on behalf of the Fund to its investors or a publishing service;

"**Scheduled Fund Valuation Date**" means, in respect of any Fund Interest, the date as of which the related Fund (or its Fund Service Provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interests), to determine the value of such Fund Interest or, if the related Fund only reports its aggregate net asset value, the date as of which such Fund determines its aggregate net asset value;

"**Scheduled Redemption Payment Date**" means, in respect of any Fund Interest and any Scheduled Redemption Valuation Date, the date specified as such in the applicable Final Terms or, if not so specified, the date by which the related Fund is scheduled to have paid, according to its Fund Documents, all or a specified portion of the Redemption Proceeds to an investor that has submitted a timely and valid notice requesting redemption of such Fund Interest as of such Scheduled Redemption Valuation Date;

"**Scheduled Redemption Valuation Date**" means, in respect of any Fund Interest, the date as of which the related Fund (or its Fund Service Provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral suspension or other provisions permitting the Fund to delay or refuse redemption of Fund Interests), to determine the net asset value of such Fund Interest for the purposes of calculating the redemption proceeds to be paid to an investor that has submitted a valid and timely notice for redemption of Fund Interests based on the value determined as of such date; The Scheduled Redemption Valuation Date relating to any Valuation Date or Averaging Date, as the case may be, shall be the date specified as such in the applicable Final Terms or, if no such date is specified, the Scheduled Redemption Valuation Date for which the Scheduled Redemption Payment Date falls on or immediately prior to such Valuation Date or Averaging Date, as the case may be;

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

"**Subscription Notice Date**" means, in respect of any Fund Interest and any Fund Subscription Date, the date specified as such in the applicable Final Terms or, if no date is so specified, the last date on which a notice to subscribe to such Fund Interest may be submitted pursuant to the Fund Documents of the related Fund and be considered effective as of such Fund Subscription Date; If the applicable Final Terms do not specify a Subscription Notice Date or a Fund Subscription Date, the Subscription Notice Date shall be deemed to be the Issue Date;

"**Valuation Date**" means each date specified as such or otherwise determined or provided for in the applicable Final Terms or, if such date is not a Business Day, the next following Business Day, subject to the provisions of Condition 14.1 (*Adjustments for Disrupted Days*); and

"**Valuation Time**" means the time on the Valuation Date or Averaging Date specified as such in the applicable Final Terms or, if no time is so specified, the close of business in the Hypothetical Investor Jurisdiction on the relevant Valuation Date or Averaging Date.

## 15. PROVISIONS RELATING TO ALL WARRANTS AND CERTIFICATES

### 15.1 Performance Disruption:

15.1.1 If the Determination Agent determines, acting in a commercially reasonable manner, that Performance Disruption has occurred, then the Issuer may determine, in its sole and absolute discretion, that the relevant Warrants or Certificates shall be terminated on the date specified in a notice to the Securityholders and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such Performance Disruption, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion, in which event the Warrant or Certificate shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the relevant currency or payment of the Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants or Certificates shall be satisfied in full upon payment of such amount.

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

15.2 **Effects of European Economic and Monetary Union:**

15.2.1 Following the occurrence of an EMU Event, the Determination Agent may make such adjustment (and determine the effective date of such adjustment) as it, in its sole and absolute discretion, determines appropriate, if any, to the Strike Price (if any), the formula for the Cash Settlement Amount, the Settlement Price, the Settlement Rate, the Relevant Price, the Spot Rate, the number of Underlying Securities to which each Warrant or Certificate relates, the number of Underlying Securities comprised in a Basket, the amount, the number of or type of shares, bonds, other securities or other property which may be delivered in respect of such Warrants or Certificates and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the relevant Warrants or Certificates which in the sole and absolute discretion of the Determination Agent have been or may be affected by such EMU Event.

15.2.2 Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to: (i) make such conversions between amounts denominated in the national currency units (the "**National Currency Units**") of the member states of the European Union that have adopted the single currency in accordance with the EC Treaty and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversion rates and rounding rules established by the Council of the European Union pursuant to the EC Treaty as it, in its sole and absolute discretion, considers appropriate; (ii) make all payments in respect of the Warrants or Certificates solely in euro as though references in the Warrants or Certificates to the relevant National Currency Units were to euro and (iii) make such adjustments as it, in its sole and absolute discretion considers necessary to the Strike Price (if any), the formula for the Cash Settlement Amount, Settlement Rate, Settlement Price, Relevant Price, Spot Rate and any other amount as it determines, in its sole and absolute discretion, to be appropriate.

15.2.3 None of the Issuer, the Principal Securities Agent or the Determination Agent will be liable to any Securityholder or other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.

15.2.4 For the purposes hereof, "**EMU Event**" means the occurrence of any of the following, as determined by the Determination Agent, acting in a commercially reasonable manner:

(a) the withdrawal from legal tender of any currency that, before the introduction of the euro, was lawful currency in one of the member states;

(b) the redenomination of any Underlying Share into euro;

(c) any change in the currency of denomination of any Index;

(d) any change in the currency in which some or all the securities or other property contained in any Index is denominated;

(e) the disappearance or replacement of a relevant rate option or other price source for the national currency of any member state, or the failure of the agreed sponsor (or successor sponsor) to publish or display a relevant rate, index, price, page or screen; or

(f) the change by any organised market, exchange or clearance, payment or settlement system in the unit of account of its operating procedures to the euro.

16. **SECURITIES AGENTS, securities REGISTRAR, securities TRANSFER AGENTS AND DETERMINATION AGENT**

16.1 **Appointment of Agents**: The Issuer reserves the right at any time to vary or terminate the appointment of any Securities Agent, Securities Registrar, Securities Transfer Agent or the Determination Agent and to appoint substitute or additional Securities Agents, a substitute Securities Registrar, a substitute or additional Securities Transfer Agent or a substitute or additional Determination Agent, **provided that** (i) so long as any Warrant or Certificate is outstanding, it will maintain a Principal Securities Agent, (ii) so long as any Registered Warrant or Registered Certificate is outstanding, it will maintain a Securities Registrar and a Securities Transfer Agent and (iii) so long as the Warrants or Certificates are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, there will be a Securities Agent with a specified office in such place as may be required by the rules of such listing agent, stock exchange and/or quotation system. Notice of any termination of appointment and of any change in the specified office of a Securities Agent, Securities Registrar, Securities Transfer Agent or a Determination Agent and of any appointment of a Securities Agent, Securities Transfer Agent or a Determination Agent will be given to Securityholders in accordance with Condition 20 (*Notices*) and so long as there is any Tranche of Nordic Securities outstanding, there will at all times be a NCSD duly authorised as a central securities depository under the Finnish or, as appropriate, Swedish legislation and a NCSD Issuing Agent in respect of the relevant Tranche of Nordic Securities.

16.2 **Role of Agents**:

16.2.1 In acting under the Issue and Paying Agency Agreement, each Securities Agent, the Securities Registrar, each Securities Transfer Agent and each Determination Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Securityholders. All calculation and determination functions required of the Determination Agent or the Securities Registrar or the Principal Securities Agent under these Conditions may be delegated to any such person as the Determination Agent or the Principal Securities Agent or the Securities Registrar, as the case may be, in its absolute discretion, may decide.

16.2.2 None of the Issuer, the Guarantor (if applicable), the Principal Securities Agent, the Securities Registrar, any Transfer Agent or the Determination Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables used in any calculation made pursuant to these Conditions or in the determination of any Cash Settlement Amount or of any entitlement to a delivery of any Underlying Securities arising from such errors or omissions.

16.3 **Notifications**: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Warrants or Certificates by the Principal Securities Agent, the Securities Registrar, any Securities Transfer Agent, the Determination Agent or the Issuer shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer and the Securityholders and (subject as aforesaid) no liability to the Securityholders (or any of them) shall attach to the Principal Securities Agent, the Securities Registrar, any Securities Transfer Agent, the Determination Agent or the Issuer in connection with the exercise or non-exercise by any of them of their powers, duties and discretions for such purposes.

17. **TAXES**

17.1.1 A Securityholder subscribing, purchasing or exercising a Warrant or Certificate shall pay all Taxes and securities transfer taxes and any other charges, if any payable in connection with the subscription, issue, purchase or exercise of such Warrant or

Certificate and the payment of the Cash Settlement Amount and/or the delivery of any Underlying Securities as a result of such exercise. The Issuer shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to a Securityholder such amount as is necessary for the payment of any such taxes, duties or charges or for effecting reimbursement in accordance with Condition 17.1.2 below.

17.1.2 In any case where the Issuer is obliged to pay any such tax, duty or charge referred to in Condition 17.1.1 above, the relevant Securityholder shall promptly reimburse the Issuer therefor.

17.1.3 The Issuer shall not be liable for or otherwise be obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, issue, transfer or exercise of any Warrants or Certificates.

18. **EVENTS OF DEFAULT**

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

18.1.1 ***Non-payment:*** in the case of Securities issued by Morgan Stanley or MSI plc, the applicable Issuer or, in the case of Securities issued by MSBV or Morgan Stanley Jersey, either the applicable Issuer or the Guarantor fails to pay any amount due in respect of the Warrants or Certificates within seven days of the due date for payment thereof; or

18.1.2 ***Breach of Other Obligations:*** in the case of Securities issued by Morgan Stanley or MSI plc, the applicable Issuer or, in the case of Securities issued by MSBV or Morgan Stanley Jersey, either the applicable Issuer or Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Securities and such default remains unremedied for sixty days after written notice thereof, addressed to the Issuer by Securityholders of not less than 25 per cent. in aggregate amount or number, as applicable, of the relevant Series, has been delivered to the Issuer and to the Specified Office of the Principal Securities Agent; or

18.1.3 ***Insolvency, etc.:*** (i) in the case of Securities issued by Morgan Stanley or MSI plc, the applicable Issuer or, in the case of Securities issued by MSBV or Morgan Stanley Jersey, either the Issuer or the Guarantor becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the Guarantor or the whole or a substantial part of the undertaking, assets and revenues of the Issuer or the Guarantor is appointed (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), (iii) the Issuer or the Guarantor takes any action for a composition with or for the benefit of its creditors generally, or (iv) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or the Guarantor (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent).

then Securityholders of not less than 25 per cent. in aggregate principal amount of the Securities may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Securities Agent, declare the Securities to be immediately (or, in the case of Nordic Securities on such later date on which the relevant Nordic Securities have been transferred to the account designated by the relevant NCSD Issuing Agent and blocked for further transfer by such Agent) terminated then the Warrants or Certificates shall cease to be exercisable (or, in the case of any Warrants or Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the payment of the Cash Settlement Amount pursuant to such exercise shall cease) as of such later date and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Warrant or Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Warrant or Certificate after that date but for the occurrence of such termination, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion, whereupon the relevant Securityholder will be entitled to receive an amount (or in accordance with any other provisions specified in the applicable Final Terms) without further action or formality. Notice of any such declaration shall promptly be given to the Securityholders.

18.2 **Annulment of Acceleration and Waiver of Defaults**. In some circumstances, if any or all Events of Default have been cured, waived or otherwise remedied, then the holders of a majority in aggregate nominal amount or number of Warrants or Certificates of such Series (voting as one class) may waive past defaults of the Warrants or Certificates. However, any continuing default in payment on those Securities may not be waived.

## 19. FORCE MAJEURE AND ILLEGALITY

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

19.2 In such circumstances the Issuer will, however, if and to the extent permitted by applicable law, pay to each Securityholder in respect of each Warrant or Certificate held by him an amount determined by the Determination Agent, in its sole and absolute discretion, as representing the fair market value of such Warrant or Certificate immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion. Payment will be made to the relevant Clearing System in such manner as shall be notified to the Securityholders in accordance with Condition 20 (*Notices*).

## 20. NOTICES

20.1 **Bearer Warrants and Bearer Certificates**: Notices to holders of Bearer Warrants and Bearer Certificates shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or the first date on which such notice would in the ordinary course be delivered.

20.2 **Registered Warrants and Registered Certificates**

Notices to holders of Registered Warrants and Registered Certificate shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register and, if the Registered Notes are admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc, notices to holders of Registered Warrants and Registered Certificates will be published on the date of such mailing in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

20.3 **Nordic Securities**: All notices to holders of Nordic Securities shall be valid if so published or mailed to their registered addresses appearing on the relevant NCSD Register.

20.4 **Warrants and Certificates listed on the SIX Swiss Exchange**: In relation to Warrants and Certificates admitted to listing on the SIX Swiss Exchange, notices to Securityholders will be published in accordance with the regulations of the SIX Swiss Exchange in German and French language, if permitted and/or required by the applicable rules and regulations of the SIX Swiss Exchange. If the applicable rules and regulations of the SIX Swiss Exchange do not permit publication of notices on its website only, notices will be published in German and/or French language in one major daily or weekly newspaper in Switzerland or on the website www.morganstanleyiq.ch if permitted by the rules and regulations of the SIX Swiss Exchange.

20.5 **Unlisted Warrants and Certificates**: Notices to Securityholders of non-listed Warrants and Certificates may be published, as specified in the applicable Final Terms, in newspapers, on a website or otherwise.

## 21. LOSSES

In no event shall the Issuer or the Agents have any liability for indirect, incidental, consequential or other damages (whether or not it may have been advised of the possibility of such damages) other than interest until the date of payment on sums not paid when due in respect of any Warrants, Certificates or assets not delivered when due. Securityholders are entitled to damages only and are not entitled to the remedy of specific performance in respect of a Warrant or Certificate.

## 22. PRESCRIPTION

22.1 **Prescription in respect of Warrants and Certificates***:* Claims for payment or delivery in respect of Bearer Warrants and Bearer Certificates shall become void unless the relevant Bearer Warrants and Bearer Certificates are presented for payment or delivery within ten years of the appropriate relevant due date for payment or delivery. Claims of payment or delivery in respect of Registered Warrants and Registered Certificates shall become void unless the relevant Warrant Certificates or Registered Certificate Forms are surrendered for payment or delivery within ten years of the appropriate relevant due date for payment or delivery.

22.2 **Prescription in Respect of Nordic Securities**: Claims for payment in respect of the Swedish Securities shall become void unless made within a period of ten years after the appropriate relevant due date for payment or delivery. Claims for payment in respect of Finnish Securities shall become void unless made within a period of three years after the appropriate relevant due date for payment or delivery.

## 23. REPLACEMENT OF SECURITIES

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

## 24. SEVERANCE, MEETINGS OF SECURITYHOLDERS AND MODIFICATION OF CONDITIONS

24.1 **Meetings of Securityholders**: The Issue and Paying Agency Agreement contains provisions for convening meetings of Securityholders to consider matters relating to the Securities, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Securityholders holding not less than one tenth of the amount or number of the outstanding Warrants or Certificates. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate amount or number, as applicable, of the outstanding Warrants or Certificates or, at any adjourned meeting, two or more Persons being or representing Securityholders whatever the amount or number of the Warrants or Certificates held or represented, **provided**, **however**, **that** Reserved Matters may only be sanctioned by an

Extraordinary Resolution passed at a meeting of Securityholders at which two or more Persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate amount or number, as applicable of the outstanding Warrants or Certificates form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Securityholders, whether present or not.

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

24.2 **Severance**: Should any of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way.

24.3 **Modification**: The Issuer may modify the Conditions, the Issue and Paying Agency Agreement and the Deed of Covenant without the consent of the Securityholders for the purposes of curing any ambiguity or correcting or supplementing any provision contained herein in any manner which the Issuer may deem necessary or desirable, **provided that** such modification is not materially prejudicial to the interests of the Securityholders. Notice of any such modification will be given to the Securityholders in accordance with Condition 20 (*Notices*) but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

## 25. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Securityholders to create and issue further Warrants or Certificates of any particular Series so as to form a single series with the Warrants or Certificates of such Series, but upon such terms as to issue price and otherwise as the Issuer may determine in its sole and absolute discretion.

## 26. PURCHASE OF WARRANTS AND CERTIFICATES BY ISSUER OR AFFILIATE

The Issuer or an Affiliate may at any time and from time to time purchase Warrants or Certificates at any price in the open market or otherwise. Such Warrants or Certificates may, at the option of the Issuer or, as the case may be, the relevant Affiliate, be held, resold, reissued or cancelled or otherwise dealt with. No Warrant or Certificate which has been exercised, or purchased and cancelled, may be re-issued.

## 27. SUBSTITUTION

The Issuer shall be entitled at any time and from time to time, without the consent of the Securityholders, to substitute any other member of the group comprising Morgan Stanley and any Affiliates (the "**New Issuer**") in its place as obligor under the Warrants or Certificates, **provided that** the New Issuer shall assume all obligations of the Issuer in relation to the Securityholders under or in relation to the Warrants or Certificates (provided, in respect of Nordic Securities, the relevant NCSD has given its consent to the substitution (which consent shall not be unreasonably withheld or delayed)). In the event of such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Such substitution shall be promptly notified to the Securityholders in accordance with Condition 20 (*Notices*). In connection with such right of substitution, the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Securityholders in particular, without limitation, any consequences resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Securityholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax or other consequence of any such substitution upon such Securityholder.

## 28. RIGHTS OF THIRD PARTIES

No person shall have any right to enforce any term or condition of the Warrants or Certificates under the Contracts (Rights of Third Parties) Act 1999.

29. **REPRESENTATIONS AND ACKNOWLEDGEMENTS BY SECURITYHOLDERS**

Each Securityholder shall be deemed to represent and acknowledge to the Issuer on acquiring any Warrants or Certificates that:

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

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

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

30. **GOVERNING LAW AND PROCEEDINGS**

30.1 The Warrants and Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

30.2 The Issuer agrees for the benefit of each Securityholder that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Warrants or Certificates (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

30.3 The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

30.4 The Issuer agrees that process in connection with Proceedings in the courts of England will be validly served on it if served upon Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QW or, if different, its registered office for the time being or at any address of the Issuer in the Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's behalf, the Issuer shall, on the written demand of any Securityholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Securities Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Securityholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Securities Agent. Nothing in this Condition shall affect the right of any Securityholder to serve process in any other manner permitted by law.

30.5 The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Securityholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

## PRO FORMA FINAL TERMS FOR WARRANTS AND CERTIFICATES

[Warrants/Certificates] issued pursuant to these Final Terms are securities to be listed under [Listing Rule [17/19] [36] ] [the rules of the markets organised and managed by Borsa Italiana (the "**Borsa Italiana Rules**") and the relevant instructions (the "**Borsa Italiana Instructions**")] [37]

F**INAL TERMS** dated [•]

| | |
|---|---|
| **Series Number: [•]** | **Common Code: [•]** |
| **Tranche: [•]** | **ISIN: [•]** |

[•]

[•]

as Issuer

[**MORGAN STANLEY**
**as Guarantor**]

*PROGRAM FOR THE ISSUANCE OF NOTES, WARRANTS AND CERTIFICATES*

**Issue of [*Aggregate Nominal Amount or Number of Tranche*] [*Title of Warrants/Certificates*]**

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of [Warrants/Certificates] in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the [Warrants/Certificates]. Accordingly any person making or intending to make an offer of the [Warrants/Certificates] may only do so in:

(i) in circumstances in which no obligation arises for the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or

(ii) in those Public Offer Jurisdictions mentioned in Paragraph 34 of Part A below, provided such person is one of the persons mentioned in Paragraph 34 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Distribution Agent has authorised, nor do they authorise, the making of any offer of [Warrants/Certificates] in any other circumstances.][38]

[THE BASE PROSPECTUS REFERRED TO BELOW (AS COMPLETED BY THESE FINAL TERMS) HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF [WARRANTS/CERTIFICATES] IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (2003/71/EC) (AND ANY AMENDMENTS, INCLUDING DIRECTIVE 2010/73/EU (THE "**2010 PD AMENDING**

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[36] To be included in respect of all issues which are to be admitted to listing. Please refer to the Listing Rules and delete as appropriate. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

[37] To be included in respect of all issues which are to be listed on the Italian Stock Exchange ("**Borsa Italiana**") and admitted to trading on the "**Securitised Derivative Market**" ("**SeDeX**") established and managed by the Italian Stock Exchange ("**Italian SeDeX Securities**") under the Borsa Italiana Rules and the Borsa Italiana Instructions

[38] To be included where sub-paragraph (ii) is applicable to the offer. The requirements of Prospectus Directive (as amended by the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) shall apply to the public offer.

**DIRECTIVE**"), TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE) (EACH, A "**RELEVANT MEMBER STATE**") WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN THAT RELEVANT MEMBER STATE, FROM THE REQUIREMENT TO PUBLISH A PROSPECTUS FOR OFFERS OF THE [WARRANTS/CERTIFICATES]. ACCORDINGLY ANY PERSON MAKING OR INTENDING TO MAKE AN OFFER IN THAT RELEVANT MEMBER STATE OF THE [WARRANTS/CERTIFICATES] MAY ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY DISTRIBUTION AGENT TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE OR SUPPLEMENT A PROSPECTUS PURSUANT TO ARTICLE 16 OF THE PROSPECTUS DIRECTIVE, IN EACH CASE, IN RELATION TO SUCH OFFER. NEITHER THE ISSUER NOR ANY DISTRIBUTION AGENT HAS AUTHORISED, NOR DO THEY AUTHORISE, THE MAKING OF ANY OFFER OF [WARRANTS/CERTIFICATES] IN ANY OTHER CIRCUMSTANCES.][39]

THE [WARRANTS/CERTIFICATES] DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES. THE [WARRANTS/CERTIFICATES] DESCRIBED HEREIN MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE "*SUBSCRIPTION AND SALE*" AND "*NO OWNERSHIP BY U.S. PERSONS*" IN THE BASE PROSPECTUS DATED 21 JUNE 2012. IN PURCHASING THE [WARRANTS/CERTIFICATES], PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. THE [WARRANTS/CERTIFICATES] ARE NOT RATED.

This document constitutes Final Terms relating to the issue of [Warrants/Certificates] described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Warrants and Certificates (the "**Conditions**") set forth in the Base Prospectus dated 21 June 2012 [and the supplemental Base Prospectus[es] dated [•]][40] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). The [Warrants/Certificates] shall constitute Securities for the purposes of the Conditions. This document constitutes the Final Terms of the [Warrants/Certificates] described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer [, the Guarantor] and the offer of the [Warrants/Certificates] is only available on the basis of the combination of these Final Terms and the Base Prospectus. Copies of the Base Prospectus are available from the offices of Morgan Stanley & Co. International plc at 25 Cabot Square, Canary Wharf, London E14 4QA.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under the base prospectus dated prior to 21 June 2012.*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Warrants and Certificates (the "**Conditions**") set forth in the Base Prospectus dated 21 June 2012 [and the supplemental Base Prospectus[es] dated [•]] (which are incorporated by reference into the Base Prospectus dated [*current date*] and are attached hereto. This document constitutes the Final Terms of the Warrants and Certificates described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [*current date*] [and the supplemental Base Prospectus[es] dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer[, the Guarantor] and the offer of the [Warrants/Certificates] is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [*current date*] [and the supplemental

39 To be included where an offer is made where an exemption from the requirement to publish a prospectus under the Prospectus Directive (as amended by the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State).

40 Only include details of a supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Program.

Base Prospectus[es] dated [•] and [•]] (including the Conditions as so incorporated by reference. Copies of the Base Prospectus are available from the offices of Morgan Stanley & Co. International plc at 25 Cabot Square, Canary Wharf, London E14 4QA.]

**Information Concerning Investment Risk**

**[•]**

General

| | | |
|---|---|---|
| 1. | Issuer: | [Morgan Stanley/Morgan Stanley & Co. International plc/Morgan Stanley (Jersey) Limited [41] /Morgan Stanley B.V.] |
| 2. | [Guarantor: | [Morgan Stanley]] |
| 3. | Aggregate Number/ Nominal Amount of [Warrants/Certificates] in the Series: | [•] |
| 4. | Aggregate Number/ Nominal Amount of [Warrants/Certificates] in the Tranche: | [•] |
| 5. | Issue Date: | [•] [*For Warrants exchanged from Physically Settled Warrant-Linked Notes ("**Exchanged Warrants**") the Issue Date should be the same as the issue date of the Physically Settled Warrant-Linked Notes*] |
| 6. | Issue Price: | [*currency*] [*amount*] per [Warrant/Certificate]<br><br>[*For Exchanged Warrants]*:<br><br>[The Issue Price per Warrant is £[•] per Warrant payable on the Expiration Date subject to the Warrants being delivered upon redemption of the £[•] Notes due [•] linked to [•] Warrants, Series No [•], ISIN [•], issued by [Morgan Stanley/Morgan Stanley B.V.] on [•] (the **Notes**). If the Warrants are not so delivered, the Warrants will be cancelled and the Issue Price will no longer be payable.]] |
| 7. | Form of Warrants or Certificates: | [Bearer Warrants /Bearer Certificates:<br><br>[[Temporary Global Warrant/Temporary Global Certificate] exchangeable for a [Permanent Global Warrant/ Permanent Global Certificate] which is exchangeable for definitive Warrants/ Certificates on [•] days' notice/ at any time/ in the limited circumstances specified in the [Permanent Global Warrant/ Permanent Global Certificate]][42]<br><br>[Temporary Global Certificate exchangeable for definitive [Warrants/Certificates] on [•] days' notice][43] |

41 Only Morgan Stanley (Jersey) Limited may issue Exchanged Warrants.

42 In respect of Securities issued by Morgan Stanley, notice should be 30 days.

43 In respect of Securities issued by Morgan Stanley, notice should be 30 days.

| | | |
|---|---|---|
| | | [[Permanent Global Warrant/ Permanent Global Certificate] exchangeable for definitive [Warrants/ Certificates] on [•] days' notice/at any time/ in the limited circumstances specified in the [Permanent Global Warrant/ Permanent Global Certificate]]][44] |
| | | [Registered Warrants/ Registered Certificates: |
| | | [[Global Warrant Certificate/ Global Registered Certificate], exchangeable for [Individual Warrant Certificates/ Individual Registered Certificates] on [•] days notice/ at any time/ in the limited circumstances described in the [Global Warrant Certificate/Global Registered Certificate]][45] |
| | | [Individual Warrant Certificates/ Individual Registered Certificates] |
| | | [Finnish Warrants/ Finnish Certificates] |
| | | [Swedish Warrants/ Swedish Certificates] |
| 8. | [Warrant/Certificate] Style: (*Condition 4*) | [American/European/Bermudan] Style [Warrants/Certificates] |
| | (i) [Exercise Period:] | [As defined in Condition 1] / [The period beginning on (and including) the Commencement Date and ending on (and including) the Business Day prior to the Expiration Date][46] |
| | (ii) [Potential Exercise Dates:] | [Each day from and including the Commencement Date to and including the Latest Exercise Time on the Expiration Date] / [Each day from (and including) the Commencement Date to (and including) the Latest Exercise Time on the Business Day prior to the Expiration Date][47] |
| | (iii) [Commencement Date:] | [•] |
| 9. | Type: | The [Warrants/Certificates] are [Index / Index Basket / Share / Share Basket / ETF / ETF Basket / Bond / Currency / Commodity / Inflation / Property / Fund / Fund Basket] Securities |
| | *For Share and Share Basket Securities only* | [*For Exchanged Warrants:* |
| | | [The Warrants are [•] Securities and Share Securities] |

[44] In respect of Securities issued by Morgan Stanley, notice should be 30 days.

[45] In respect of Securities issued by Morgan Stanley, notice should be 30 days.

[46] To be included in respect of issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions as required by such rules and instructions for securitised derivatives with underlying assets of the same type as those underlying the relevant Series

[47] To be included in respect of issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions as required by such rules and instructions for securitised derivatives with underlying assets of the same type as those underlying the relevant Series

| | | |
|---|---|---|
| | | [*For Exchanged Warrants*:<br><br>Notwithstanding that the Warrants are Share Securities, Condition 7 insofar as it relates to Share Securities shall not apply to the Warrants.] |
| (i) | Underlying Share: | [•] [*For Exchanged Warrants*:<br><br>Class [•] Preference Shares of Morgan Stanley (Jersey) Limited guaranteed by Morgan Stanley. The Underlying Securities will be represented by a single certificate representing all the Underlying Securities (see Part C – Terms of the Morgan Stanley Jersey Preference Shares) and will be delivered through [Euroclear and Clearstream, Luxembourg.]] |
| (ii) | Relevant Issuer: | [•] [*For Exchanged Warrants*:<br><br>Morgan Stanley (Jersey) Limited] |
| (iii) | Exchange(s): | [•] [*For Exchanged Warrants*:<br><br>Not Applicable] |
| (iv) | Related Exchange: | [•] [All Exchanges] [*For Exchanged Warrants*:<br><br>Not Applicable] |
| (v) | Exchange Business Day: | [•] [*For Exchanged Warrants*:<br><br>Not Applicable] |
| (vi) | Initial Date: | [•] [*For Exchanged Warrants*:<br><br>Not Applicable] |
| (vii) | Additional Disruption Events: | Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging shall apply [*specify if any are not applicable, or any further Additional Disruption Events*] [*For Exchanged Warrants*:<br><br>Not Applicable] |

*For Index and Index Basket Securities only*

| | | |
|---|---|---|
| (i) | Index/Indices: | [•] |
| (ii) | Exchange(s): | [•] [*specify whether Multi-exchange Index*] |
| (iii) | Related Exchange(s): | [•] [All Exchanges] |
| (iv) | Exchange Business Day: | [•] |
| (v) | *For ETF and ETF Basket Securities only* | |
| (vi) | ETF Interest: | [•] |

| | | |
|---|---|---|
| (vii) | ETF: | [•] |
| (viii) | Exchange(s) | [•] |
| (ix) | Related Exchange: | [•] [All Exchanges] |
| (x) | Exchange Business Day: | [•] |
| (xi) | Initial Date: | [•] |
| (xii) | Eligible ETF Interest: | [*specify Fallback if applicable or delete if not applicable or fall back Provisions in Condition 7.5 do apply*] |
| (xiii) | Additional Extraordinary ETF Event(s): | [*specify if applicable*] |
| (xiv) | Additional Disruption Events: | Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging shall apply [*specify if any are not applicable, or any further Additional Disruption Events*] |

*For Commodity Security only*

| | | |
|---|---|---|
| (i) | Commodity/Commodity Basket/Commodity Index: | [•] [*If applicable, specify whether Non Metal, Base Metal or Precious Metal*] |
| (ii) | Commodity Reference Price: | [•] |
| (iii) | Specified Price: | [[high] [low] [average of high and low] [closing price] [opening price] [bid] [asked] [average of high and low prices] [settlement price] [official settlement price] [official price] [morning fixing] [afternoon fixing] [spot price] [Other (specify)] |
| (iv) | Delivery Date: | [•] |
| (v) | Pricing Date: | [•] |
| (vi) | Commodity Disruption Events: | [Price Source Disruption] [Trading Disruption]<br>[Disappearance of Commodity Reference Price]<br>[Material Change in Formula]<br>[Material Change in Content]<br>[Tax Disruption]<br>[Trading Limitation]<br>[specify any applicable additional Commodity Disruption Events] [Not Applicable] |
| (vii) | Common Pricing: | [Applicable/Not Applicable] (*where Commodity Basket only*) |
| (viii) | Additional Disruption Events: | Change in Law, Hedging Disruption and Increased Cost of Hedging shall apply [*specify if any are not applicable, or any further Additional Disruption Events*] |

*For Currency Securities only*

| | | |
|---|---|---|
| (i) | Settlement Currency | [*Nordic Securities: SEK, € or any other currency as may be approved by the relevant NCSD Rules*] |
| (ii) | Reference Currency | [•] |
| (iii) | Specified Amount | [•] |
| (iv) | Specified Rate | [*Select one from definition of Specified Rate in Condition 9.5*] |
| (v) | Settlement Rate Option | [Currency Reference Dealers] |
| (vi) | Valuation Date | [•] |
| (vii) | Averaging Dates | [[•]/Not Applicable] |
| (viii) | Additional Disruption Events: | Change in Law, Hedging Disruption and Increased Cost of Hedging shall apply [*specify if any are not applicable, or any further Additional Disruption Events*] |
| (ix) | Other special terms and conditions | [•] |

*For Inflation Securities only* (*Delete if not applicable*)

| | | |
|---|---|---|
| (x) | Index/Indices: | [•] |
| (xi) | Determination Agent responsible for calculating the Cash Settlement Amount: | [•] |
| (xii) | Provisions for determining Cash Settlement Amount: | [•] |
| (xiii) | Provisions for determining Cash Settlement Amount where calculation by reference to Index and/or other variable is impossible or impracticable or otherwise disrupted: | [•] |
| (xiv) | Related Bond: | [•]/Fallback Bond] |
| (xv) | Fallback Bond: | [Applicable/Not Applicable] |
| (xvi) | Index Sponsor: | [•] |
| (xvii) | Additional Disruption Events: | Change in Law, Hedging Disruption and Increased Cost of Hedging shall apply [*specify if any are not applicable, or any further Additional Disruption Events*] |
| (xviii) | Other special terms and conditions: | [•] |

*For Property Securities only* *(Delete if not applicable)*

*(insert the relevant applicable terms and conditions)*

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| | *(When adding final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a Supplement to the Base Prospectus under Article 16 of the Prospective Directive)*[48] |
| *For Fund and Fund Basket Securities only* | *(Delete if not applicable)* |
| (xix) Fund: | [*specify or delete if not applicable*] |
| (xx) Fund Interest: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxi) Fund Interest Unit: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxii) Basket of Funds: | [*specify or delete if not applicable*] |
| | *Including relevant weightings of each Fund* |
| (xxiii) ETF: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxiv) Company: | [*specify or delete if not applicable*] |
| (xxv) Fund Business Day: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxvi) Fund Adviser: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxvii) Fund Administrator: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxviii) Fund Custodian: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxix) Additional Fund Service Provider: | [*specify or delete if not applicable*] |
| (xxx) Additional Fund Documents: | [*specify or delete if not applicable*] |
| (xxxi) Cut-off Period: (Condition 14.2) | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxxii) Final Cut-off Date: (Condition 14.2) | [*specify*] |
| (xxxiii) Valuation Date(s): (Condition 14.1) | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxxiv) Valuation Time: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxxv) Averaging Date: (Condition 14.1) | [*specify or delete if not applicable or if fallback is applicable*] |

[48] Additional Disruption Events: Change in Law, Hedging Disruption, and Increased Cost of Hedging shall apply if not provided otherwise.

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|---|---|---|
| (xxxvi) | [Scheduled Fund Valuation Date(s): | [*specify or delete if not applicable or if fallback is applicable*]] |
| (xxxvii) | Extraordinary Dividend: (Condition 15.3) | [*specify or delete if not applicable or if fallback is applicable*] |
| (xxxviii) | Adjustment: (Condition 14.4) | [Condition 14.4 applies/*specify if other period applies*] |
| (xxxix) | Fund Interest Performance: | [*specify or amend Conditions as applicable*] |
| (xl) | Fund Subscription Date: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xli) | Hypothetical Investor: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xlii) | Hypothetical Investor Jurisdiction: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xliii) | Scheduled Redemption Payment Date: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xliv) | Subscription Notice Date: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xlv) | Redemption Notice Date: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xlvi) | Reference Price: | [*specify or delete if not applicable or if fallback is applicable*] |
| (xlvii) | Eligible Fund Interest: | [*specify or delete, as applicable*] |
| (xlviii) | Fund Event(s): | [*specify if any Fund Events are not applicable and/or amend conditions, as applicable*] |
| | (a) NAV Trigger Percentage: | [*If Fund Event (c) [NAV Trigger/Restriction Event) is applicable specify the applicable percentage or delete if not applicable*] |
| | (b) NAV Trigger Period: | [*If Fund Event (c) [NAV Trigger/Restriction Event) is applicable specify the applicable period or delete if not applicable*] |
| | (c) Aggregate NAV Trigger Value: | [*If Fund Event (d) (Aggregate NAV Trigger Events) is applicable and in relation to Fund Basket Securities only, specify the relevant value or delete if not applicable*] |
| | (d) Aggregate NAV Trigger Period: | [*If Fund Event (d) Aggregate NAV Trigger Event is applicable and in relation to Fund Basket Securities only, specify the applicable period or delete if not applicable*] |
| (xlix) | Additional Fund Event(s): | [*specify or delete if not applicable*] |
| | (l) Other terms: | (*insert any other relevant final terms*) |
| | | (*When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under* |

| | | | |
|---|---|---|---|
| | | | *Article 16 of the Prospectus Directive*) |
| | (li) | Minimum Transfer Amount:<br>(*Condition 2.5*) | [•] |

**Exercise**

| | | |
|---|---|---|
| | Expiration Date: | [•] [*For Exchanged Warrants at least 5 Business Days after the Maturity Date of the Physically Settled Warrant-Linked Notes*] |
| 10. | Latest Exercise Time: | [•] [*(local time in the place of the Specified Office of the [Securities Agent/Securities Registrar*])] |
| 11. | Minimum Exercise Number:<br><br>(*Condition 5.9*) | [[•]/Not applicable] |
| 12. | Permitted Multiple:<br><br>(*Condition 5.9*) | [[•]/Not applicable] |
| 13. | Deemed Exercise:<br><br>(*Condition 5.6*) | [[•]/Applicable/Not applicable][49]<br><br>[Applicable, provided that Condition 5.6 shall be amended in its entirety to read as follows.<br><br>"Where an Exercise Notice has not been duly completed and delivered by the Latest Exercise Time on the [Business Day prior to the Expiration Date] / [Expiration Date] in respect of any Securities of the relevant Series, each such Security shall be deemed to have been exercised on the Expiration Date and/or upon such other terms as may be specified in the relevant Final Terms, subject in each case to prior termination as provided for in Conditions 7.3 (*Adjustments affecting Underlying Warrants and Certificates*) to 12 (*Provisions relating to all Warrants and Certificates*) (as applicable) and 15 (*Force Majeure and Illegality*).<br><br>However, prior to [●] / [the Latest Exercise Time on the Expiration Date] / [10.00 a.m. on the Business Day next following the Expiration Date] a holder of Securities may renounce the exercise of the Securities so held by duly completing and delivering to the Securities Agent, with a copy to the Determination Agent a duly completed notice (a "**Renouncement Notice**") [substantially in the form set out in the Annex to these Final Terms. Once delivered, a Renouncement Notice shall be irrevocable.] The number of Securities specified in the Renouncement Notice must be equal to, or an integral multiple of, the Minimum Exercise Number, and if any other number is so specified it shall be deemed to be rounded down to the nearest integral multiple of the Minimum Exercise Number and the |

[49] Refer to Listing Rule 19.2.6.

| | |
|---|---|
| | Renouncement Notice shall not be valid in respect of any Securities in excess of such rounded number. |
| | Any determination as to whether a Renouncement Notice is duly completed and in proper form shall be made by the Determination Agent and shall be conclusive and binding on the relevant holder of the Securities. Subject as set out below, any Renouncement Notice so determined to be incomplete or not in proper form, or which is not delivered to the Securities Agent, with a copy to the Determination Agent, shall be null and void. If such Renouncement Notice is subsequently corrected to the satisfaction of the Issuer, it shall be deemed to be a new Renouncement Notice submitted at the time such correction was delivered to the Securities Agent, with a copy to the Determination Agent.][50] |

**Issuer Call Option**

| | |
|---|---|
| 14. Call Option | [Applicable/Not Applicable] |
| (Condition) | *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* |
| (i) Optional Settlement Date(s): | [•] |
| (ii) Optional Settlement Amount(s) of each Security and method, if any, of calculation of such amount(s): | [•] |
| (iii) Notice period: | [•] |

**Settlement**

| | |
|---|---|
| 15. Settlement Basis: (*Condition 4*) | The [Warrants/Certificates] are [Physical/Cash] Settlement [Warrants/Certificates].<br>[*For Exchanged Warrants:*<br>The Warrants are [Full Physical Settlement Securities]] |
| *For Physical Settlement [Warrants/Certificates] only:*[51] | |
| 16. Ratio: | [•] [Warrant(s)/Certificate(s)] relates to [•] [Underlying Security/Securities] |
| 17. Strike Price Payment Date: | [•] |

50 To be included in respect of issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions where provision for renouncement by the Holder is required by such Rules and Instructions for securitised derivatives with underlying assets of the same type as those underlying this Series

51 Note that if Physical Settlement Warrants/Certificates are to be listed, the underlying must be "transferable securities" and must not be linked to any member of the Morgan Stanley group. See Article 2 (1)(m)(ii) of the Prospectus Directive.

| | | |
|---|---|---|
| 18. | Strike Price: | [•]<br><br>[*For Exchanged Warrants insert formula and method of calculation of Strike Price.*] |
| 19. | Settlement Price: | [[•]/Not applicable][52] |
| 20. | Physical Settlement Date: | [As defined in Condition 1] |
| | *For Cash Settlement [Warrants/Certificates] only:* | |
| 21. | Cash Settlement Amount: | [•][53] |
| 22. | Strike Price: | [•] |
| 23. | Settlement Price: | [•] |
| 24. | Valuation Time: | [•]<br><br>[The Relevant Price is determined on the basis of the opening-auction prices of the financial instruments that are comprised in the Index.[54] OR/ The Relevant Price is the Reference Price as defined according to the Borsa Italiana Rules and in the Borsa Italiana Instructions.[55]] |
| 25. | Valuation Date: | [•]<br><br>[In the event an Exercise Notice is sent by the holder of the Securities, the Business Day immediately following the date on which such Exercise Notice is effectively given] / [In case of exercise on the Expiration Date, the Expiration Date][56]<br><br>[•] / [In the event an Exercise Notice is sent by the |

52 For issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions specify a Settlement Price which is consistent with the requirements of the Rules and Instructions for issues with underlying assets of the same type as those underlying the relevant Series

53 For issues which are to be listed on the SeDeX market under the Borsa Italiana Rules, the Cash Settlement Amount should be defined consistently with the requirements of the Rules and Instructions for issues with underlying assets of the same type as those underlying the relevant Series. In particular, the Cash Settlement Amount will be linked to the "Multiple", defined as the number of the underlying assets controlled by a single Security for the purpose of the Borsa Italiana Rules and the Borsa Italiana Instructions. Multiple will be equal to 0.1, 1 or 0.0001.

54 To be included in respect of issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions where "opening auction phase" is to apply, as required by such Rules and Instructions for securitised derivatives with underlying assets of the same type as those underlying the relevant Series.

55 To be included in respect of issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions where "closing auction phase" is to apply, as required by such Rules and Instructions for securitised derivatives with underlying assets of the same type as those underlying the relevant Series.

56 To be included in respect of issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions as required for issues traded in segments specified from time to time in the Borsa Italiana Instructions where the underlying consists of one or more indices managed by Borsa Italiana.

| | | |
|---|---|---|
| | | holder of the Securities, the Exercise Date] / [In case of exercise on the Expiration Date, the Business Day prior to the Expiration Date][57] |
| 26. | Averaging Dates: | [•] |
| 27. | Observation Date: | [•] |
| 28. | Strike Date: | [•] |
| 29. | Averaging Dates: | [•] |
| 30. | Settlement Currency: | [•] |
| 31. | Cash Settlement Payment Date: | [•] |
| | *For all [Warrants/Certificates]:* | |

**Additional details**

| | | |
|---|---|---|
| 32. | Determination Agent: | As defined in the Conditions] |
| 33. | Clearing Systems: | [Euroclear and Clearstream, Luxembourg]<br><br>[The Securities are Swedish Securities]<br><br>[The Securities are Finnish Securities]<br><br>[Nordic Securities, specify relevant NCSD and NCSD Issuing Agent<br><br>Finnish Securities: Finnish CSD: Euroclear Finland Oy, Urho Kekkosen katu 5 C, Box 1110, FI-00101 Helsinki, Finland<br><br>Swedish Securities: Swedish CSD: Euroclear Sweden AB, Klarabergsviadukten 63, Box 191, SE 101 23, Stockholm, Sweden.<br><br>NCSD Issuing Agent: [•]/give relevant name and address]<br><br>[Monte Titoli S.p.A, by means of its bridge account with Euroclear and Clearstream Luxembourg][58] |
| 34. | Non-exempt offer: | [Not applicable] [An offer of the [Warrants/Certificates] may be made by the Distribution Agents [and [*specify, if applicable*]] other than pursuant to Article 3(2) of the Prospective Directive in [*specify relevant Member State(s) – which must be jurisdictions where the Base Prospectus and any supplements have been passported*] (Public Offer Jurisdictions) during the period from [*specify date*] until [*specify date*] (Offer |

57 To be included in respect of issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions as required for issues traded in segments specified from time to time in the Borsa Italiana Rules where the underlying consists of shares traded on the regulated markets organised and managed by Borsa Italiana.

58 To be included for issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions.

Period). See further paragraph 10 of Part B below.

| | | |
|---|---|---|
| 35. | U.S. Selling Restrictions: | [Reg. S Compliance Category] |
| 36. | Additional Selling Restrictions: | [•] |
| 37. | Other special terms and conditions: | [The words "*less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion*", appearing in Conditions 7.2.2, 7.4.1(d), 7.4.2(c), 7.5(c), 8.1.4, 11.2.1(a), 12.1.1, 15.2 shall be deemed to have been deleted and shall not apply with respect to this Series of Securities. Accordingly, holders of Securities of this Series shall not bear any costs related to any unwinding of underlying hedging arrangements)][59] |

**[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of [Warrants/Certificates] described herein pursuant to the Program for the Issuance of Notes, Warrants and Certificates of [Morgan Stanley/Morgan Stanley & Co. International plc/Morgan Stanley (Jersey) Limited/Morgan Stanley B.V.]

**[NO MATERIAL ADVERSE CHANGE**

Except as disclosed in the Final Terms and the [•], there has been no significant change in the financial or trading position of the Issuer [and the Guarantor] and no material adverse change in the financial position or prospects of the Issuer's [and the Guarantor's] consolidated group since [•].][60]

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [(*Relevant third party information*) has been extracted from [•] (specify source)]. [Each of the] [The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: ...........................................................................
Duly authorised

[Signed on behalf of the Guarantor:

By: ...........................................................................
Duly authorised

59 To be included in respect of issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions

60 Delete for Warrants and Certificates which are not to be listed on the SIX Swiss Exchange. Do not include for Warrants or Certificates to be listed on any market in the EEA.

## PART B – OTHER INFORMATION

1. **LISTING**

| | |
|---|---|
| Listing and admission to Trading: | Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the [Warrants/Certificates] to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed on the Official List of the FSA with effect from [•].]<br><br>[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the [Warrants/Certificates] to be admitted trading on SCOACH AG and to be listed on the main segment of the SIX Swiss Exchange with effect from [•].][61]<br><br>[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Securities to be admitted to trading on the SeDeX regulated market of Borsa Italiana and to be listed on the same with effect from [•] pursuant to the Borsa Italiana Rules and the Borsa Italiana Instructions.][62]<br><br>[Not Applicable.]<br><br>*[Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading.]* |
| [Last day of Trading: | [•]] |
| [Estimate of total expenses related to admission to trading: | [•]][63] |

2. **RATINGS**

| | |
|---|---|
| Ratings: | The [Warrants/Certificates] to be issued have been rated:<br><br>[S & P: [•]]<br><br>[Moody's: [•]]<br><br>[Fitch: [•]]<br><br>[[Other]: [•]]<br><br>*Option 1*<br><br>[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as |

61 Warrants/Certificates to be admitted to listing on this Official List of the FSA must comply with the applicable eligibility requirements under the Listing Rules, currently set out in LR 19.2.3R to 19.2.6R inclusive

62 To be included for issues which are to be listed on the SeDeX market under the Borsa Italiana Rules and the Borsa Italiana Instructions.

63 Delete for Securities with a denomination per Security of less than EUR50,000 or, following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR100,000.

amended (the "**CRA Regulation**").

*Option 2*

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA and is not registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

*Option 3*

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

*Option 4*

[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").][64]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.][65]

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

[The Warrants/Certificates have not been rated.]

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Securities has an interest material to the offer."]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

| | | |
|---|---|---|
| [(i) | Reasons for the offer: | [•]<br><br>(If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)] |
| [(ii)] | Estimated net proceeds: | • (If proceeds are intended for more than one |

[64] Edit and delete options as appropriate for the relevant rating agency/agencies providing the rating(s).

[65] Delete for Securities with a nominal amount per Security of EUR50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR100,000

| | | |
|---|---|---|
| | | use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.) |
| [(iii)] | Estimated total expenses: | • [Include breakdown of expenses and taxes, if any.] |
| | | (If the Securities are derivative securities to which Annex XII of the Prospectus Directive applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.) |

5. **[PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, [EXPLANATION OF EFFECT ON VALUE OF THE UNDERLYING OF WARRANTS/CERTIFICATES AND ASSOCIATED RISKS][66] AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident][67]. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]*

*[When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive]*

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

6. **OPERATIONAL INFORMATION**

| | |
|---|---|
| ISIN Code: | [•] |
| Common Code: | [•] |
| Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): | [Not Applicable*/give name(s) and number(s)*] |
| Delivery: | Delivery [against/free of] payment |
| Names and addresses of initial Securities Agent(s)/Securities Transfer Agent(s): | [•] |
| Names and addresses of additional Securities Agent(s) and/or Securities Transfer Agent(s) (if any): | [•] |

[66] Delete for Securities with a nominal amount per Security of EUR50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR100,000

[67] Delete for Securities with a nominal amount per Security of EUR50,000 or more, or following the implementation of the 2010 PD Amending Directive in the Relevant Member State, EUR100,000

7. **TERMS AND CONDITIONS OF THE OFFER**

| | |
|---|---|
| Offer Price: | [Issue Price] [*specify*] |
| Conditions to which the offer is subject: | [Not Applicable/ Offers of the Securities are conditional upon their issue] |
| Description of the application process: | [Not Applicable/*give details*] |
| Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: | [Not Applicable/*give details*] |
| Details of the minimum and/or maximum amount of application: | [Not Applicable/*give details*] |
| Details of the method and time limited for paying up and delivering the Securities: | Not Applicable/ The Securities will be issued on the Issue Date against payment to the Issuer of the net subscription moneys] |
| Manner in and date on which results of the offer are to be made public: | [Not Applicable/*give details*] |
| Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: | [Not Applicable/*give details*] |
| ategories of potential investors to which the Securities are offered and whether tranche(s) have been reserved for certain countries: | [Not Applicable/ Offers may be made by Offerors authorised to do so by the Issuer in [*insert jurisdiction where the Base Prospectus has been approved and published and jurisdictions into which it has been passported*] to any person [*insert suitability criteria, if any are deemed appropriate, pursuant to any applicable conduct of business rules*]. In other EEA countries, offers will only be made pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus.] |
| Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: | [Not Applicable/*give details*] |
| Amount of any expenses and taxes specifically charged to the subscriber or purchaser: | [Not Applicable/*give details*] |
| Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. | [None/*give details*] |

## [PART C – TERMS OF THE MORGAN STANLEY JERSEY PREFERENCE SHARES*

**Description of Certain Rights**

The following when read in conjunction with the Description of the Preference Shares set out on page 280 of the Base Prospectus dated 21 June 2012 is a description of certain rights attaching to the Preference Shares which are set out in full in, are subject to, and are qualified in their entirety by reference to, the Memorandum and Articles of Association of Morgan Stanley (Jersey) Limited (the Issuer) and the Statement of Rights in relation to the Preference Shares approved by the Board of Directors of the Issuer on [•] (together, the **Articles**).

| | | |
|---|---|---|
| 1. | Issue Date: | [•] [*The Issue Date of the Preference Shares shall be the same as the Expiration Date of the Exchanged Warrants*] |
| 2. | Issue Price: | [•] [*The Strike Price of the relevant Exchanged Warrants shall constitute the Issue Price of the Preference Shares*] |
| 3. | Class: | [•] |
| 4. | Redemption Amount: | £[*specify formula and any additional definitions necessary*] |
| 5. | Redemption Date: | [•] |
| 6. | Optional Early Redemption Period: | From [and including/but excluding] [•] to [and including/but excluding] [•] |
| 7. | Form of Preference Shares: [Global registered] | |

* *Include in the case of Exchanged Warrants*]

**ANNEX TO THE FINAL TERMS**

**[RENOUNCEMENT NOTICE]**

(*to be completed by the holder of Italian SeDeX Securities of the relevant Series*)

**[MORGAN STANLEY]**
**[MORGAN STANLEY & CO. INTERNATIONAL plc]**
**[MORGAN STANLEY (JERSEY) LIMITED]**
**[MORGAN STANLEY B.V.]**
[insert title of relevant Series of Italian SeDeX Securities]

ISIN: [●]

(the "**Securities**")

[To: [Address of the Securities Agent]

Fax No: [ ]]

Copy: [Determination Agent]

Fax No: [ ]]

[We the undersigned holder of Securities,

[name and surname]

holding [in custody] the Securities specified below (as to ISIN/, Series Number and number) [on behalf of our client], hereby give notice that we renounce the Deemed Exercise on the Expiration Date of the rights granted by such Securities in accordance with the Conditions.]

ISIN Code[/Series number] of the Securities:

[●]

Number of Securities the subject of this notice:

[●]

[Account Number at the Clearing System in which such Securities are held:

[Intermediaries / Custodians account details in which such Securities are held]:

The undersigned acknowledges that he/she will provide the Issuer/Agent with such other proof of holding of the Securities as they may reasonably require.

The undersigned understands that if this Renouncement Notice is not completed and delivered as provided in the Conditions (as defined below) [and the Securities Agency Agreement] or is determined to be incomplete or not in proper form (in the determination of the Issuer) it will be treated as null and void.

If this Renouncement Notice is subsequently corrected to the satisfaction of the Issuer, it will be deemed to be a new Renouncement Notice submitted at the time such correction was delivered to the Securities Agent and the Determination Agent.

Terms defined in the terms and conditions of the Securities (the "Conditions") and not otherwise defined herein shall bear the meanings in the Conditions.

……………………………………………………….
Place and date

……………………………………………………….
Signature of the legal representative of the holder of the Securities]

[Signature]

## FORMS OF WARRANTS AND CERTIFICATES

Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV will issue Warrants and Certificates in bearer form to the extent it has been determined that such Warrants and Certificates should be in registered form for United States federal income tax purposes ("**Bearer Warrants**" and "**Bearer Certificates**") and in registered form ("**Registered Warrants**" and "**Registered Certificates**"). Bearer Warrants and Bearer Certificates may be in either definitive form or global form. Warrants and Certificates in definitive bearer form will be serially numbered. Registered Warrants and Registered Certificates may be either in individual certificate form or in global form MSBV and MSI plc may also issue Warrants and Certificates in dematerialised and uncertificated book-entry form with a Nordic central securities depositary ("**Nordic Securities**").

### Bearer Warrants and Bearer Certificates

Unless otherwise specified in the Conditions or the applicable Final Terms, each issuance of Bearer Warrants or Bearer Certificates having a maturity in the case of Morgan Stanley of more than 183 days and in the case of MSIP, MSJ and MSBV more than one year (and any Tranche thereof) will initially be in the form of a temporary global warrant or temporary global certificate in bearer form (a "**Temporary Global Warrant**" or "**Temporary Global Certificate**"), without interest coupons. Each Temporary Global Warrant or Temporary Global Certificate will be deposited on or around the issue date of such Warrants or Certificates (or any Tranche thereof) with a depositary or a common depositary (a "**Bearer Security Depositary**") for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Upon deposit of each Temporary Global Warrant or Temporary Global Certificate, Euroclear or Clearstream, Luxembourg or, as applicable, any other relevant clearing system, will credit each subscriber with an amount or number of Warrants or Certificates equal to the amount or number for which it has subscribed and paid.

The interests of the beneficial owner or owners in a Temporary Global Warrant or Temporary Global Certificate will be exchangeable, in whole or in part, for interests in a permanent global warrant or permanent global certificate in bearer form (a "**Permanent Global Warrant**" or "**Permanent Global Certificate**" and, together with a Temporary Global Warrant and a Temporary Global Certificate, the "**Global Warrants**" and "**Global Certificates**" together the "**Global Securities**"), without interest coupons, to be held by a Bearer Warrant Depositary from the date (the "**Exchange Date**") that is 40 days after the date on which the relevant Issuer receives the proceeds of the sale of that Warrant or Certificate (or the relevant Tranche thereof) (the "**Closing Date**"). Each issuance of Warrants and Certificates having a maturity of 183 days or less in the case of Morgan Stanley and one year or less in the case of MSIP, MSJ and MSBV will be in the form of a Permanent Global Warrant.

Whenever any interest in the Temporary Global Warrant or Temporary Global Certificate is to be exchanged for an interest in a Permanent Global Warrant or Permanent Global Certificate, the relevant Issuer shall procure (in the case of the first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Warrant or Permanent Global Certificate, duly authenticated, to the bearer of the Temporary Global Warrant or Temporary Global Certificate or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Warrant or Permanent Global Certificate in accordance with its terms against presentation and (in the case of final exchange) surrender of the Temporary Global Warrant or Temporary Global Certificate at the Specified Office of the Principal Securities Agent, within seven days of the bearer requesting such exchange.

The aggregate amount or number of Warrants or Certificates represented by the Permanent Global Warrant or Permanent Global Certificate shall be equal to the aggregate amount or number of Warrants or Certificates presented for exchange; **provided**, **however**, **that** in no circumstances shall the aggregate amount or number of Warrants or Certificates represented by the Permanent Global Warrant or Permanent Global Certificate exceed the aggregate amount or number of Warrants or Certificates represented by the Temporary Global Warrant or Temporary Global Certificate.

The Permanent Global Warrant or Permanent Global Certificate will be exchangeable in whole, but not in part, for Bearer Warrants or Bearer Certificates, as applicable in definitive form ("**Definitive Warrant**" or "**Definitive Certificate**"), which will be serially numbered:

(a) in the case of Warrants or Certificates issued by Morgan Stanley or a U.S. based Additional Issuer, if a beneficial owner gives 30 days' written notice to the Principal Securities Agent through either Euroclear or Clearstream, Luxembourg or, as applicable, any other relevant clearing system; upon receipt of a request to exchange an interest in a Permanent Global Warrant or Permanent Global Certificate for a Definitive Warrant or Definitive Certificate, all other interests in that Permanent Global Warrant or Permanent Global Certificate will be exchanged for Definitive Warrants or Definitive Certificates; or

(b) in the case of Warrants or Certificates issued by a non-U.S. based Additional Issuer, if (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) an Event of Default occurs with respect to any Warrant or Certificate in accordance with the Terms and Conditions of the Warrants and Certificates.

Whenever the Permanent Global Warrant or Permanent Global Certificate is to be exchanged for Definitive Warrants or Definitive Certificates, the relevant Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Warrants or Definitive Certificates, duly authenticated, in an aggregate amount or number of Warrants or Certificates equal to the aggregate amount of or number of Warrants or Certificates represented by the Permanent Global Warrant or the Permanent Global Certificate to the bearer of the Permanent Global Warrant or Permanent Global Certificate against the surrender of the Permanent Global Warrant or Permanent Global Certificate at the Specified Office of the Principal Securities Agent within 30 days of the bearer requesting such exchange. The Bearer Warrant Depositary for Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system will instruct the Principal Securities Agent for the Warrants or Certificates regarding the aggregate amount or number of Definitive Warrants or Definitive Certificates that must be authenticated and delivered to each of Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system. Definitive Warrants and Definitive Certificates may not be delivered in the United States. Definitive Warrants and Definitive Certificates will be serially numbered.

**Terms and Conditions applicable to the Bearer Warrants and Bearer Certificates**

The terms and conditions of any Definitive Warrant or Definitive Certificate will be endorsed on that Definitive Warrant or Definitive Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Warrants and Certificates*", as set out above and the provisions of the applicable Final Terms, which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Bearer Warrant or Bearer Certificate in global form will differ from those terms and conditions which would apply to the Warrant or Certificate were it in definitive form to the extent described under "*Summary of Provisions Relating to the Warrants and Certificates While in Global Form*" below.

**Registered Warrants and Registered Certificates**

Registered Warrants and Registered Certificates will be in the form of either individual warrant certificates and individual certificates in registered form ("**Individual Warrant Certificates**" and "**Individual Registered Certificate**") or a global warrant or global certificate in registered form (a "**Global Registered Warrant**" and "**Global Registered Certificate**", together the "**Global Registered Securities**"), in each case as specified in the relevant Final Terms. Each Global Registered Warrant and Global Registered Certificate will be registered in the name of a common depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Warrant or Global Registered Certificate will be deposited on or about the issue date with the common depositary and will be exchangeable in accordance with its terms.

If the relevant Final Terms specify the form of Warrants or Certificates as being "Individual Warrant Certificates" or "Individual Registered Certificates", then the Warrants or Certificates will at all times be in the form of Individual Warrant Certificates or Individual Registered Certificates issued to each Securityholder in respect of their respective holdings.

If the relevant Final Terms specify the form of Warrants or Certificates as being "Global Registered Warrants exchangeable for Individual Warrant Certificates" or "Global Registered Certificates exchangeable for Individual Registered Certificates", then the Warrants or Certificates will initially be in the form of a Global Registered Warrant or a Global Registered Certificate which will be exchangeable in whole, but not in part, for Individual Warrant Certificates or Individual Registered Certificates:

(a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(b) at any time, if so specified in the relevant Final Terms; or

(c) if the relevant Final Terms specify "in the limited circumstances described in the Global Registered Warrant" or "in the limited circumstances described in the Global Registered Certificate", then (i) if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) an Event of Default occurs with respect to any Warrant or Certificate in accordance with the Terms and Conditions of the Warrants and Certificates.

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

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

**Terms and Conditions applicable to the Registered Warrants and Registered Certificates**

The terms and conditions applicable to any Individual Warrant Certificate or Individual Registered Certificate will be endorsed on that Individual Warrant Certificate or Individual Registered Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Warrants and Certificates*" above and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Registered Warrant or Global Registered Certificate will differ from those terms and conditions which would apply to the Warrant or Certificate were it in individual form to the extent described under "*Summary of Provisions Relating to the Warrants and Certificates while in Global Form*" below.

**Nordic Warrants and Certificates**

Warrants and Certificates issued by MSBV or MSI plc and designated as "Finnish Warrants", "Finnish Certificates" or "Swedish Warrants" or "Swedish Certificates" in the applicable Final Terms will be issued in uncertificated and dematerialised book-entry form in accordance with the Finnish or, as appropriate, Swedish legislation and all other applicable local laws, regulations and operating procedures applicable to and/or issued by the Finnish or, as appropriate, Swedish central securities depository from time to time (the "**NCSD Rules**") designated as registrar for the Nordic Warrants and Certificates in the relevant Final Terms (the "**NCSD**"). No physical global or definitive Warrants or Certificates will be issued in respect of Nordic Warrants and Certificates. Payments of amounts on any Nordic Warrant or Certificate will be made through the NCSD in accordance with the NCSD Rules.

## SUMMARY OF PROVISIONS RELATING TO THE WARRANTS AND CERTIFICATES WHILE IN GLOBAL FORM

### Clearing System Accountholders

In relation to any Bearer Warrants and Bearer Certificates (or any Tranche thereof) represented by a Global Security, references in the "Terms and Conditions of the Warrants and Certificates" to "**Securityholder**" are references to the bearer of the relevant Global Security which, for so long as the Global Security is held by a Bearer Security Depositary, will be that Bearer Security Depositary. In relation to any Registered Warrants and Registered Certificates (or any Tranche thereof) represented by a Global Registered Security, references in the "*Terms and Conditions of the Warrants and Certificates*" to "**Securityholder**" are references to the person in whose name such Global Registered Security is for the time being registered which, for so long as the Global Registered Security is held by or on behalf of a depositary or common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Security or a Global Registered Security (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Security or Global Registered Security and in relation to all other rights arising under such Global Security or Global Registered Security, including any right to exchange any exchangeable Warrants or Certificates or any right to require the Issuer to repurchase such Warrants or Certificates. The respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time will determine the extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Security or Global Registered Security and the timing requirements for meeting any deadlines for the exercise of those rights. For so long as the relevant Warrants or Certificates are represented by the Global Security or Global Registered Security, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Warrants or Certificates and such obligations of the Issuer will be discharged by payment to the holder of the Global Security or Global Registered Security, as the case may be, in respect of each amount so paid.

So long as Euroclear, Clearstream, Luxembourg or its nominee is the registered holder of a Global Security or Global Registered Security, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner of the Securities represented by such Global Security or Global Registered Security for all purposes under the Issue and Paying Agency Agreement and such Warrants or Certificates, except to the extent that in accordance with Euroclear or Clearstream, Luxembourg's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

### Exchange of Temporary Global Securities

If:

(a) a Permanent Global Security has not been delivered or the number of Warrants or Certificates represented thereby increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Security has requested exchange of an interest in the Temporary Global Security for an interest in a Permanent Global Security; or

(b) a Temporary Global Security (or any part thereof) has become due and payable in accordance with the terms and conditions of such Temporary Global Security as set out in "Terms and Conditions of the Warrants and Certificates" or the date for final exercise of a Temporary Global Security has occurred and, in either case, payment or delivery (as applicable) in full has not been made to the bearer of the Temporary Global Security in accordance with the terms of the Temporary Global Security on the due date for payment or delivery (as applicable),

then the Temporary Global Security (including the obligation to deliver a Permanent Global Security or increase the number of Warrants or Certificates represented thereby, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Security or others may have in respect of the Securities under the applicable Deed of Covenant). Under the Deeds of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Security in respect of the Warrants or Certificates will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Temporary Global Security became void, they had been the holders of Warrants or Certificates in definitive form in an aggregate number of Warrants or Certificates equal to the number of the Warrants or Certificates they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

**Exchange of Permanent Global Securities**

Whenever a Permanent Global Security is to be exchanged for Warrants or Certificates in definitive form, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such definitive Warrants or Certificates, duly authenticated, in an aggregate nominal amount or number of Warrants or Certificates equal to the number of Warrants or Certificates represented by the Permanent Global Security to the bearer of the Permanent Global Security against the surrender of the Permanent Global Security at the Specified Office of the Fiscal Agent within 30 calendar days of the bearer requesting such exchange.

If:

(a) a Permanent Global Security was originally issued in exchange for part only of a Temporary Global Security representing the Warrants or Certificates and such Temporary Global Security becomes void in accordance with its terms; or

(b) a Permanent Global Security (or any part of it) has become due and payable in accordance with the terms and conditions of such Permanent Global Security as set out in "Terms and Conditions of the Warrants or Certificates" or the Warrants and Certificates have been exercised and, in either case, payment or delivery (as applicable) in full has not been made to the bearer of the Permanent Global Security in accordance with the terms of the Permanent Global Security on the due date for payment or delivery (as applicable),

then the Permanent Global Security (including the obligation to deliver Warrants and Certificates in definitive form) will become void at 5.00 p.m. (London time) on the date on which such Temporary Global Security becomes void (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Security or others may have in respect of the Warrants or Certificates under the applicable Deed of Covenant). Under the Deeds of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system in force as being entitled to an interest in a Permanent Global Security in respect of the Warrants or Certificates will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such Permanent Global Security became void, they had been the holders of Warrants or Certificates in definitive form in an aggregate nominal amount or number of Warrants or Certificates equal to the nominal amount or number of the Warrants or Certificates they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

**Exchange of Global Registered Warrants and Global Registered Certificates**

Whenever a Global Registered Warrant or Global Registered Certificate is to be exchanged for Individual Warrant Certificates or Individual Registered Certificates, the Issuer shall procure that the relevant quantity of Individual Warrant Certificates or Individual Registered Certificates will be issued within five business days of the delivery, by or on behalf of the holder of the Global Registered Warrant or Global Registered Certificate to the Securities Registrar of such information as is required to complete and deliver such Individual Warrant Certificates or Individual Registered Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Warrant Certificates or Individual Registered Certificates are to be registered and the quantity of each such person's holding) against the surrender of the Global Registered Warrant or Global Registered Certificate at the specified office of the Securities Registrar. Such exchange will be effected in accordance with the provisions of the Issue and Paying Agency Agreement and the regulations concerning the transfer and registration of

Registered Warrants and Registered Certificates scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Securities Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Warrant Certificates or Individual Registered Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Warrant or Global Registered Certificate; or

(b) any of the Warrants and Certificates represented by a Global Registered Warrant or Global Registered Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Warrants and Certificates, payment or delivery (as applicable) in full has not been made to the holder of the Global Registered Warrant or Global Registered Certificate in accordance with the terms of the Global Registered Warrant or Global Registered Certificate on the due date for payment or delivery (as applicable),

then at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above), each person shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interest in the Warrants or the Certificates (each an "**Accountholder**"), shall acquire rights under the Deeds of Covenant to enforce against the Issuer, the Issuer's obligations to the Securityholder in respect of the Warrants and Certificates represented by the Global Registered Warrant or the Global Registered Certificate, including the obligation of the Issuer to make all payments and deliveries when due at any time in respect of such Warrants or Certificates as if such Warrants or Certificates had been duly presented and (where required by the Conditions) surrendered on the due date in accordance with the Conditions. Each Accountholder shall acquire such right without prejudice to any other rights which the Securityholder may have under the Global Registered Warrant or Global Registered Certificate and the Deeds of Covenant. Notwithstanding the rights that each Accountholder may acquire under the Deeds of Covenant, payment to the Securityholder in respect of any Warrants or Certificates represented by the Global Registered Warrant or the Global Registered Certificate shall constitute a discharge of the Issuer's obligations to the extent of any such payment or delivery and nothing in the Deed of Covenant shall oblige the Issuer to make any payment or delivery under the Warrants or Certificates to or to the order of any person other than the Securityholder.

**Conditions Applicable to Global Securities and Global Registered Securities**

Each Global Security and Global Registered Security will contain provisions which modify the terms and conditions set out in "*Terms and Conditions of the Warrants and Certificates*" as they apply to the Global Security and the Global Registered Security. The following is a summary of certain of those provisions:

***Transfers of interests in the Warrants and Certificates***: Any transfers of the interest of an Accountholder in any Warrants or Certificates that are represented by a Global Security or a Global Registered Security must be effected through the relevant Accountholder's account with Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (each a "**Clearing System**") and in accordance with the rules of the relevant Clearing System.

***Exercise procedures***: Subject to Condition 4.9 (*Warrants and Certificates void on expiry*) of the "Terms and Conditions of the Warrants and Certificates" and to prior termination of the Warrants and Certificates as provided in the Conditions, Warrants and Certificates may be exercised by an Accountholder (at his own expense) at such time and on such day(s) as provided in Conditions 4.1 (*American Style Securities*), 4.2 (*European Style Securities*) or 4.3 (*Bermudan Style Securities*) of the "Terms and Conditions of the Warrants and Certificates" by delivery of a duly completed and signed Exercise Notice to (i) Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and (ii) the relevant Securities Agent or Securities Registrar, with a copy to the Determination Agent.

Any such exercise shall be subject to the rules and procedures of the relevant Clearing System and any Exercise Notice will be irrevocable and may not be withdrawn by the Accountholder.

Subject to Condition 4.9 (*Warrants and Certificates void on expiry*) of the "Terms and Conditions of the Warrants and Certificates", any Exercise Notice delivered after the Latest Exercise Time on any day shall: (a) in the case of Bermudan Style Securities and European Style Securities, be void and (b) in the case of American Style Securities, be deemed to have been delivered on the next following day on which such Securities are exercisable (unless no such day occurs on or prior to the Expiration Date, in which case that Exercise Notice shall be void). The holder of the Global Security (or Global Registered Security upon the exercise of the Warrant or Certificate in full) must, within the period specified therein for the deposit of the relevant Warrant or Certificate, deposit such Global Security or Global Registered Security (as the case may be) with the Principal Securities Agent (in the case of a Global Security) or the Securities Registrar (in the case of a Global Registered Security).

***Exercise dates and times***: Exercise of Warrants and Certificates represented by a Global Security or a Global Registered Security may only be effected on a day on which the relevant Clearing System is open for business in addition to any other relevant day as provided in the Conditions. Such Warrants and Certificate must be exercised as provided in the "*Terms and Conditions of the Warrants and Certificate*" (as modified as set out below) by 10 a.m. in the place where Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system through which the relevant Warrants or Certificates are exercised (unless otherwise specified in the applicable Final Terms).

***Form of Exercise Notice:*** Each Exercise Notice shall be in the form (for the time being current) available from each Securities Agent or the Securities Registrar and must:

(i) specify the name, address, telephone and facsimile details of the Accountholder in respect of the Warrants or Certificates being exercised;

(ii) specify the number of Warrants or Certificates of the relevant Series being exercised by the Accountholder (which must not be less than the Minimum Exercise Number);

(iii) specify the number of the Accountholder's account at the relevant Clearing System to be debited with the Warrants or Certificates being exercised and irrevocably instruct, or, as the case may be, confirm that the Accountholder has irrevocably instructed, the relevant Clearing System to debit the Accountholder's account with the Warrants or Certificates being exercised and credit the same to the account of the Principal Securities Agent (for the account of the Issuer);

(iv) where applicable, specify the number of the Accountholder's account at the relevant Clearing System to be credited with the Cash Settlement Amount or the relevant Underlying Securities (as applicable) for the Warrants or Certificates being exercised;

(v) include an irrevocable undertaking to pay any applicable Taxes due by reason of exercise of and an authority to the Issuer and the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Accountholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) and to debit a specified account of the Accountholder at the relevant Clearing System with an amount or amounts in respect thereof;

(vi) in the case of Full Physical Settlement Securities, include an irrevocable instruction to the relevant Clearing System to debit the specified account of the Accountholder with an amount equal to the aggregate Strike Price in respect of the Warrants or Certificates being exercised (and in the case of Bond Securities, any accrued interest, as specified in Condition 4.5.1 (*Full Physical Settlement Securities*)) on the Strike Price Payment Date and to credit such amount to the account of the Principal Securities Agent (for the account of the relevant Issuer); and

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

***Verification of Accountholder:***

To exercise any Warrants or Certificates, the relevant Accountholder must duly complete an Exercise Notice. The relevant Clearing System shall, in accordance with its normal operating procedures, verify that each person exercising Warrants or Certificates is the Accountholder thereof according to the records of such Clearing System and that such Accountholder has an account at the relevant Clearing System which contains Warrants or Certificates in an amount being exercised and funds equal to any applicable Taxes in respect of the Warrants or Certificates being exercised.

If, in the determination of the relevant Clearing System, the relevant Securities Agent or the Securities Registrar:

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

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

(iii) sufficient Warrants or Certificates and sufficient funds equal to any applicable Taxes are not available in the specified account(s) with the relevant Clearing System on the Exercise Date,

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

Any determination by the relevant Clearing System, the relevant Securities Agent or the Securities Registrar as to any of the matters set out above shall, in the absence of manifest error, be conclusive and binding upon the Issuer, the Accountholder and the beneficial owner of the Warrants or Certificates exercised.

***Notification to the relevant Securities Agent or the Securities Registrar***: Subject to the verification set out above, the relevant Clearing System will:

(i) confirm to the relevant Securities Agent, in the case of Bearer Warrants and Bearer Certificates, or to the Securities Registrar, in the case of Registered Warrants and Registered Certificates (copied to the Issuer and the Determination Agent) the number of Warrants or Certificates being exercised and the number of the account to be credited with the Cash Settlement Amount; and

(ii) promptly notify the common depositary of receipt of the Exercise Notice and the number of the Warrants or Certificates to be exercised.

Upon exercise of less than all of the Warrants or Certificates represented by the Global Security or Global Registered Security, the common depositary will note such exercise on the Schedule to the Global Security or the Securities Registrar will note such exercise in the Register relating to such Global Registered Security and the aggregate nominal amount or number of Warrants or Certificates so exercised as represented by the Global Security or Global Registered Security shall be cancelled *pro tanto*.

***Debit of Accountholder's Account:***

The relevant Clearing System will on or before the Cash Settlement Payment Date debit the relevant account of the Accountholder and credit the relevant account of the Principal Securities Agent (in favour of the Issuer) with: (i) the Warrants or Certificates being exercised, (ii) any applicable Taxes (if any) in respect of the Warrants or Certificates being exercised and (iii) any other amounts as may be specified in the relevant Final Terms.

If any of the items set out in the paragraph above are not so credited to the relevant account of the Principal Securities Agent (in favour of the Issuer), then the Issuer shall be under no obligation to make any payment of any nature to the relevant Accountholder in respect of the Warrants or Certificates being exercised, and the Exercise Notice delivered in respect of such Warrants or Certificates shall thereafter be void for all purposes.

***Effect of Exercise Notice***:

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Accountholder to exercise the Warrants or Certificates specified therein, **provided that** the person exercising and delivering such Exercise Notice is the person then appearing in the records of the relevant Clearing System as the holder of the relevant Warrants or Certificates. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become void and shall be deemed not to have been so delivered.

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

***Payments***: All payments in respect of a Global Security or a Global Registered Security which, in accordance with the "*Terms and Conditions of the Warrants and Certificates*", require presentation and/or surrender of a Warrant Certificate or Registered Certificate Form will be made against presentation and (in the case of payment in full) and/or surrender of the Global Security or Global Registered Security at the Specified Office of any securities agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Warrants and Certificates. On each occasion on which a payment is made in respect of the Global Security or a Global Registered Security, the Issuer shall procure that the same is noted in a schedule thereto and entered *pro rata* in the records of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system. Any payments shall be made in accordance with the rules and procedures of the relevant Clearing System and the Issuer, the Securities Agents and the Securities Registrar shall not be liable, under any circumstance, for any acts or defaults of any Clearing System in the performance of the Clearing System's duties in relation to the Warrants and the Certificates.

***Payment Record Date***: Each payment in respect of a Global Registered Security will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each relevant Clearing System for which the Global Registered Security is being held is open for business.

***Notices***: Notwithstanding Condition 20 (*Notices*) of the "Terms and Conditions of the Warrants and Certificates", while all the Warrants or Certificates are represented by a Global Security or Global Registered Security and the Global Security or Global Registered Security is deposited with a Clearing System, notices to Accountholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Accountholders in accordance with Condition 20 (*Notices*) of the "Terms and Conditions of the Warrants and Certificates", as applicable, on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

***Renominalisation***: If the Warrants or Certificates with a nominal amount are renominalised pursuant to Condition 15.2 (*Effects of European Economic and Monetary Union*) of the "Terms and Conditions of the Warrants and Certificates" then following Renominalisation:

(i) if Warrants or Certificates in definitive form are required to be issued, they shall be issued at the expense of the relevant Issuer in the nominal amounts of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other nominal amounts as the relevant Securities Agent shall determine and notify to the holders; and

(ii) the amount of distribution due in respect of Warrants and Certificates represented by a Global Security or Global Registered Security will be calculated by reference to the aggregate nominal amount of such Warrants or Certificates and the amount of such payment shall be rounded down to the nearest euro 0.01.

## DESCRIPTION OF SIENNA FINANCE UK LIMITED AND THE SIENNA FINANCE UK LIMITED PREFERENCE SHARES

**Sienna Finance UK Limited ("Sienna UK")**

Sienna UK is a private company limited by shares and was incorporated under the Companies Act 2006 on 18 February 2010 (with registered number 07162508). Sienna UK is governed by the laws of England and Wales and has its registered office at 35 Great St. Helen's, London, EC3A 6AP, United Kingdom.

The sole business activity of Sienna UK is to issue redeemable preference shares. Accordingly, Sienna UK does not have any trading assets and does not generate any significant net income.

A copy of Sienna UK's constitutional documents, its non-audited, non-consolidated annual financial statements, when published, and the Terms of the Sienna UK Preference Shares (as defined below) are available (free of charge) from the registered office of Sienna UK.

**The Sienna UK Preference Shares**

Sienna UK will from time to time issue tranches of 100 redeemable preference shares with a par value of £0.01 each. The preference shares will be issued fully paid to SFM Corporate Services Limited and at a premium of £0.99, for total consideration of £1.00 each.

Sienna UK may issue redeemable preference shares of any kind (the "**Sienna UK Preference Shares**"), including but not limited to preference shares linked to a specified index or basket of indices, share or basket of shares, currency or basket of currencies, commodity or basket of commodities, fund unit or share or basket of fund units or shares or to such other underlying instruments, bases of reference or factors (the "**Sienna UK Preference Share Underlying**") and on such terms as may be determined by Sienna UK and specified in the applicable Specific Terms and Conditions of the relevant series of preference shares (the "**Terms of the Sienna UK Preference Shares**").

The Terms of the Sienna UK Preference Shares also provide that Sienna UK may redeem the Sienna UK Preference Shares early if:

(a) the calculation agent in respect of the Sienna UK Preference Shares (the "**Preference Shares Calculation Agent**") determines that for reasons beyond Sienna UK's control, the performance of the its obligations under the Sienna UK Preference Shares has become illegal or impractical in whole or in part for any reason; or

(b) any event occurs in respect of which the provisions of the Terms of the Sienna UK Preference Shares relating to any adjustment, delay, modification, cancellation or determination in relation to the Sienna UK Preference Share Underlying, the valuation procedure for the Sienna UK Preference Share Underlying or the Sienna UK Preference Shares provide that the Sienna UK Preference Shares may be redeemed or cancelled; or

(c) a change in applicable law or regulation occurs that in the determination of the Preference Share Calculation Agent results, or will result, by reason of the Sienna UK Preference Shares being outstanding, in Sienna UK being required to be regulated by any additional regulatory authority, or being subject to any additional legal requirement or regulation or tax considered by Sienna UK to be onerous to it; or

(d) Sienna UK is notified that the Notes have become subject to early redemption.

The performance of the Sienna UK Preference Shares depends on the performance of the Sienna UK Preference Share Underlying to which the Sienna UK Preference Shares are linked. In determining the value of the Sienna UK Preference Shares, the Determination Agent shall employ the calculation procedure and methodology set out in the applicable Terms of the Sienna UK Preference Shares.

## DESCRIPTION OF THE MORGAN STANLEY (JERSEY) LIMITED PREFERENCE SHARES

The following is a description of certain rights attaching to the preference shares issued by Morgan Stanley (Jersey) Limited (the "**Morgan Stanley Jersey Preference Shares**") of each class ("**Class**") which will be set out in full in, are subject to, and are qualified in their entirety by reference to, the Articles (as defined in the relevant Terms and Conditions of the relevant series of the Morgan Stanley Jersey preference shares (the "**Terms of the Morgan Stanley Jersey Preference Shares**"). Paragraphs in italics are not included in the Articles and contain a summary of certain provisions of Jersey law or a summary of certain procedures of Euroclear and Clearstream, Luxembourg that will be applicable to the Preference Shares. Euroclear and Clearstream, Luxembourg may, from time to time, change their procedures.

### *Definitions*

For the purposes of the Morgan Stanley Jersey Preference Shares of each Class, unless there is something in the subject or context inconsistent therewith:

| | |
|---|---|
| **Terms of the Morgan Stanley Jersey Preference Shares** | means with respect to each Morgan Stanley Jersey Preference Share of a Class, the Terms of the Morgan Stanley Jersey Preference Shares (or the relevant provisions thereof) which are applicable to that Class of preference share. |
| **Business Day** | means any day that is not a Saturday, Sunday or other day on which commercial banking institutions in Jersey or in London are authorised or obligated by law or executive order to be closed. |
| **Law** | means the Companies (Jersey) Law 1991, as amended. |
| **Nominal Shares** | means the nominal shares of no par value in the authorised capital of Morgan Stanley Jersey. |
| **Optional Early Redemption Period** | means, with respect to each Morgan Stanley Jersey Preference Share of a Class, the period set out in the applicable Terms of the Morgan Stanley Jersey Preference Shares. |
| **Ordinary Shares** | means the ordinary shares of no par value in the authorised capital of Morgan Stanley Jersey. |
| **Morgan Stanley Jersey Preference Shares** | means any preference shares in the authorised share capital of Morgan Stanley Jersey. |
| **Redemption Amount** | means with respect to each Morgan Stanley Jersey Preference Share of a Class redeemed, the amount as at the Redemption Date for such Class determined as set out in the applicable Terms of the Morgan Stanley Jersey Preference Shares. |
| **Redemption Date** | means, with respect to each Morgan Stanley Jersey Preference Share of a Class, the date set out in the applicable Terms of the Morgan Stanley Jersey Preference Shares or such earlier date as the holders of the Morgan Stanley Jersey Preference Shares of the relevant Class may determine as set out below. |
| **Special Resolution** | means a resolution of Morgan Stanley Jersey passed as a special resolution in accordance with the Law. |

### *Dividends*

The Morgan Stanley Jersey Preference Shares shall carry no right to receive dividends.

***Capital***

In relation to each Class of Morgan Stanley Jersey Preference Shares, the right on a winding up or other return of capital to repayment, in priority to any payment to the holders of Ordinary Shares and Nominal Shares, of the relevant Redemption Amount, such payments to be made *pro rata* among all the holders of preference shares in the capital of Morgan Stanley Jersey according to the number of preference shares held.

***Redemption***

(a) The Morgan Stanley Jersey Preference Shares of each Class shall, subject to the provisions of this paragraph and Article 55 of the Law, be redeemed upon and subject to the following terms and conditions:

(b) The holder of a Morgan Stanley Jersey Preference Share (provided it is fully paid) shall have the right at any time during the Optional Early Redemption Period to redeem such Morgan Stanley Jersey Preference Share at the Redemption Amount. If not previously redeemed, each Morgan Stanley Jersey Preference Share in issue shall be redeemed by Morgan Stanley Jersey on the Redemption Date without the need for Morgan Stanley Jersey to give notice of such redemption to the holders.

(c) The holder of a Morgan Stanley Jersey Preference Share shall give Morgan Stanley Jersey not less than 5 Business Days' notice of the intention to redeem such share. The notice shall be in writing and shall state the Redemption Date upon which such redemption shall take place and the numbers of Morgan Stanley Jersey Preference Shares to be redeemed on such date.

(d) The Redemption Amount of a Preference Share shall be payable by Morgan Stanley Jersey to the holder of the Morgan Stanley Jersey Preference Share appearing in the register of members as at 5:00 p.m. on the Redemption Date.

(e) On the Redemption Date of a Morgan Stanley Jersey Preference Share, Morgan Stanley Jersey shall amend the share register such that the holder ceases to be the holder of the Morgan Stanley Jersey Preference Share and shall cancel the Morgan Stanley Jersey Preference Share.

On or before the Redemption Date of a Morgan Stanley Jersey Preference Share, the holder must deliver to Morgan Stanley Jersey at the its registered office the certificate in respect of the Morgan Stanley Jersey Preference Share (or if the share certificate is lost, stolen, mutilated, defaced or destroyed, on payment of such fee and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses of Morgan Stanley Jersey as the directors in relation thereto think fit) and such other evidence as the directors may reasonably require to show the right of the holder to make the redemption and receive the Redemption Amount (the **Required Documents**).

Morgan Stanley Jersey shall pay the Redemption Amount of a Morgan Stanley Jersey Preference Share that has been redeemed by Morgan Stanley Jersey to the holder (or, in the case of joint holders, to any holder) or other person entitled within 20 Business Days of the later of (1) the Redemption Date; and (2) the date of delivery by the holder (or last holder, in the case of joint holders) to Morgan Stanley Jersey of the Required Documents.

If any holder of Morgan Stanley Jersey Preference Shares shall fail or refuse to accept the Redemption Amount for Morgan Stanley Jersey Preference Shares being redeemed, such Redemption Amount shall be retained and held by Morgan Stanley Jersey in trust for such holder but without interest or further obligation whatever.

The Redemption Amount shall be paid in such of the following manners as is determined by the Directors:

(a) by cheque dispatched at that person's risk;

(b) by electronic transfer of funds to that person's account, details of which that person has communicated in writing to Morgan Stanley Jersey; or

(c) by any other means which that person has communicated in writing to Morgan Stanley Jersey as being acceptable to it.

When part only of the Morgan Stanley Jersey Preference Shares comprised in a certificate are redeemed by Morgan Stanley Jersey, the holder of the remaining Morgan Stanley Jersey Preference Shares shall be entitled without payment to one new certificate for the remainder of the Morgan Stanley Jersey Preference Shares so comprised.

The Redemption Amount of a Morgan Stanley Jersey Preference Share shall be paid only from the sources permitted by the Law.

*Article 55 of the Law provides that a no par value company, such as Morgan Stanley Jersey, may make payments in respect of redemption of its own shares out of any source, but only if they are fully paid up. In addition, the directors of a company who authorise the redemption must make a solvency statement to the effect that, immediately following the date on which the redemption payment is proposed to be made, the company will be able to discharge its liabilities as they fall due and that, having regard to the prospects of the company and to the intentions of the directors with respect to the management of the company's business, and to the amount and character of the financial resources that will in their view be available to the company, the company will be able to continue to carry on business and to discharge its liabilities as they fall due for up to 12 months immediately following the date on which the redemption payment is to be made (or until the company is dissolved, if earlier). If the foregoing requirements cannot be satisfied, then Morgan Stanley Jersey will not be able to redeem its shares.*

***Voting rights***

The holders of Morgan Stanley Jersey Preference Shares of a Class shall not be entitled to receive notice of, or attend, or vote at any general meeting of Morgan Stanley Jersey.

The rights attached to the Morgan Stanley Jersey Preference Shares of a Class may only be varied with the consent in writing of the holders of a majority of the issued Morgan Stanley Jersey Preference Shares of the relevant Class, or with the sanction of an ordinary resolution passed at a general meeting of the holders of the Morgan Stanley Jersey Preference Shares of the relevant Class. The rights attached to the Morgan Stanley Jersey Preference Shares of a Class will be deemed to have been varied by the reduction in the capital paid up on such shares and the issue of any shares ranking in priority to the relevant Class of the Morgan Stanley Jersey Preference Shares.

If the rights attached to all Morgan Stanley Jersey Preference Shares of a Class in issue are varied or are deemed to be varied in the same manner, then the holders of all Morgan Stanley Jersey Preference Shares of such Class in issue shall vote together as one Class and the consent or sanction of each Class of Morgan Stanley Jersey Preference Shares shall not be required.

*Each of Euroclear and Clearstream, Luxembourg will notify its accountholders in the event that any approval or consent referred to in the above paragraphs is requested from it. Each of Euroclear and Clearstream, Luxembourg will, upon receipt of timely requests, take appropriate action consistent with the above to enable rights in respect of the above to be exercised.*

***Notices***

Notices shall be in writing and may be given by Morgan Stanley Jersey to any holder of a Morgan Stanley Jersey Preference Share either personally or by sending it by post, cable, fax or e-mail to him or to his address as shown in the Register of Members (or where the notice is given by e-mail by sending it to the e-mail address provided by such holder). Any notice, if posted from one country to another, is to be sent airmail.

Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, pre-paying and posting a letter containing the notice, and shall be deemed to have been received on the fifth day (not including Saturdays or Sundays or public holidays) following the day on which the notice was posted. Where a notice is sent by cable or fax, service of the notice shall be deemed to be effected by properly addressing and sending such notice and shall be deemed to have been received on the same day that it was transmitted. Where a notice is given by e-mail, service shall be deemed to be effected by transmitting the e-mail to the e-mail address provided by the intended recipient and shall be deemed to have been received on the same day that it was sent, and it shall not be necessary for the receipt of the e-mail to be acknowledged by the recipient.

*In accordance with their published rules and regulations, each of Euroclear and Clearstream, Luxembourg will notify the holders of securities accounts with it to which any Morgan Stanley Jersey Preference Shares are credited of any such notices received by it.*

***Form***

The Morgan Stanley Jersey Preference Shares will be issued in registered form. Title to the Morgan Stanley Jersey Preference Shares will pass by registration of the transferee in the share register of Morgan Stanley Jersey.

*It is intended that a certificate representing the Morgan Stanley Jersey Preference Shares of each Class will be delivered by Morgan Stanley Jersey to the common depositary for Euroclear and Clearstream, Luxembourg at the time the Morgan Stanley Jersey Preference Shares of each class are issued. The Morgan Stanley Jersey Preference Shares are also eligible for clearing and settlement through Euroclear and Clearstream, Luxembourg. As a result, accountholders should note that they will not themselves receive certificates representing Morgan Stanley Jersey Preference Shares but instead Morgan Stanley Jersey Preference Shares will be credited to their securities account with the relevant clearing system. It is anticipated that only in exceptional circumstances (such as the closure of Euroclear and Clearstream, Luxembourg and the non-availability of any alternative or successor clearing system) will certificates be issued directly to such accountholders.*

***Restrictions***

Each proposed holder of a Morgan Stanley Jersey Preference Share of a Class shall produce evidence of such person's identity in order for Morgan Stanley Jersey to comply with all anti-money laundering checks or verifications required by applicable law. Morgan Stanley Jersey shall not be obligated to issue the Morgan Stanley Jersey Preference Shares of a Class until such checks and verifications are completed to the its satisfaction.

In accordance with Article 3.3(g) of the Articles of Association of Morgan Stanley Jersey "Unless the Directors, by resolution, determine otherwise, no Preference Share may be listed on any stock exchange within one year of its issue and allotment and the Company shall not make, and any holder of any Preference Shares shall be deemed to undertake to the Company not to make, an offer to the public (as defined in the Collective Investment Funds (Jersey) Law, 1988) or an invitation to the public (as defined in the Law) in relation to such Preference Share."

Each holder of a Morgan Stanley Jersey Preference Share shall be deemed to have represented to, and agreed with, Morgan Stanley Jersey that the Morgan Stanley Jersey Preference Shares may not be offered to, sold to, transferred to or purchased or held by or for the account of persons resident for income tax purposes in Jersey, unless the Directors, by resolution, determine otherwise.

**Jersey Tax Considerations**

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Morgan Stanley Jersey Preference Shares under the laws of their country of citizenship, residence or domicile.

The following is a discussion on certain Jersey income tax consequences of an investment in a Class of Morgan Stanley Jersey Preference Shares. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Jersey law.

***Income Tax***

Under the Income Tax (Jersey) Law 1961 (the **Income Tax Law**), Morgan Stanley Jersey will be regarded as resident in Jersey under Article 123C of the Income Tax Law and, accordingly, Morgan Stanley Jersey (being neither a financial services company nor a specified utility company under the Income Tax Law at the date hereof) is liable to be charged to tax at a rate of 0 per cent. under Schedule D under the Income Tax Law in respect of (i) the income or profits of any trade carried on by Morgan Stanley Jersey in Jersey or elsewhere, (ii) any interest of money, whether yearly or otherwise, or other annual payment paid to Morgan Stanley Jersey, whether such payment is made within or out of Jersey,

(iii) dividends and other distributions of a company regarded as resident in Jersey paid to Morgan Stanley Jersey, (iv) income arising to Morgan Stanley Jersey from securities out of Jersey and (v) any other income of Morgan Stanley Jersey that is not derived from the ownership or disposal of land in Jersey. It is not expected that Morgan Stanley Jersey will be in receipt of income charged to tax under any Schedule under the Income Tax Law other than Schedule D.

Morgan Stanley Jersey is not entitled to make any deduction or withholding for or on account of Jersey income tax from any dividends, interest or other payments on the Morgan Stanley Jersey Preference Shares. The holders of Morgan Stanley Jersey Preference Shares (other than residents of Jersey) are not subject to any tax in Jersey in respect of the acquisition, ownership, sale, exchange or other disposition of their Morgan Stanley Jersey Preference Shares.

***Stamp Duties***

No stamp duties are payable in Jersey on the acquisition, ownership, exchange, sale or other disposition *inter vivos* of Morgan Stanley Jersey Preference Shares. Stamp duty of up to 0.75 per cent. is payable on the grant of probate or letters of administration in Jersey in respect of a deceased natural person (i) who died domiciled in Jersey, on the value of the entire estate (including any Morgan Stanley Jersey Preference Shares or interests therein) and (ii) otherwise, on the value of so much of the estate (including any Morgan Stanley Jersey Preference Shares or interests therein), if any, as is situated in Jersey.

***Goods and Services Tax***

Morgan Stanley Jersey is an "international services entity" for the purposes of the Goods and Services Tax (Jersey) Law 2007 (the **GST Law**) and, accordingly, it is not required (i) to register as a taxable person pursuant to the GST Law, (ii) to charge goods and services tax in Jersey in respect of any supply made by it or (iii) subject to the following provisos, to pay goods and services tax in Jersey in respect of any supply made to it. The aforementioned provisos are as follows:

(a) where a taxable supply made to Morgan Stanley Jersey by a person registered as a taxable person under the GST Law has a value of less than £1,000, Morgan Stanley Jersey will be required to pay goods and services tax in Jersey (at 3 per cent. of the value of the supply) on such supply if the supply is made under the retail scheme established under Article 43 of the GST Law and the supplier elects to charge goods and services tax on such supply. It is not expected that Morgan Stanley Jersey will be in receipt of supplies made under such retail scheme and, to the extent that it is in receipt of such supplies, Morgan Stanley Jersey may be entitled to a refund of any such goods and services tax paid, subject to compliance with the relevant provisions of the GST Law; and

(b) where a taxable supply made to Morgan Stanley Jersey by a person registered as a taxable person under the GST Law is a supply of goods for onward re-supply of such goods in Jersey in the same state in which they existed when supplied to Morgan Stanley Jersey, Morgan Stanley Jersey will be required to pay goods and services tax in Jersey (at 3 per cent. of the value of the supply) on such supply. It is not expected that Morgan Stanley Jersey will be in receipt of any taxable supplies of goods from a person registered as a taxable person under the GST Law.

***Jersey and the European Union Directive on the Taxation of Savings Income***

As part of an agreement reached in connection with the European Union directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations

2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and Morgan Stanley Jersey's understanding of the current practice of the Jersey tax authorities (and subject to the transitional arrangements described above), Morgan Stanley Jersey would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

**United States Tax Considerations**

Morgan Stanley Jersey and each holder of any Class of Morgan Stanley Jersey Preference Shares intend that, solely for US federal income tax purposes, each Morgan Stanley Jersey Preference Share of any Class will be treated as indebtedness.

**Miscellaneous**

No registrar or principal paying agent with respect to the Morgan Stanley Jersey Preference Shares of any Class has been appointed by Morgan Stanley Jersey.

**Undertaking of Morgan Stanley in respect of the Morgan Stanley Jersey Preference Shares**

Pursuant to a Subscription Undertaking Deed dated 30 October 2007, if Morgan Stanley Jersey would not otherwise be permitted to redeem any Class of Morgan Stanley Jersey Preference Shares on their due date for redemption, Morgan Stanley covenants that it will subscribe for such number of ordinary shares or nominal shares in the capital of Morgan Stanley Jersey as may be necessary to provide Morgan Stanley Jersey with sufficient funds to permit it to redeem any such Class of Morgan Stanley Jersey Preference Shares.

## BENEFIT PLAN INVESTORS

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

The Global Notes, Warrants and Certificates and the Definitive Notes, Warrants and Certificates will bear a legend to the following effect:

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

## UNITED STATES FEDERAL TAXATION

**This discussion is limited to the U.S. federal tax issues addressed below. Additional issues may exist that are not addressed in this discussion and that could affect the federal tax treatment of the transaction. Because this tax disclosure was written in connection with the marketing of the Program for the Issuance of Notes, Warrants and Certificates, it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder. Holders should seek their own advice based upon their particular circumstances from an independent tax advisor.**

The following are the material U.S. federal tax consequences of ownership and disposition of the Program Securities by Non-U.S. Holders (as defined below). This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which subsequent to the date of this Base Prospectus may affect the tax consequences described herein.

This summary does not discuss all of the tax consequences that may be relevant to holders in light of their particular circumstances or to holders subject to special rules, such as:

- persons other than Non-U.S. Holders;
- nonresident alien individuals who have lost their United States citizenship or who have ceased to be treated as resident aliens; or
- corporations that are treated as personal holding companies, controlled foreign corporations, or passive foreign investment companies.

Persons considering the purchase of Program Securities should consult their own tax advisors with regard to the application of the United States federal income tax laws to their particular situations, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

As used herein, the term "**Non-U.S. Holder**" means a beneficial owner of a Program Security that is for United States federal income tax purposes:

- a nonresident alien individual;
- a foreign corporation; or
- a nonresident alien fiduciary of a foreign estate or trust.

"**Non-U.S. Holder**" does not include a holder who is an individual present in the United States for 183 days or more in the taxable year of disposition and who is not otherwise a resident of the United States for U.S. federal income tax purposes. Such a holder is urged to consult his or her own tax advisors regarding the U.S. federal income tax consequences of the sale, exchange or other disposition of a Program Security.

### Bearer Program Securities

Bearer Program Securities will only be issued by the relevant Issuer in circumstances where the applicable United States tax treatment of any income withheld at source (including the application of backup withholding) in respect of such Bearer Program Securities is substantially to the same effect as that applicable to Registered Program Securities issued by the relevant Issuer as described in the section headed "*Registered Program Securities"* below.

### Registered Program Securities

#### Notes

Except as otherwise discussed below or indicated in the applicable Final Terms, a Non-U.S. Holder will generally not be subject to United States federal income tax, including withholding tax, on payments of principal, or interest (including original issue discount, if any) on a Note, or on proceeds from the sale or other disposition of a Note, **provided that** for purposes of United States federal income tax law:

- the Note is treated as indebtedness of the relevant Issuer for U.S. federal income tax purposes;
- the payments or proceeds are not effectively connected with the conduct of a trade or business within the United States by the holder;
- the holder does not own (directly or by attribution) ten per cent. or more of the total combined voting power of all classes of stock of Morgan Stanley entitled to vote;
- the holder is not a bank holding the Note in the context of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business;
- the holder does not have a "tax home" (as defined in Section 911(d)(3) of the Code) or an office or other fixed place of business in the United States; and
- in the case of a Note issued by Morgan Stanley, the certification requirement described below has been fulfilled with respect to the beneficial owner, as described below.

***Certification Requirement***. In the case of a Note issued by Morgan Stanley, the certification requirement referred to in the preceding paragraph will be fulfilled if the beneficial owner of the Note (or a financial institution holding a Note on behalf of the beneficial owner) furnishes the U.S. Internal Revenue Service ("**IRS**") Form W-8BEN, on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person.

**Exchangeable Notes**

Except as otherwise discussed below or indicated in the applicable Final Terms, a Non-U.S. Holder will generally not be subject to United States federal income tax, including withholding tax, with regard to an Exchangeable Note if:

- the Note is treated as indebtedness of the relevant Issuer for U.S. federal income tax purposes;
- the Note is exchangeable only into securities that are actively traded, into a basket of securities that are actively traded or an index or indices of securities that are actively traded; and
- the other requirements for exemption from tax listed above under "*Notes*" are met.

With regard to the above requirements, Exchangeable Notes for which the principal amount payable in cash equals or exceeds the issue price (i.e. the first price at which a substantial amount of the Exchangeable Notes is sold to the public) will generally be treated as indebtedness for U.S. federal income tax purposes. No opinion is expressed herein as to the impact of the "United States real property holding corporation" rules, which could affect the taxation of Non-U.S. Holders of Exchangeable Notes in certain circumstances. Non-U.S. Holders intending to purchase Exchangeable Notes should refer to the discussion relating to taxation in the applicable Final Terms for disclosure, if any is deemed necessary, concerning the applicability of those rules. For information regarding the U.S. federal income tax consequences of the ownership and disposition of the property received in exchange for the Note, please refer to the documents described in the applicable Final Terms.

**Notes Linked to Commodity Prices, Single Securities, Baskets of Securities, Indices, Exchange Traded Funds or other Funds, Currencies and Credit-Linked Notes**

Except to the extent discussed above under "*Exchangeable Notes*", the United States federal income tax consequences to a Non-U.S. Holder of the ownership and disposition of Notes that have principal or interest determined by reference to commodity prices, securities of entities not affiliated with the relevant Issuer, baskets of securities or indices, exchange traded funds or other funds, currencies or the credit of entities not affiliated with the relevant Issuer may vary depending upon the exact terms of the Notes and related factors. Notes containing any of those features may be subject to rules that differ from the general rules discussed above. In these instances, the applicable Final Terms will disclose such special rules. Non-U.S. Holders intending to purchase such Notes should refer to the discussion relating to taxation in the applicable Final Terms, if deemed necessary, for disclosure concerning the applicability of the rules.

**Backup Withholding and Information Reporting**

In general, with respect to Notes treated as indebtedness of the relevant Issuer, U.S. information reporting and backup withholding will not apply to payments on such Notes held by a Non-U.S. Holder and received outside the United States through a non-U.S. bank or other non-U.S. financial institution. Proceeds of sales and payments on Notes received within the United States or through certain U.S. related financial institutions may be subject to information reporting and backup withholding unless the Non-U.S. Holder complies with applicable certification procedures to establish that it is not a U.S. person for U.S. federal income tax purposes or otherwise establishes an exemption. Compliance with the certification procedures described above will satisfy the certification requirements necessary to avoid backup withholding. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, **provided that** the required information is timely furnished to the IRS.

**Estate Tax**

Subject to benefits provided by an applicable estate tax treaty, a Note that is treated as indebtedness of the relevant issuer for U.S. federal income tax purposes will generally be excluded from the gross estate of a Non-U.S. Holder for U.S. federal estate tax purposes upon the individual's death unless, at such time, interest payments on the Notes would have been:

- subject to U.S. federal withholding tax without regard to any certification that such holder is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, not taking into account an elimination of such U.S. federal withholding tax due to the application of an income tax treaty; or

- effectively connected to the conduct by the holder of a trade or business in the United States.

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

**Warrants and Certificates**

Except as otherwise discussed below or indicated in the applicable Final Terms, a Non-U.S. Holder will generally not be subject to United States federal income tax, including withholding tax, on payments on a Warrant or Certificate, or on proceeds from the sale or other disposition of a Warrant or Certificate, **provided that** for purposes of United States federal income tax law:

- the payments or proceeds are not effectively connected with the conduct of a trade or business within the United States by the holder;

- the holder does not own (directly or by attribution) ten per cent. or more of the total combined voting power of all classes of stock of Morgan Stanley entitled to vote;

- the holder is not a bank holding the Program Security in the context of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business;

- the holder does not have a "tax home" (as defined in Section 911(d)(3) of the Code) or an office or other fixed place of business in the United States; and

- in the case of a Warrant or Certificate, issued by Morgan Stanley, the certification requirement described below has been fulfilled with respect to, the beneficial owner, as described below.

***Certification Requirement***. In the case of a Warrant or Certificate issued by Morgan Stanley, the certification requirement referred to in the preceding paragraph will be fulfilled if the beneficial owner of the Warrant or Certificate (or a financial institution holding a Warrant or Certificate on behalf of the beneficial owner) furnishes the IRS Form W-8BEN, on which the beneficial owner certifies under penalties of perjury that it is not a U.S. person.

**Warrants and Certificates Linked to Commodity Prices, Single Securities, Baskets of Securities or Indices, Exchange Traded Funds or Other Funds, Currencies and Bond Securities**

The United States federal income tax consequences to a Non-U.S. Holder of the ownership and disposition of Warrants and Certificates that have payments determined by reference to commodity prices, securities of entities not affiliated with the relevant Issuer, baskets of securities or indices, exchange traded funds or other funds, currencies or bond securities may vary depending upon the exact terms of the Warrants and Certificates and related factors. Warrants and Certificates may be subject to rules that differ from the general rules discussed above. In these instances, the applicable Final Terms will disclose such rules. Non-U.S. Holders intending to purchase such Warrants or Certificates should refer to the discussion relating to taxation in the applicable Final Terms, if deemed necessary, for disclosure concerning the applicability of the rules.

**Backup Withholding and Information Reporting**

In general, U.S. information reporting and backup withholding will not apply to payments on Warrants and Certificates held by a Non-U.S. Holder and received outside the United States through a non-U.S. bank or other non-U.S. financial institution. Proceeds on sales and payments on Warrants and Certificates received within the United States or through certain U.S.-related financial institutions may be subject to information reporting and backup withholding unless the Non-U.S. Holder complies with applicable certification procedures to establish that it is not a U.S. person for U.S. federal income tax purposes or otherwise establishes an exemption. Compliance with the certification procedures described above will satisfy the certification requirements necessary to avoid backup withholding. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, **provided that** the required information is timely furnished to the IRS.

**Estate Tax**

Non-U.S. Holders who are individuals, and holders that are entities the property of which is potentially includible in such an individual's gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers), should note that, absent an applicable treaty benefit, a Warrant or Certificate may be treated as U.S. situs property subject to U.S. federal estate tax. Such individuals and entities should consult their own tax advisors regarding the U.S. federal estate tax consequences of investing in Warrants and Certificates.

**Recent Legislation and Regulatory Developments**

Legislation enacted in 2010, as interpreted in proposed regulations (which are not yet effective) and other published guidance, generally imposes a withholding tax of 30% on payments made after 31 December 2013 to certain foreign entities (including financial intermediaries) with respect to certain "obligations" issued after 31 December 2012, unless various U.S. information reporting and due diligence requirements have been satisfied. The reporting and diligence requirements of the regime, which are in addition to the requirement to deliver an IRS Form W-8BEN (as discussed above), generally relate to determining whether interests in or accounts with such foreign entities are owned by U.S. Persons. Pursuant to the proposed regulations, this legislation will apply to payments of U.S.-source interest and dividends made after 31 December 2013 and, after 31 December 2014, to gross proceeds of dispositions of instruments that give rise to U.S.-source interest and dividends. Pursuant to the proposed regulations, beginning in 2017, these rules may also apply to a portion of payments of interest and dividends on other obligations of a Foreign Financial Institution and to gross proceeds of dispositions of such obligations, although there is no guidance as to how such withholding would be determined. Such individuals and entities should consult their tax adviser regarding the possible implications of this legislation for their investment in the Program Securities.

The U.S. Treasury Department recently released proposed regulations under Section 871(m) of the Code, which requires withholding (up to 30 per cent. depending on whether an income tax treaty applies) on payments or deemed payments made to non-U.S. persons on certain financial instruments to the extent that such payments are contingent upon or determined by reference to U.S.-source dividends. While significant aspects of the application of these regulations to the Program Securities are uncertain, if the proposed regulations were finalised in their current form, investors should be aware that, notwithstanding the discussion regarding withholding above, payments or deemed payments made after 31 december 2012 on the Program Securities, to the extent that they are treated, under the applicable Treasury regulations, as being contingent upon or adjusted to reflect any U.S.-source dividend paid, are likely to be subject to withholding. If withholding is so required, Morgan Stanley or the Issuers will not be required to pay any additional amounts with respect to the amounts so withheld.

## UNITED KINGDOM TAXATION

*The following disclosure applies only in respect of Program Securities issued by Morgan Stanley, MSI plc, Morgan Stanley Jersey or MSBV and not in respect of Program Securities issued by an Additional Issuer or any substitute issuer, and references in this section on United Kingdom taxation to "Notes", "Certificates" and "Warrants" and references to "Noteholders," "Certificateholders" and "Warrantholders" should be construed accordingly.*

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Program Securities. The comments do not deal with other United Kingdom tax aspects of acquiring, holding, disposing of, or abandoning Program Securities. Transactions involving Program Securities, including the issue and subscription of Program Securities, any purchase or disposal or settlement of Program Securities, may have United Kingdom tax consequences for potential purchasers (including but not limited to, transfer taxes and possible withholding or deduction for or on account of United Kingdom tax from payments made in respect of the Program Securities). The tax consequences may depend, amongst other things, on the status of the potential investor and the terms and conditions of a particular Program Security as specified in the Final Terms. It is based on current law and practice of HM Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments relate only to the position of persons who are absolute beneficial owners of the Program Securities. Prospective Securityholders and Noteholders should be aware that the particular terms of issue of any series of Program Securities as specified in the relevant Final Terms may affect the tax treatment of that and other series of Program Securities. The following is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Prospective Securityholders and Noteholders who are in any doubt as to their tax position should consult their professional advisors about tax implications of purchasing and holding a Program Security, any transaction involving a Program Security, and any transaction involved in the exercise and settlement of a Program Security. Securityholders and Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom are particularly advised to consult their professional advisors as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom withholding taxation aspects of payments in respect of the Program Securities. In particular, Securityholders and Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Program Securities even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

### A. Notes – UK Withholding Tax on Interest Payments by the Issuers

1. Interest on Notes issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax.

2. Interest on Notes issued for a term of one year or more (or under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax except in circumstances where such interest has a United Kingdom source. The location of the source of a payment is a complex matter. It is necessary to have regard to case law and HMRC practice. Case law has established that in determining the source of interest all relevant factors must be taken into account. HMRC has indicated that the most important factors in determining the source of a payment are those which influence where a creditor would sue for payment and has stated that the place where the Issuer does business and the place where its assets are located are the most important factors in this regard; however, HMRC has also indicated that, depending on the circumstances, other relevant factors may include the place where the interest and principal are payable, the method of payment, the governing law of the Program Securities and the competent jurisdiction for any legal action, the location of any security for the Issuer's obligation under the Program Securities and the residence of any guarantor.

3. Interest which has a United Kingdom source ("**UK interest**") may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax if the Notes

in respect of which the UK interest is paid constitute "quoted Eurobonds". Notes which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Notes will be regarded as "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom's official list (within the meaning of Part 6 or the Financial Services and Markets Act 2000) or they are officially listed in the country of that stock exchange in accordance with provisions corresponding to those generally applicable in European Economic Area states in a country outside the United Kingdom in which is a recognised stock exchange.

4. Accordingly, **provided that** the Notes are and remain within the HMRC definition of "listed on a recognised stock exchange" then they will constitute quoted Eurobonds. The London Stock Exchange is a recognised stock exchange. Accordingly, **provided that** the Notes are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange, the Notes will constitute "quoted Eurobonds". SCOACH AG has not been designated as a market on which securities would meet the HMRC definition of "listed on a recognised stock exchange" and accordingly Notes admitted to trading on SCOACH AG and listed on the SIX Swiss Exchange will not constitute "quoted Eurobonds".

5. If the Notes do not constitute "quoted Eurobonds", payments of interest on the Notes may still be made without withholding or deduction for or on account of United Kingdom income tax, **provided that** the relevant Issuer is and continues to be authorised for the purposes of the Financial Services and Markets Act 2000 and its business is and continues to consist wholly or mainly of dealing in financial instruments (within the meaning of section 885 of the Income Tax Act 2007) as principal and that such payments are made in the ordinary course of that business. On the basis of HMRC published practice in the context of a similar provision, interest will be accepted as being paid in the ordinary course of business unless either (i) the borrowing in question conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the FSA, whether or not it actually counts toward tier 1, 2 or 3 capital for regulatory purposes, or (ii) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.

6. In all other cases, UK interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply.

7. On 27 March 2012, HM Revenue and Customs published a Consultation Document on "Possible changes to income tax rules on interest" which includes proposals relating to the imposition of United Kingdom withholding tax. One potential change is that the quoted Eurobond exemption from withholding tax on UK interest will not be available where Notes are issued between group companies and listed on a stock exchange on which there is no substantial or regular trading in the Notes. It is also proposed that the withholding tax obligation in respect of UK interest payments be extended so that it may apply to interest on Notes issued for a term of less than one year. It is not possible to identify at this time to what extent, if at all, these proposals will be implemented.

## B. Warrants and Certificates – UK Withholding Tax on payments by the Issuers

Unless payments under the Warrants and/or Certificates are (or are deemed to be for United Kingdom tax purposes) interest, annual payments, or income arising from UK real property or certain types of intellectual property, they may be made without withholding or deduction for or on account of United Kingdom income tax.

## C. Payments under Deed of Covenant

Any payments made under the Deed of Covenant by the relevant Issuer may not qualify for the exemptions from UK withholding tax described above.

## D. Provision of Information

Holders should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Holder. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.

For the above purposes, "interest" should be taken, for practical purposes, as including payments made by a guarantor in respect of interest on Notes.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute "deeply discounted securities" for the purposes of section 430 of the Income Tax (Trading and Other Income) Act 2005 (although, in this regard, HMRC published guidance for the year 2012/2013 which indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

## E. Payments by Guarantor

If the Guarantor makes any payments in respect of interest on the Program Securities (or other amounts due under the Program Securities other than the repayment of amounts subscribed for the Program Securities) and such payments have a United Kingdom source, such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. Whether such payment made by the Guarantor have a United Kingdom source is a complex matter and is likely to be determined by reference to the factors set out in paragraph A2 above. Such payments by the Guarantor may not be eligible for the exemptions described in A above.

## F. Other Rules Relating to United Kingdom Withholding Tax

1. Program Securities may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Program Securities will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.

2. Where Program Securities are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

3. Where interest has been paid under deduction of United Kingdom income tax, Securityholders and Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

4. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or principal" which may prevail under any other law or which may be created by the terms and conditions of the Program Securities or any related documentation. Where a payment on a Program Security does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment, rent or royalties for United Kingdom tax purposes. Where a payment is subject to United Kingdom withholding tax, depending on the nature of the payment (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Program Security), the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available under the provisions of any applicable double tax treaty.

## JERSEY TAXATION

Prospective purchasers of Program Securities issued by Morgan Stanley Jersey should consult their tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Jersey of acquiring, holding and disposing of such securities and receiving payments of interest, principal and/or other amounts under such securities.

The following summary is based on the laws and practices currently in force in Jersey at the date of this document and is subject to changes therein.

### Income Tax

Under the Income Tax (Jersey) Law 1961 (the "**Income Tax Law**"), Morgan Stanley Jersey will be regarded as resident in Jersey under Article 123C of the Income Tax Law and, accordingly, Morgan Stanley Jersey (being neither a financial services company nor a specified utility company under the Income Tax Law at the date hereof) is liable to be charged to tax at a rate of 0 per cent. under Schedule D under the Income Tax Law in respect of (i) the income or profits of any trade carried on by Morgan Stanley Jersey in Jersey or elsewhere, (ii) any interest of money, whether yearly or otherwise, or other annual payment paid to Morgan Stanley Jersey, whether such payment is made within or out of Jersey, (iii) dividends and other distributions of a company regarded as resident in Jersey paid to Morgan Stanley Jersey, (iv) income arising to Morgan Stanley Jersey from securities out of Jersey and (v) any other income of Morgan Stanley Jersey that is not derived from the ownership or disposal of land in Jersey. It is not expected that Morgan Stanley Jersey will be in receipt of income charged to tax under any Schedule under the Income Tax Law other than Schedule D.

Morgan Stanley Jersey is not entitled to make any deduction or withholding for or on account of Jersey income tax from any dividends, interest or other payments on the Program Securities. The Holders of Program Securities (other than residents of Jersey) are not subject to any tax in Jersey in respect of the acquisition, ownership, sale, exchange or other disposition of the Program Securities.

### Goods and Services Tax

Morgan Stanley Jersey is an "international services entity" for the purposes of the Goods and Services Tax (Jersey) Law 2007 (the "**GST Law**") and, accordingly, it is not required (i) to register as a taxable person pursuant to the GST Law, (ii) to charge goods and services tax in Jersey in respect of any supply made by it or (iii) subject to the following provisos, to pay goods and services tax in Jersey in respect of any supply made to it. The aforementioned provisos are as follows:

(a) where a taxable supply made to Morgan Stanley Jersey by a person registered as a taxable person under the GST Law has a value of less than £1,000, Morgan Stanley Jersey will be required to pay goods and services tax in Jersey (at 3 per cent. of the value of the supply) on such supply if the supply is made under the retail scheme established under Article 43 of the GST Law and the supplier elects to charge goods and services tax on such supply. It is not expected that Morgan Stanley Jersey will be in receipt of supplies made under such retail scheme and, to the extent that it is in receipt of such supplies, Morgan Stanley Jersey may be entitled to a refund of any such goods and services tax paid, subject to compliance with the relevant provisions of the GST Law; and

(b) where a taxable supply made to Morgan Stanley Jersey by a person registered as a taxable person under the GST Law is a supply of goods for onward re-supply of such goods in Jersey in the same state in which they existed when supplied to Morgan Stanley Jersey, Morgan Stanley Jersey will be required to pay goods and services tax in Jersey (at 3 per cent. of the value of the supply) on such supply. It is not expected that Morgan Stanley Jersey will be in receipt of any taxable supplies of goods from a person registered as a taxable person under the GST Law.

### Stamp Duties

No stamp duties are payable in Jersey on the acquisition, ownership, exchange, sale or other disposition *inter vivos* of Program Securities. Stamp duty of up to 0.75 per cent. is payable on the grant of probate or letters of administration in Jersey in respect of a deceased natural person (i) who died domiciled in Jersey, on the value of the entire estate (including any Program Securities or interests therein) and (ii) otherwise, on the value of so much of the estate (including any Program Securities or interests therein), if any, as is situated in Jersey.

**Jersey and the European Union Directive on the Taxation of Savings Income**

As part of an agreement reached in connection with the European Union directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and Morgan Stanley Jersey's understanding of the current practice of the Jersey tax authorities (and subject to the transitional arrangements described above), Morgan Stanley Jersey would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

## NETHERLANDS TAXATION

*The following disclosure applies only in respect of Program Securities issued by MSBV and not in respect of Program Securities issued by Morgan Stanley, MSI plc, Morgan Stanley Jersey or an Additional Issuer or any substitute issuer. References in this section on Netherlands taxation to "Program Securities" refer only to Program Securities issued by MSBV and references to holders of Program Securities should be construed accordingly.*

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Program Securities, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Program Securities.

For the purpose of this summary, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

Where this summary refers to a holder of a Note, an individual holding a Note or an entity holding a Note, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Note.

Where the summary refers to "The Netherlands" or "Dutch" it refers only to the European part of the Kingdom of the Netherlands.

**Withholding Tax**

All payments under the Program Securities may be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein, **provided that** (i) the Program Securities have a maturity – legally or *de facto* - of not more than 50 years, and (ii) the Program Securities will not represent, be linked to (the performance of) or be convertible (in part or in whole) into, (rights to purchase) (a) shares, (b) profit certificates (*winstbewijzen*), and/or (c) debt instruments having a maturity – legally or *de facto* – of more than 50 years, issued by MSBV, the Guarantor or any other entity related to MSBV and/or the Guarantor.

**Taxes on Income and Capital Gains**

A holder of Program Securities will not be subject to any Netherlands taxes on income or capital gains in respect of Program Securities, including such tax on any payment under the Program Securities or in respect of any gain realised on the disposal, deemed disposal or exchange of Program Securities, **provided that**:

(a) such holder is neither a resident nor deemed to be a resident of the Netherlands, nor, if he is an individual, has elected to be taxed as a resident of the Netherlands; and

(b) such income or gain is not attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in The Netherlands from which enterprise the holder derives profits from such enterprise other than by way of securities; or

(c) if such holder is an individual, neither such holder nor any of his spouse, his partner, a person deemed to be his partner, or other persons sharing such person's house or household, or certain other of such persons' relatives (including foster children), whether directly and/or indirectly as (deemed) settlor, grantor or similar originator (the "**Settlor**") or upon the death of the Settlor, his/her beneficiaries (the "**Beneficiaries**") in proportion to their entitlement to the estate of the Settlor of a trust, foundation or similar arrangement (the "**Trust**") (a) has indirectly the disposition of the proceeds of Program Securities in the Netherlands, nor (b) has a substantial interest in MSBV, the Guarantor and/or any other entity that legally or de facto, directly or indirectly, has control of the proceeds of Program Securities in the Netherlands. For purposes of this clause (c), a substantial interest is generally not present if a holder does not hold, alone or together with his spouse, his partner, a person deemed to be his partner, or other persons sharing such person's house or household, or certain other of such person's relatives (including foster children), or a Trust of which he or any of the aforementioned persons is a Settlor or a Beneficiary, whether directly or indirectly, (a) the ownership of, certain other rights, such as usufruct, over, or rights to acquire shares (whether or not already issued) representing five per cent. or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of a company, (b) the ownership of, or certain other rights, such as usufruct, over profit sharing certificates (*winstbewijzen*), or membership rights in a co-operative association, entitling the holder to five per cent. or more of the annual profits or of the liquidation distributions of a company or co-operative association, or (c) membership rights representing five per cent. or more of the voting rights in a co-operative association's general meeting; and

(d) if such holder is a company, such holder does not have a substantial interest in MSBV or if such holder does have such a substantial interest, it is not held with the avoidance of Netherlands income tax or dividend withholding tax as (one of) the main purpose(s) or it can be allocated to the holder's business assets. For the purpose of this clause (d), a substantial interest is generally not present if a holder does not hold, whether directly or indirectly, (a) the ownership of, certain other rights, such as usufruct, over, or rights to acquire shares (whether or not already issued) representing five per cent. or more of the total issued and outstanding capital (or of the issued and outstanding capital of any class of shares) of MSBV, or (b) the ownership of, or certain other rights, such as usufruct, over profit sharing certificates (*winstbewijzen*), entitling the holder to five per cent. or more of the annual profits or of the liquidation distributions of MSBV; and

(e) if such holder is an individual, such income or capital gains do not form "benefits from miscellaneous activities in the Netherlands" (*resultaat uit overige werkzaamheden in Nederland*), which would for instance be the case if the activities in the Netherlands with respect to the Program Securities exceed "normal active asset management" (*normaal, actief vermogensbeheer*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a "**lucrative interest**") that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

A holder of Program Securities will not be subject to taxation in the Netherlands by reason only of the execution, delivery and/or enforcement of the documents relating to an issue of Program Securities or the performance by MSBV of its obligations thereunder or under the Program Securities.

**Gift, Estate and Inheritance Taxes**

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition or deemed acquisition of Program Securities by way of a gift by, or on the death of, a holder of Program Securities who is neither resident nor deemed to be resident in the Netherlands, unless in the case of a gift of Program Securities by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

For purposes of Netherlands gift and inheritance tax, a gift that is made under a condition precedent is deemed to be made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

For purposes of Netherlands gift and inheritance tax, an individual who holds the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death.

For purposes of Netherlands gift tax, an individual not holding the Netherlands nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

For gift and inheritance tax purposes, (i) a gift by a third party such as a trustee, foundation or similar entity or arrangement, will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule, his/her Beneficiaries, will be deemed to have inherited directly from the Settlor. Subsequently, the Beneficiaries will be deemed the settlor, grantor or similar originator of the Trust for the purposes of the Netherlands gift and inheritance tax in case of subsequent gifts or inheritances.

**Turnover Tax**

No Netherlands turnover tax will arise in respect of any payment in consideration for the issue of Program Securities, with respect to any payment by MSBV of principal, interest or premium (if any) on the Program Securities.

**Other Taxes and Duties**

No Netherlands capital tax, registration tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the Courts of the Netherlands) of the documents relating to the issue of Program Securities or the performance by MSBV of its obligations thereunder or under the Program Securities.

## AUSTRIAN TAXATION

**This section on taxation contains a brief summary of the Issuers' understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Program Securities in the Republic of Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. These comments are not intended to be, nor should they be construed to be, legal or tax advice. This summary furthermore only refers to investors which are subject to unlimited (corporate) income tax liability in Austria. It is based on the currently valid tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential purchasers of the Program Securities consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Program Securities. Tax risks resulting from the Program Securities (in particular from a potential qualification as a foreign investment fund within the meaning of sec. 42 of the Austrian Investment Funds Act 1993 [*Investmentfondsgesetz 1993*]) shall in any case be borne by the purchaser. For the purposes of the following it is assumed that the Program Securities are legally and factually offered to an indefinite number of persons and purchased after 31 March 2012.**

### General remarks

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

### Income taxation of the Program Securities

With the passing of the Budget Accompanying Act of 2011 (*Budgetbegleitgesetz 2011*), the Austrian legislator intended to comprehensively realign the taxation of financial instruments, in particular with regard to capital gains. Pursuant to the newly worded sec. 27(1) of the Austrian Income Tax Act, the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest;
- income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the sale, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and also broken-period interest; and
- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of the Program Securities from a bank deposit (*Depotentnahme*) is considered as a sale (except if the transfer to another bank deposit does not result in Austria losing its right to tax vis-à-vis other countries and if specific notifications as mentioned in sec. 27(6)(1)(a) of the Austrian Income Tax Act are effected).

Individuals subject to unlimited income tax liability in Austria holding the Program Securities as a non-business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income that is paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to a withholding tax of 25%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the income tax return and is subject to a flat income tax rate of 25%. In both cases upon application the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 27(8) of the Austrian Income Tax Act, losses from investment income may not be offset with other types of income. Negative income subject to the flat tax rate of 25% may not be offset with income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation). Further, an offsetting of losses from realised increases in value and from derivatives with (i) interest and other claims against credit institutions and (ii) income from Austrian or foreign private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) is not permissible.

Individuals subject to unlimited income tax liability in Austria holding the Program Securities as a business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%. While this withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must on the other hand be included in the income tax return (nevertheless flat income tax rate of 25%). In case of investment income without an Austrian nexus, the income must always be included in the income tax return (flat income tax rate of 25%). In both cases upon application the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the special tax rate of 25%, are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from the Program Securities at a rate of 25%. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%, which can be credited against the corporate income tax liability. However, under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied in the first place. Income from the sale of the Program Securities is subject to corporate income tax of 25%. Losses from the sale of the Program Securities can be offset against other income.

Private foundations pursuant to the Austrian Private Foundations Act fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act and holding the Program Securities as a non-business asset are subject to interim taxation at a rate of 25% on interest income, income from realised increases in value and income from derivatives. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%, which can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act no withholding tax is levied.

As of 1 January 2013, pursuant to sec. 93(6) of the Austrian Income Tax Act, the Austrian custodian agent will be obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent (for the period from 1 April 2012 to 31 December 2012 grandfathering provisions exist). Negative income is primarily to be offset against positive income which is earned at the same or a later point in time. If this is not possible, withholding tax on positive income withheld at an earlier point in time has to be credited. Losses may not be offset across bank deposits by the custodian agent, *inter alia,* in case of bank deposits held as business assets or in trust. The custodian agent has to issue a written confirmation on the offsetting of losses for each bank deposit.

Pursuant to sec. 42 of the Austrian Investment Funds Act 1993, a foreign investment fund is defined as any assets subject to a foreign jurisdiction which, irrespective of the legal form they are organized in, are invested according to the principle of risk-spreading on the basis either of a statute, of the entity's articles or of customary exercise. Certain collective investment vehicles investing in real estate are exempted. It should be noted that the Austrian tax authorities have commented upon the distinction between index certificates of foreign issuers on the one hand and foreign investment funds on the other hand in the Investment Fund Regulations (*Investmentfondsrichtlinien*). Pursuant to these, no foreign investment fund may be assumed if for the purposes of the issuance no predominant actual purchase of the underlying assets by the issuer or a trustee of the issuer, if any, is made and no actively managed assets exist. Directly held bonds shall not be considered as foreign investment funds if the performance of the bonds depends on an index, notwithstanding the fact of whether the index is a well-known one, an individually constructed "fixed" index or an index which is changeable at any time.

**EU withholding tax**

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – which transforms into national law the provisions of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State (or in certain dependent or associated territories) are subject to a withholding tax of 35% if no exception from such withholding applies. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from withholding tax where the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her Member State of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years.

Regarding the issue of whether also index certificates are subject to the EU withholding tax, the Austrian tax authorities distinguish between index certificates with and without a capital guarantee, a capital guarantee being the promise of repayment of a minimum amount of the capital invested or the promise of the payment of interest. The exact tax treatment of index certificates furthermore depends on their underlying.

Pursuant to guidelines published by the Austrian Federal Ministry of Finance, income from warrants, pursuant to which an investor is entitled (but not obliged) to buy or sell a specified underlying at a specific price or to receive or pay a difference amount relating to the value of such underlying at a predetermined date (*Optionsscheine*), does not qualify as interest within the meaning of the Austrian EU Withholding Tax Act.

**Austrian inheritance and gift tax**

Austria does not levy an inheritance and gift tax anymore.

However, it should be noted that certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions apply in case of a transfer *mortis causa*, in particular for bank deposits, publicly placed bonds and portfolio shares (*i.e.*, less than 1%). The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5%, with a higher rate of 25% applying in special cases.

In addition, a special notification obligation exists for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles. The notification obligation applies if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may lead to the levying of fines of up to 10% of the fair market value of the assets transferred.

Further, it should be noted that pursuant to sec. 27(6)(1)(a) of the Austrian Income Tax Act the withdrawal of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act is considered a sale. Thus, also gratuitous transfers of the Program Securities can trigger income tax on the level of the transferor. Under the circumstances mentioned in sec. 27(6)(1)(a)(4) and (5) of the Austrian Income Tax Act, no income tax is triggered.

## DANISH TAXATION

The following is a summary description of the taxation in Denmark of Notes, Warrants or Certificates according to the Danish tax laws in force at the date of this Base Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes, Warrants or Certificates and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as professional dealers in securities) may be subject to special rules. Potential investors are under all circumstances strongly recommended to contact their own tax advisor to clarify the individual consequences of their investment, holding and disposal of Notes, Warrants or Certificates. The Issuer makes no representations regarding the tax consequences of purchase, holding or disposal of the Notes, Warrants or Certificates.

### Taxation of Notes

*Taxation at source*

Under existing Danish tax laws no general withholding tax or coupon tax will apply to payments of interest or principal or other amounts due on the Notes, other than in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to in The Danish Corporation Tax Act (in Danish "*Selskabsskatteloven*") of 7 December 2010 (as amended). This will not have any impact on Noteholders who are not in a relationship whereby they control, or are controlled by, the Issuer, or where the Noteholders and the Issuer are not controlled by the same group of shareholders.

Moreover, Danish withholding tax on payments of interest or principal or other amounts due on the Notes will not apply where the payment does not have a Danish source.

*Resident Noteholders*

Private individuals, including persons who are engaged in financial trade, companies and similar enterprises resident in Denmark for tax purposes or receiving interest on the Notes through their permanent establishment in Denmark are liable to pay tax on such interest.

Capital gains are taxable to individuals and corporate entities in accordance with the Danish Capital and Exchange Gains Act (in Danish "*Kursgevinstloven*") of 19 August 2011 (as amended) (the "Act"). Gains and losses on Notes held by corporate entities are generally taxed in accordance with a mark-to-market principle (in Danish "*lagerprincippet*"), i.e. on an unrealised basis. Gains and losses on Notes held by individuals are generally taxed on a realised basis and if the annual gains or losses do not exceed DKK 2,000, the gains or losses will be exempt from taxation.

A variety of features regarding interest and principal may apply to the Notes. The applicable taxation of capital gains to corporate entities or individuals will depend on the features applicable to the Notes in question.

Structured notes can be designed in many ways and with many different underlying assets or in a way that the yield will depend on various index or currency flows. When structured notes are issued the following tax rules apply to the Notes.

Gains and losses on structured notes are generally treated as gains and losses on financial instruments in accordance with section 29(3) of the Act. However, there are exceptions – for example, notes which are adjusted in relation to developments in the consumer prices index (as computed by Statistics Denmark (*Danmarks Statistik*)), the net consumer-price index or a similar index within the European Union or any of its member states. The gains and losses are calculated irrespective of the rules applying to the underlying asset.

Gains and losses on structured notes issued to both corporate entities and individuals are predominantly treated as taxable income in accordance with a mark-to-market principle (in Danish "l*agerprincippet*"), i.e. on an unrealised basis.

Corporate entities are generally able to deduct losses on structured notes, but individuals may only deduct losses on structured notes against gains on other financial instruments. However, in both cases, certain restrictions or exceptions apply.

Pension funds and other entities governed by the Danish act on taxation of pension yield (in Danish "*Pensionsafkastbeskatningsloven*") would, irrespective of realisation, be taxed on annual value increase or decrease of the Notes according to a mark-to-market principle (in Danish "*lagerprincippet*") as specifically laid down in the act.

*Non-Resident Noteholders*

Under existing Danish tax laws, payments of interest or principal amounts to any non-resident Noteholders are not subject to taxation in Denmark, other than in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to under "Taxation at source" above. Thus, no Danish withholding tax will be payable with respect to such payments and any capital gain realised upon the sale, exchange or retirement of a Note will not be subject to taxation in Denmark, other than in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to under "Taxation at source" above.

This tax treatment applies solely to Noteholders who are not subject to full tax liability in Denmark or included in a Danish joint taxation scheme and do not carry on business in Denmark through a permanent establishment.

**Taxation of Warrants and Certificates**

Warrants and Certificates can be issued with a large number of different underlying financial instruments (Share Securities, Share Basket Securities, Index Securities, Index Basket Securities, ETF Securities, ETF Basket Securities, Currency Securities, Commodity Securities, Bond Securities, Inflation Securities, Property Securities, Fund Securities and Fund Basket Securities) or other assets as the underlying reference.

The taxation of the Warrants and Certificates will depend on the underlying financial instrument or asset. Most of the underlying financial instruments listed in the Base Prospectus are of a kind that will lead to a similar taxation of the Warrants and Certificates as for holding of Notes, as described above. If the underlying financial instrument is instead covered by the Danish Act on Capital Gains Tax (in Danish: "*Aktieavancebeskatningsloven*"), the holder of Warrants and Certificates will be deemed a shareholder for Danish tax purposes and different rules will apply, which are described below.

*Resident personal holders of Warrants and Certificates*

Sale, redemption or other disposals of Warrants and Certificates covered by the Danish Act on Capital Gains Tax are considered a realisation for Danish tax purposes. A capital gain or loss obtained by a Danish resident personal shareholder through a disposal of Warrants or Certificates is taxable or tax deductible in Denmark, respectively.

Capital gains will be subject to taxation as share income at a rate of 27 per cent on annual share income up to DKK 48,300 and 42 per cent of share income exceeding DKK 48,300. The stated amount limits are applicable for 2012 and adjusted annually (however, no adjustment will take place in 2013). The amount limits are doubled for married couples co-habiting at the end of the income year.

Losses upon the realisation of Warrants and Certificates can be deducted.

*Resident corporate holders of Warrants and Certificates*

Danish resident holders of shares are subject to capital gains tax and tax on dividends. Companies holding at least 10 per cent of a Danish company (subsidiary shares) are, however, not liable to pay capital gains tax and tax on dividends irrespective of the period of ownership. Dividends and capital gains on shareholdings of less than 10 per cent (portfolio shares) will on the other hand be subject to tax for company shareholders.

For corporate entities, the tax on portfolio shares will be calculated and paid annually based on a mark-to-market principle. A realisation principle may be elected for shareholdings in non-listed companies. The corporate tax rate is 25 per cent.

*Non-Resident holders of Warrants and Certificates*

For non-tax residents, capital gains on shareholdings remain tax free irrespective of ownership percentage and ownership period. Generally, company shareholders are also exempt from tax on dividends if holding 10 per cent or more in a Danish company, however exceptions apply. Dividends paid to company shareholders holding less than 10 per cent or dividends paid to individuals are subject to Danish withholding tax at a rate of 27 per cent.

## GERMAN TAXATION

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

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

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

### German tax residents

German tax resident are persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany).

### Program Securities held as private assets

If Program Securities are held by an investor as private assets (*Privatvermögen*), payments of interest qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 German Income Tax Act ("**ITA**" – *Einkommensteuergesetz*). Capital gains / capital losses realised upon disposal of the Program Securities, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, qualify as (negative) savings income pursuant to section 20 para 2 sentence 1 no 7 ITA. If such disposal results in a loss, such loss can only be offset against other taxable savings income. If the investor does not have enough other taxable savings income in the respective assessment period, the losses can be carried forward; a loss carry back is not possible.

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated 22 December 2009 as amended on 16 November 2010, a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible. However, the Issuers take the view that losses suffered for other reasons (e.g. because the Program Securities are linked to a reference value and such reference value decreases in value) should be tax-deductible, subject to the ring-fencing rules described above and subject to the following paragraph. Investors should note that such view of the Issuers must not be understood as a guarantee that the German tax authorities and/or courts will follow such view.

Further, according to said tax decree, where the Program Securities provide for instalment payments, such instalment payments shall always qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) in the sense of section 20 para 1 no 7 ITA, unless the terms and conditions of the Program Securities provide explicit information regarding redemption or partial redemption during the term of the Program Securities and the contractual parties comply with these terms and conditions. It is further stated in the tax decree that, if, in the case of Program Securities with instalment payments, there is no final payment at maturity, the expiry of such Program Securities shall not qualify as a sale-like transaction, which means that any remaining acquisition costs could not be deducted for tax purposes. Similarly, any remaining acquisition costs of Program Securities with instalment payments shall not be tax-deductible if the Program Securities do not provide for a final payment or are terminated early without a redemption payment because the respective underlying has left the defined corridor or has broken certain barriers (e.g. in knock-out structures). Although this tax decree only refers to notes with instalment payments, it cannot be excluded that the tax authorities apply the above principles also to other kinds of full risk securities.

If Program Securities qualify as contracts for differences (*Termingeschäfte*), disposal proceeds and other benefits from the Program Securities qualify as (negative) savings income pursuant to section 20 para 2 sentence 1 no 3 ITA. In such a case, if the Program Securities expire worthless, losses may not be tax-deductible at all.

Program Securities providing for a physical delivery of, e.g., bonds or shares, may qualify as convertible, exchangeable or similar instruments, subject to the relevant Terms and Conditions of such Program Securities. In such a case, the sales proceeds from the Program Securities and the acquisition costs of the received securities may be deemed to be equal to the initial acquisition costs of the Program Securities (section 20 para 4a sentence 3 ITA) so that no taxable capital gains would be realised due to the conversion. However, capital gains realised upon an on-sale of the received securities would qualify as taxable income.

Savings income is, in general, subject to German income tax at a special (flat) tax rate of 26.375 per cent. (including solidarity surcharge) plus, if applicable, church tax.

With regard to savings income, the savers lump sum amount (*Sparer-Pauschbetrag*) in the amount of 801 EUR (respectively 1,602 EUR in the case of jointly assessed husband and wife) will be deducted; a deduction of the actual income-related expenses is, in general, excluded.

**Program Securities held as business assets**

If Program Securities are held by an investor (individuals and corporate entities) as business assets (*Betriebsvermögen*), interest payments and capital gains from the disposal of the Program Securities are subject to corporate income tax (in the case of an incorporated investor) at a tax rate of 15 per cent. or income tax at an individual progressive tax rate of up to 45 per cent., as the case may be (each plus 5.5 per cent. solidarity surcharge thereon). In addition, trade tax may apply, the rate of which depends on the municipality in which the business is located (rates vary between 7 and approx. 17 per cent.). Further, in the case of individuals, church tax may be levied. In the case of a loss, such loss may be subject to ring-fence rules and, if so, may only be offset against other derivative income. In case the income of the investor is determined based on accrual accounting, interest and capital gains may be taxable before actual payments are received.

**German withholding tax**

With regard to savings income (*Kapitalerträge*), e.g. interest or capital gains, German withholding tax will be levied at a flat withholding tax rate of 26.375 per cent. (including solidarity surcharge) if, *inter alia*, the Program Securities are registered in a foreign registry, have been issued in a global note in terms of section 9 of the German Securities Deposit Act (*Depotgesetz*) or qualify as partial debentures (*Teilschuldverschreibungen*) and are held in a custodial account maintained with a German branch of a German or non-German credit or financial services institution or with a securities trading business (*Wertpapierhandelsunternehmen*) or securities trading bank (*Wertpapierhandelsbank*) (a "**German Disbursing Agent**"). If the Program Securities are not held in a custodial account, German withholding tax will nevertheless be levied if the Program Securities are issued in definitive form and the savings earnings are paid by a German Disbursing Agent against presentation of the Program Securities or Coupons (so-called over-the-counter transaction – *Tafelgeschäft*).

Individuals who are subject to church tax may apply in writing for this tax to be withheld as a surcharge to the withholding tax. Individuals subject to church tax but declining to apply have to include their savings income in their tax return and will then be assessed to church tax. For German credit institutions an electronic information system as regards church withholding tax will presumably be introduced as of 2014, with the effect that a written application for church withholding tax is no longer necessary. Accordingly, the obligation to include savings income in the tax return for church tax purposes will no longer apply

The tax base is, in principle, equal to the taxable gross income as set out above (i.e. prior to withholding). However, in the case of capital gains, the tax deduction is calculated on the basis of the capital gain only if the Program Securities have been kept in a custodial account with such German Disbursing Agent since the time of issuance and acquisition, respectively; if that is not the case, the investor may prove the acquisition costs to the German Disbursing Agent only in a specific form required by law, Otherwise, the tax deduction is calculated on the basis of 30 per cent. of the proceeds from the disposal of the Program Securities.

In general, no withholding tax will be levied if an investor holding the Program Securities as private assets has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the interest income and other taxable savings income do not exceed the amount shown on the filed withholding tax exemption certificate. Similarly, no withholding tax will be deducted if an investor has submitted to the German Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

In the case of individuals holding the Program Securities as private assets, if German withholding tax is levied, such withholding tax will, in general, become definitive and replace the investor's income taxation (flat withholding tax – *Abgeltungsteuer*); in such a case, the filing of a tax return for savings income is not required. If no tax is withheld, then the investor is obliged to file a tax return and the savings income will then be taxed within the assessment procedure. However, the special tax rate for savings income applies, in principle, also in the assessment procedure. Further, an investor may alternatively request that all savings income of a given year is taxed at his/her individual income tax rate (if lower than the withholding tax rate) based on an assessment to tax with any amount over withheld being refunded.

If the Program Securities form part of a trade or business, the withholding tax will not settle the income tax liability.

Investors holding the Program Securities as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent. Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Program Securities if, for example, (a) the Program Securities are held by a company satisfying the requirements of section 43 para 2 sentence 3 no 1 German Income Tax Act or (b) the proceeds from the Program Securities qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form. The investor is obliged to report income and related expenses in the (annual) tax return, and the balance will be taxed at the investor's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the investor. If the tax withheld exceeds the respective (corporate) income tax amount, the difference will be refunded within the tax assessment procedure.

**Non-residents**

In general, a Noteholder or Securityholder that is not tax resident in Germany is subject to German payments of consideration or taxation on gains from the disposition of Program Securities and potentially withholding tax only under certain circumstances, e.g. (i) if the Program Securities are held as business assets of a permanent establishment, including a permanent representative, maintained in Germany by the Noteholder or Securityholder or (ii) the income qualifies for other reasons as taxable German source income (such as income from the letting and leasing of property). In such a case, a tax regime similar to that explained above for German tax residents will apply.

**Inheritance and Gift Tax**

No inheritance or gift taxes with respect to the Program Securities will arise under the laws of Germany if, in the case of inheritance tax, neither the decedent nor the beneficiary or, in the case of gift tax, neither the donor nor the donee is a resident of Germany and the Program Securities are not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

**Other Taxes**

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Program Securities. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

**EU Savings Tax Directive**

Concerning the EC Council Directive 2003/48/EC on the taxation of savings income, refer to the chapter on the European Union Savings Directive on page 350.

By legislative regulations dated 26 January 2004, the Federal Government enacted provisions implementing the Directive into German law. These provisions apply from 1 July 2005.

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

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

# ITALIAN TAXATION

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

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

**Tax treatment of the Program Securities**

The Program Securities may be subject to different tax regimes depending on whether:

(a) they represent derivative financial instruments or bundles of derivative financial instruments, through which the Noteholders or Securityholders purchase indirectly underlying financial instruments; or

(b) they represent a debt instrument implying a "use of capital" (*impiego di capitale*), through which the Noteholders or Securityholders transfer to the Issuer a certain amount of capital, for the economic exploitation of the same, subject to the right to obtain a (partial or entire) reimbursement of such amount at maturity.

**Program Securities representing derivative financial instruments or bundles of derivative financial instruments**

***Italian resident Noteholders or Securityholders***

Where the Italian resident Noteholder or Securityholder is (i) an individual not engaged in an entrepreneurial activity to which the Program Securities are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, payments in respect of Program Securities qualifying as securitised derivative financial instruments as well as capital gains realised on any sale or transfer for consideration or exercise or redemption thereof are subject to a 20 per cent. substitute tax (*imposta sostitutiva*). The recipient may opt for three different taxation criteria:

(1) Under the tax declaration regime (*regime della dichiarazione*), which is the standard regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Program Securities are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all payments in respect of Program Securities and all capital gains, net of any incurred capital loss, realised by the Italian resident individual holding the Program Securities not in connection with an entrepreneurial activity pursuant to all disposals of the Program Securities carried out during any given tax year. Italian resident individuals holding the Program Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses.

(2) As an alternative to the tax declaration regime, Italian resident individuals holding the Program Securities not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on payments received in respect of Program Securities and capital gains realised on each sale or redemption of the Program Securities (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Program Securities being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the

relevant Noteholder or Securityholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Program Securities (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or Securityholder or using funds provided by the Noteholder or Securityholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Program Securities results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses. Under the *risparmio amministrato* regime, the Noteholder or Securityholder is not required to declare the capital gains in the annual tax return.

(3) Any payments received and any capital gains accrued by Italian resident individuals holding the Program Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Program Securities, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Depreciation of the managed assets accrued before 1 January 2012 may be carried forward to be offset against subsequent increase in value of the managed assets accrued from 1 January 2012 for an overall amount of 62.5 per cent. of the depreciations. Under the *risparmio gestito* regime, the Noteholder or Securityholder is not required to declare the capital gains realised in the annual tax return.

In case the Program Securities entitling the holder to purchase shares, the capital gains realised on the redemption or the transfer or sale of the Program Securities are not subject to *imposta sostitutiva* but a portion equal to 49.72 per cent. of the capital gains must be included in the relevant Noteholder's or Securityholder's income tax return (and subjected to the ordinary income tax) if the underlying of such Program Securities transferred or redeemed within any 12-month period represent a participation representing more than 2 per cent. of the voting rights or 5 per cent. of the capital of the issuing company (in the case of unlisted companies, the above thresholds are 20 per cent. and 25 per cent. respectively).

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

**Taxation of interest**

***Italian resident Noteholders and Securityholders***

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

Where the Italian resident Noteholder or Securityholder is an individual holding Program Securities otherwise than in connection with entrepreneurial activity, (unless he has entrusted the management of his financial assets, including the Program Securities, to an authorised intermediary and has opted for the *risparmio gestito* tax regime (see above)), Interest payments relating to the Program Securities are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 20 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Program Securities). Such investors are qualified as "net recipients".

Payments of Interest in respect of Program Securities that qualify as *obbligazioni* or *titoli similari alle obbligazioni* are not subject to the *imposta sostitutiva* if made to beneficial owners who are Italian resident individuals holding Program Securities not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Program Securities, to an authorised financial intermediary and have opted for the *risparmio gestito* regime. Such investors are qualified as gross recipients.

***Program Securities not having 100 per cent. capital protection guaranteed by the Issuer***

In case Program Securities representing debt instruments implying a "use of capital" do not guarantee the total reimbursement of the principal, under Italian tax law they should qualify as "atypical securities" and payments in respect of such Program Securities received by Italian resident individual Noteholders or Securityholders would be subject to a 20 per cent. final withholding tax.

**Capital gains tax**

***Italian resident Noteholders or Securityholders***

Pursuant to Legislative Decree 21st November, 1997, No. 461, capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Program Securities are connected, on any sale or transfer for consideration of the Program Securities or redemption thereof are subject to a 20 per cent. capital gain tax, which applies under the "tax declaration regime", the Risparmio Amministrato tax regime or the Risparmio Gestito tax regime according to the same rules described above under the caption "*Program Securities representing derivative financial instruments or bundles of derivative financial instruments – Italian resident Noteholders or Securityholders*".

In case the Program Securities entitling the holder to purchase shares, the capital gains realised on the redemption or the transfer or sale of the Program Securities are not subject to *imposta sostitutiva* but a portion equal to 49.72 per cent. of the capital gains must be included in the relevant Noteholder's or Securityholder's income tax return (and subjected to the ordinary income tax) if the underlying of such Program Securities transferred or redeemed within any 12-month period represent a participation representing more than 2 per cent. of the voting rights or 5 per cent. of the capital of the issuing company (in the case of unlisted companies, the above thresholds are 20 per cent. and 25 per cent. respectively).

## SPANISH TAXATION

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

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

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

i. for individuals resident for tax purposes in Spain which are subject to Personal Income Tax, Law 35/2006, of 28 November 2006, on Personal Income Tax and partial amendment of Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law; Royal Decree 439/2007, of 30 March 2007 promulgating the Personal Income Tax Regulations; Law 19/1991, of 6 June 1991 on Net Wealth Tax and Law 29/1987, of 18 December 1987, on Inheritance and Gift Tax.

ii. for legal entities resident for tax purposes in Spain which are subject to Corporate Income Tax, Royal Legislative Decree 4/2004, of 5 March 2004, promulgating the Consolidated Text of the Corporate Income Tax Law and Royal Decree 1777/2004, of 30 July 2004, promulgating the Corporate Income Tax Regulations

iii. for individuals and entities who are not resident in Spain, Royal Legislative Decree 5/2004, of 5 March 2004, promulgating the Consolidated Text of the Non-Residents Income Tax Law; Royal Decree 1776/2004, of 30 July 2004, promulgating the Non-Residents Income Tax Regulations, Law 19/1991, of 6 June 1991 on Net Wealth Tax and Law 29/1987, of 18 December 1987, on Inheritance and Gift Tax.

### I. Taxes on Income and Capital Gains

**<u>Notes and Certificates:</u>**

***a) Individuals with tax residency in Spain subject to Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)***

The taxation, under the Personal Income Tax, of income from the Notes or from the Certificates is not expressly foreseen in the legislation. This leads to the need for applying the general principles under said tax, as well as to try to infer, from the Tax Authorities' doctrine, a line of interpretation in order to ascertain what the tax treatment should be.

Under this scenario, and following an interpretation of the general principles governing the Personal Income Tax, as well as the doctrine issued by the Spanish Tax Authorities on financial products, it can be said that, in principle, interest from the Notes and Certificates obtained by individuals who have the status of taxpayers for the purposes of Spanish Personal Income Tax, and also income from the transfer, reimbursement, redemption, exchange or conversion of the Notes and Certificates should, in general terms, be considered income from movable capital obtained due to the supply of funds to third parties upon the terms of Article 25.2 of Law 35/2006, of November 28, on the Personal Income Tax. Such income would be included in the savings tax base and, in cases of losses, their integration on the savings tax base and their offsetting will be subject to the rules foreseen in that respect in the Personal Income Tax legislation.

From January 1, 2012 pursuant to the Royal Decree Law 20/2011, of December 30 (hereinafter, RD 20/2011), for tax periods 2012 and 2013, income included in the savings income taxable base will be taxed (i) at a 21 per cent tax rate (applicable to the first 6,000 Euros), (ii) at a 25 per cent tax rate (applicable to the following 18,000 Euros) and, (iii) at a 27 per cent tax rate (applicable to the remainder amounts).

Also by application of RD 20/2011, for the tax periods 2012 and 2013, any income derived from the Notes and Certificates could be subject to withholding tax of 21 per cent on account of the Personal Income Tax of the holder, in case there is any person or entity obliged to levy said withholding tax in accordance with the general rules of the levying of withholding taxes (i.e., in the event that an entity based in Spain is the custodian of the securities, or is charged with the collection of the income from them in favour of the holders, or is charged with the redemption of the securities, or receives from the holder the order to transfer the security, as the case may be).

From January 1, 2014 onwards, in principle, the aforementioned withholding tax will be 19 per cent. and income included in the savings income taxable base will be taxed at 19 per cent. for amounts up to €6,000 and 21 per cent. for amounts equal to and in excess of €6,000.01.

***b) Legal Entities with tax residency in Spain subject to Corporate Income Tax (Impuesto sobre Sociedades)***

The tax regime for Spanish-resident entity holders of Notes and Certificates is included in the Royal Legislative Decree 4/2004, of March 5, that approves the Revised Text of the Corporate Income Tax Law ("**Royal Legislative Decree 4/2004**") and the Royal Decree 1777/2004, of July 30, that approves the Corporate Income Tax Ruling ("**Royal Decree 1777/2004**").

According to article 10.3 of the Royal Legislative Decree 4/2004, the taxable income derived from the interest generated by the Notes and Certificates and also from the transfer, reimbursement, redemption, exchange or conversion of the Notes and Certificates will be calculated in accordance with the accounting treatment of such income by the relevant entity. The tax adjustments to the accounting treatment which may be of application should be taken into account when calculating the taxable base. In principle, the resulting amounts will be taxed at the standard rate of 30% in accordance with the general rules contained in the Spanish CIT Act.

From January 1, 2012 pursuant to the RD 20/2011, for the tax periods 2012 and 2013, any income derived from the Notes and Certificates could be subject to withholding tax of 21 per cent. on account of the Corporate Income Tax of the holder in case there is any person or entity obliged to levy said withholding tax in accordance with the general rules of the levying of withholding taxes (i.e., in the event that an entity based in Spain is the custodian of the securities, or is charged with the collection of the income from them in favour of the holders, or is charged with the redemption of the securities, or receives from the holder the order to transfer the security, as the case may be). From January 1, 2014 onwards, in principle, this withholding tax will be at a rate of 19 per cent.

In any case, income derived from the Notes and Certificates obtained by entities which are considered taxable persons for Corporate Income Tax purposes will not be subject to withholding tax on account of Corporate Income Tax, in accordance with the provisions of Article 59.s) of Royal Decree 1777/2004 provided that the Notes and Certificates were securities traded on an organised market of an OECD country.

***c) Individuals and Legal Entities with no tax Residency in Spain subject to Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)***

Interest generated by the Notes and Certificates or from the transfer, reimbursement, redemption, exchange or conversion of the Notes and Certificates obtained by individuals and legal entities not resident for tax purposes in Spain will be taxed pursuant to the Refunded Text of the Non-Residents Income Tax Law, passed by Royal Legislative Decree 5/2004, of March 5 ("Non-Residents Income Tax Law").

*Income obtained through a permanent establishment*

Income from the Notes and Certificates obtained through a permanent establishment in Spain will be taxed in accordance with the rules of Chapter III of the Non-Residents Income Tax Law, subject to the provisions of any relevant double tax treaties.

The tax rules commented on for taxable persons under Spanish Corporate Income Tax (entities resident in Spain) will apply for persons or legal entities not resident in Spain with a permanent establishment in such territory.

*Income obtained without a permanent establishment*

Income realized by investors residing outside Spain and without a permanent establishment within the Spanish territory (individuals and legal entities) would not be considered, in general terms, as Spanish-source income and, therefore, would not be subject to taxation and withholding tax in Spain under the Non-Residents Income Tax Law.

**Warrants:**

***a) Individuals with Tax Residency in Spain subject to Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)***

According to what has been the traditional doctrine of the Spanish Tax Authorities, income from the Warrants under the Personal Income Tax, will be classified as capital gains or losses provided that, basically (i) the premium paid will not be taken into consideration in calculating the amounts corresponding to the payout on maturity date or during the life of the warrant (therefore, income from the warrants will only be linked to the evolution of the underlying assets), (ii) the warrant is not a financial asset that gives the holder an explicit and regular return and (iii) the amount of the premium paid is substantially lower than the amount that should have been paid if the underlying asset would have been purchased spot.

The transfer of Warrants will qualify as a capital gain (or loss), calculated as the excess of the transfer price (after deduction of the expenses and commissions paid by the warrantholder inherent to the transfer) over the acquisition value (i.e. the original acquisition or purchase price of the Warrant by the holder, increased by the costs paid by him/her inherent to said acquisition).

Upon the exercise or maturity of a Warrant, the capital gain or loss will be calculated as the difference between (i) the settlement amount (after deduction of the expenses and commissions inherent paid by the warrantholder) and (ii) the acquisition value (as above defined).

Any of the above capital gains or losses would be included in the savings income taxable base. As commented above, from January 1, 2012 pursuant to RD 20/2011, for the tax periods 2012 and 2013, income included in the savings income taxable base will be taxed (i) at a 21 per cent tax rate (applicable to the first 6,000 Euros), (ii) at a 25 per cent tax rate (applicable to the following 18,000 Euros) and, (iii) at a 27 per cent tax rate (applicable to the remainder amounts).

From January 1, 2014 onwards, in principle, income included in the savings income taxable base will be taxed at 19 per cent. for amounts up to €6,000 and 21 per cent. for amounts equal to and in excess of €6,000.01.

The capital gains derived from the transfer or the exercise of a Warrant will not be subject to withholding tax on account of the Personal Income Tax.

***b) Legal Entities with Tax Residency in Spain subject to Corporate Income Tax (Impuesto sobre Sociedades)***

In principle, the taxable income will be calculated by correcting, by application of the rules contained in the Corporate Income Tax Law, the accounting result determined in accordance with the applicable accounting legislation. As a consequence, investors would be taxed depending on the specific accounting of the Warrants.

As a general rule, gains or losses realized by the tax payer subject to Corporate Income Tax either through the sale or the exercise of the Warrants will be included in their taxable income under the general provisions of Royal Legislative Decree 4/2004. Nevertheless, taxable income could arise before the sale or the exercise of the Warrants if its accounting implies the registration of losses and/or profits.

***c) Individuals and Legal Entities with no Tax Residency in Spain subject to Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)***

The income derived from the transfer or the exercise of a warrant obtained by individuals or legal entity taxpayers not resident for tax purposes in Spain will be taxed pursuant to the Refunded Text of the Non-Residents Income Tax Law, passed by Royal Legislative Decree 5/2004, of March 5 ("Non-Residents Income Tax Law").

*Income obtained through a permanent establishment*

The income from the Warrants obtained through a permanent establishment in Spain will be taxed in accordance with the rules of Chapter III of the Non-Residents Income Tax Law, subject to the provisions of any relevant double tax treaties.

Such income will be taxed and will not be subject to withholding tax on account of the Non-Residents Income Tax upon the same terms set out above for taxable persons under Spanish Corporate Income Tax (entities resident in Spain).

*Income obtained without a permanent establishment*

Income realized by investors residing outside Spain and without a permanent establishment within the Spanish territory (individuals and legal entities) would not be considered as Spanish-source income and, therefore, would not be subject to taxation and withholding tax in Spain under the Non-Residents Income Tax Law.

**II. Wealth Tax (Impuesto sobre el Patrimonio)**

The ownership of Program Securities would be subject to the Net Wealth Tax pursuant to the Royal Decree 13/2011, of September 16 that has restored temporarily for years 2011 and 2012 the Spanish Net Wealth Tax regulated by Law 19/1991, of June 6 ("Net Wealth Tax Law"), subject to the application of any relevant double tax treaties.

Only individuals holders of Program Securities would be subject to the Net Wealth Tax. Legal entities are not taxable persons under the Spanish Net Wealth Tax (hereinafter "NWT").

***a) Individuals with Tax Residency in Spain***

Under article 5 of the Net Wealth Tax Law, the relevant taxpayers will be all those individuals who have their habitual residence in Spain regardless of the place where their assets or rights are located or could be exercised.

Consequently, the ownership of the Program Securities by individuals resident for tax purposes in Spain will be subject to taxation under the Net Wealth Tax at a progressive rate scale from 0.2 per cent. to 2.5 per cent.

However, it is necessary to take into account that the power to implement the NWT (including certain tax benefits) has been transferred to the Spanish regions. Therefore, an analysis must be made in each specific case to determine to what extent any regional legislation might be applicable, since there might be differences in respect of the final taxation under Net Wealth Tax depending on the region in which an investor resides which could even eliminate the taxation.

### *b) Individuals with no Tax Residency in Spain*

Non-Spanish residents would not be subject to the Net Wealth Tax on the holding of the Program Securities, provided that the Program Securities are not located in Spain and the rights deriving from them cannot be exercised within the Spanish territory.

## III. Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

### *a) Individuals with Tax Residency in Spain*

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Program Securities by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The applicable effective tax rates range between 7.65% and 81.6%, depending on several factors. However, it is necessary to take into account that the Spanish Inheritance and Gift Tax (including certain tax benefits) has been transferred to the Spanish regions. Therefore, an analysis must be made in each specific case to determine to what extent any regional legislation might be applicable, since there might be differences in respect of the final taxation under Spanish Inheritance and Gift Tax depending on the region in which an investor resides that could even eliminate the taxation.

### *b) Legal Entities with Tax Residency in Spain*

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Program Securities by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift, income obtained will be subject to the Corporate Income Tax.

### *c) Individuals and Legal Entities with no Tax Residency in Spain*

Non- Spanish resident Individuals and non-Spanish legal entities without a permanent establishment in Spain that acquire ownership or other rights over the Program Securities by inheritance, gift or legacy, will not be subject to Inheritance and Gift Tax provided that the Program Securities are not located in Spain and the rights deriving from them cannot be exercised within the Spanish territory.

Non-Resident entities with a permanent establishment within the Spanish territory which acquire the ownership or other rights over the Program Securities by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift, but income obtained will be subject to the Non-resident Income Tax, subject to the application of any relevant double taxation treaty.

## IV. Value Added Tax, Transfer Tax and Stamp Duty

The issuance, acquisition and transfer of Securities is not taxable under the Transfer Tax and Stamp Duty Tax, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24th September, nor will it be taxable under the Value Added Tax, in accordance with Law 37/1992, of 28th December, regulating such tax.

## FINNISH TAXATION

Payment of the redemption gain (if any) or interest (including any compensation deemed to constitute interest for tax purposes) on the Program Securities through a Finnish paying agent to individuals resident in Finland will be subject to an advance tax withheld by the Finnish paying agent at the rate of 30 per cent. Such advance tax withheld will be used for the payment of the individual's final taxes. Payment of the redemption gain (if any) or interest on the Program Securities through a Finnish paying agent to corporate entities resident in Finland will not be subject to any Finnish advance or withholding taxes.

## SWEDISH TAXATION

There is no Swedish withholding tax at source (*källskatt*) applicable on payments made by the Issuer in respect of the Program Securities. Sweden operates a system of preliminary tax (*preliminärskatt*) to secure payment of taxes. In the context of the Program Securities a preliminary tax of 30 per cent. will be deducted from all payments of interest (including any compensation deemed to constitute interest for tax purposes) in respect of the Program Securities made to any individuals or estates that are resident in Sweden for tax purposes, provided the paying entity is subject to reporting obligations. Depending on the relevant holder's overall tax liability for the relevant fiscal year, the preliminary tax may contribute towards, equal or exceed the holder's overall tax liability with any balance subsequently to be paid by or to the relevant holder, as applicable.

## NORWEGIAN TAXATION

*The following is a summary of certain Norwegian tax consequences for holders of Notes, Warrants or Certificates who are resident in Norway for tax purposes. The summary below for Notes is based on the assumption that the Notes are considered as debt for tax purposes. The summary is based on legislation as at the date of this document and is intended to provide general information only. The tax treatment of each holder partly depends on the holder's specific situation and the specific instrument issued to the holder. Each investor should consult a tax adviser as to the tax consequences relating to their particular circumstances resulting from holding Notes, Warrants or Certificates.*

Any changes to applicable tax laws may have a retrospective effect.

**Taxation of Noteholders Resident in Norway**

The Notes that can be issued according to the Base Prospectus will most likely be classified as debt instruments with regards to Norwegian taxation, with the following main tax consequences.

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

Any kind of return received on the Notes prior to the disposal is taxable as "ordinary income" subject to the flat rate of 28 per cent. Return on the Notes is taxed on accruals basis (i.e. regardless of when the return is actually paid).

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

Redemption at the end of the term as well as prior disposal is treated as realization of the Notes and will trigger a capital gain or loss. Capital gains will be taxable as "ordinary income", subject to the flat rate of 28 per cent. Losses will be deductible in the Noteholder's "ordinary income", taxed at the same tax rate.

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

**Norwegian withholding tax**

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

**Net wealth taxation**

The value of the Notes at the end of each income year will be included in the computation of the Noteholder's taxable net wealth for municipal and state net wealth tax purposes. Listed bonds are valued at their quoted value on 1 January in the assessment year, while non-listed bonds are valued at their estimated market value on 1 January in the assessment year. The marginal tax rate is currently 1.1 per cent.

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

**Taxation of Warrants and Certificates for holders Resident in Norway**

Warrants and Certificates can be issued with a large number of different underlying financial instruments (e.g. Share Securities, Index Securities, Commodity Securities, Bond Securities) or other assets as underlying reference.

The taxation of the Warrants and Certificates will depend on the underlying financial instrument or asset. Most of the underlying financial instruments listed in the Base Prospectus are of a kind that will lead to a similar taxation of the Warrants and Certificates as for holding Notes, as described above. However, where shares in a company resident within a country in the European Economic Area ("**EEA**") is the underlying financial instrument, the tax treatment will be subject to the following tax consequences (described briefly below):

**Personal holders**

Sale, redemption or other disposals of Warrants and Certificates with EEA shares as underlying instruments are considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian personal shareholder through a disposal of warrants are taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal. The general income is taxable at a rate of 28 per cent. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of warrants disposed of.

Gain or loss related to sale, redemption or other disposal of warrants is equal to the consideration received less the purchase price (if any) and costs incurred in relation to the acquisition or realisation.

**Corporate investors**

Norwegian corporate investors are exempt from tax on capital gains upon the realisation of Warrants and Certificates with EEA shares as underlying instrument. Losses upon the realisation of Warrants and Certificates and costs incurred in connection with the purchase and realisation of such Warrants and Certificates are equally not deductible for tax purposes.

However, 3 per cent. of all tax-free income under the participation exemption method shall be entered as general income and taxed at the ordinary tax rate (28 per cent.). No deduction is granted for any corresponding losses on realisation of Warrants and Certificates.

Potential Investors in the Certificates who are resident in Norway should note that the tax exemption rule described above does not apply to Certificates in the form of bonds that are convertible into shares as underlying instrument. Such Certificates will be treated as a debt instrument as described above in the section entitled "*Taxation of Noteholders Resident in Norway*".

**Net wealth taxation**

The value of the Warrants and Certificates at the end of each income year will be included in the computation of the holder's taxable net wealth for municipal and state net wealth tax purposes. Listed bonds are valued at their quoted value on 1 January in the assessment year, while non-listed bonds are valued at their estimated market value on 1 January in the assessment year. The marginal tax rate is currently 1.1 per cent.

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

## SWISS TAXATION

The following summary does not purport to be a comprehensive description of all Swiss tax considerations that may be relevant to a decision to purchase, own or dispose of the Program Securities and, in particular, does not consider specific facts or circumstances that may apply to a particular purchaser. It is for general information only and does not discuss all tax consequences of an investment in Program Securities under the tax laws of Switzerland. This summary is based on the tax laws of Switzerland currently in force and as applied on the date of this Base Prospectus which are subject to changes (or changes in interpretation) which may have retroactive effect. Prospective purchasers are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and, lapse or exercise, disposition or redemption of Program Securities in the light of their particular circumstances.

### Income Tax

***Swiss Resident Noteholders and Securityholders***

*Dividend and Interest Payments or Redemption of Program Securities*

Swiss residents receiving dividend payments or periodic interest payments during the investment or at redemption as one-time-interest generally must include these payments in their financial statements and/or in their income tax returns and owe individual income tax or corporate income tax on the relevant amounts.

Program Securities which are not straight derivatives for tax purposes or straight debt instruments but have components of debt instruments and derivatives intertwined generally qualify as combined instruments. The tax treatment of such Program Securities depends on whether the Program Securities are considered as transparent or not for Swiss income tax purposes.

If the Program Security is considered as not transparent for Swiss income tax purposes, any amount received by the Noteholder or Securityholder (upon sale, lapse or exercise or redemption) in excess of the amount invested (at issue or upon purchase) is treated as taxable income in the hands of the Noteholder or Securityholder if the Program Security qualifies as a note with predominant one-time interest payment. If the Program Security does not qualify as a note with predominant one-time interest payment, the Noteholder or Securityholder is subject to tax on the periodic interest payments and (at redemption) on the difference between initial issuance price and the redemption price. For the purpose of determining whether the Program Security is a note with predominant one-time interest payment the difference between initial issuance price and the redemption price is treated as one-time interest.

If the Program Security is considered as transparent for Swiss income tax purposes, it will be split notionally in a debt instrument and a derivative instrument component. Gains or losses on the derivative instrument component are treated as capital gains or losses (see below). Interest payments received during the investment, at lapse or exercise or at redemption as one-time interest related to the debt instrument component are treated as taxable income in the hands of the Noteholder or Securityholder. Such a treatment is also applicable for the purpose of determining whether the Program Security is a note with predominant one-time interest payment.

The Program Security is generally considered as transparent if the debt and the derivative components are traded separately or if the different elements of the Program Security (such as the guaranteed redemption amount, the issuance price of the debt component, the interest rates determining the issuance price of the debt component) are separately stated in the sales documentation as well as in the offering prospectus and if each one of such components is separately evaluated. Such evaluation has to be performed through calculations of financial mathematics determining the intrinsic value of the debt instrument and the derivative instrument components contained in the Program Security. In particular, the calculations have to determine the notional issuance price of the debt instrument, based on the interest rate taken into account by the issuer which has to be at market value. The Swiss Federal Tax Administration has to approve such calculations. Such calculations have to be reviewed on a quarterly basis in order take into account the evolution of the interest rates. If the tax authorities are not provided with sufficient information the Program Securities can be treated as not transparent. Products with prevalent structures but for which the issuer does not provide the information allowing to distinguish the different elements of a product as described above are made transparent in retrospect by the tax authorities, banks or other channels of distribution if the following requirements are fulfilled: (a) the issuer of the product must have at least a single-A-rating; and (b) the product at hand has to be admitted to official quotation at the commercial exchange market or, at least, a market maker has to insure liquid trading of the product at hand. Liquid trading by a market maker is a condition that the key data of the product can be used as credible basis of calculation.

Program Securities which are linked to underlying assets, such as bonds, shares, or baskets of such assets may also be treated, under certain circumstances, as direct investments in bonds, shares or in an investment fund. Program Securities linked to a basket of investment funds may be treated as an investment in an investment fund.

*Capital Gains*

**Swiss Resident Private Noteholders and Securityholders**

Swiss resident Noteholders and Securityholders who do not qualify as so-called professional securities dealer for income tax purposes *("gewerbsmässiger Wertschriftenhändler")* and who hold the Program Securities as part of their private (as opposed to business) assets are hereby defined as Swiss Resident Private Noteholders and Securityholders.

Swiss Resident Private Noteholders and Securityholders realise a tax free capital gain upon the disposal of Program Securities which are straight derivatives for tax purposes or do not qualify as notes with predominant one-time interest payment and realise a taxable income if the Program Securities qualify as notes with one-time predominant interest payment.

The tax treatment of capital gains on Program Securities which qualify as combined instruments (see above) depends on whether the Program Security qualifies as tax transparent or not. Program Securities which are not transparent for Swiss income tax purposes (see above) generally qualify as notes with predominant one-time interest payment and are treated as such. Program Securities which qualify as tax transparent are notionally split into a debt instrument and a derivative instrument component. The debt instrument component follows the usual tax treatment either as note with predominant one-time interest payment or as note with no predominant one-time interest payment as applicable. Capital gains arising from the derivative instrument component of transparent Program Securities are generally not subject to income tax in the hands of Swiss Resident Private Noteholders and Securityholders.

With respect to capital gains arising from Program Securities linked to underlying assets, such as investment funds, bonds, shares or baskets of any of them see above under "*Dividend and Interest Payments or Redemption of Program Securities*".

**Swiss Resident Business Noteholders and Securityholders**

Gains realised on the sale of Program Securities, by Swiss resident individual Noteholders and Securityholders holding the Program Securities as part of their business assets as well as by Swiss resident legal entity Noteholders and Securityholders, are part of their business profit subject to individual income tax or corporate income taxes, respectively. The same applies to Swiss Resident Private Noteholders and Securityholders who qualify as so-called professional securities dealer *("gewerbsmässiger Wertschriftenhändler")*.

***Non-Swiss Resident Noteholders and Securityholders***

Under present Swiss tax law, a Noteholder or Securityholder who is a non-resident of Switzerland and who, during the taxable year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland and who is not subject to taxation in Switzerland for any other reason, will not be subject to any Swiss federal, cantonal or municipal income tax on interest or gains realised on sale, lapse or exercise or redemption of the Program Securities.

**Stamp Duties**

***Swiss Issuance Stamp Duty***

The issuance of the Program Securities by a non-Swiss resident Issuer is not subject to Swiss issuance stamp duty.

***Swiss Transfer Stamp Duty***

Straight derivatives for tax purposes like options and futures do not qualify as taxable securities in the meaning of the Swiss Stamp Tax Act and are therefore not subject to Swiss transfer stamp duty.

The sale or transfer of the Program Securities may be subject to Swiss transfer stamp duty at the current rate of 0.3 per cent. if such sale or transfer is made by or through the intermediary of a Swiss bank or other securities dealer as defined in the Swiss Stamp Tax Act and no exemption applies. The same applies in case of physical delivery of the underlying being a taxable security in the meaning of the Swiss Stamp Tax Act at exercise or redemption.

**Withholding Tax**

All payments in respect of the Program Securities by a non-Swiss resident Issuer are currently not subject to Swiss withholding tax *("Verrechnungssteuer").*

**Swiss EU Tax Retention**

Switzerland has introduced a tax retention on interest payments or similar income paid by a Swiss paying agent as defined in Articles 1 and 6 of the Agreement between the European Community and the Swiss Confederation providing for measures equivalent to those laid down in EU Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "Agreement") to the beneficial owner who is an individual and resident in the EU as of 1 July 2005, unless the interest payments are made on debt-claims issued by debtors who are residents of Switzerland or pertaining to permanent establishments of non-residents located in Switzerland. The tax retention may be withheld at the rate of 20 per cent. until 1 July 2011 and 35 per cent. thereafter. The beneficial owner of the interest payments may be entitled to a credit for or a refund of the tax retention if certain conditions are met. The Swiss paying agent may be explicitly authorised by the beneficial owner of the interest payment to report interest payments to the Swiss Federal Tax Administration. Such report will then substitute the tax retention.

Individual Noteholders and Securityholders should note that neither the Issuer nor the Guarantor (if any) will pay additional amounts under the Terms and Conditions of the Program Securities in respect of any Swiss EU tax retention.

## FRENCH TAXATION

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

*Stamp duty*

The purchase or sale of Program Securities is not subject to stamp duty in France.

*Income tax and withholding tax*

All payments of interest and principal by the Issuers (acting out of their head offices or one of their non-French branches) under the Program Securities will not be subject to withholding tax in France, in accordance with the applicable French law, subject to the possibility in certain circumstances and under certain conditions for French tax resident individuals holding the Program Securities as part of their private assets to exercise an option, conditional on compliance with certain formalities, for the interest received under the Program Securities to be subject to a final withholding tax (*prélèvement libératoire*) at the rate of 24%, the CSG of 8.2%, the prélèvement social of 3.4% and its contributions additionnelles au prélèvement social of 1.4% and the CRDS of 0.5%, resulting in a global tax rate of 37.5%. The possibility to exercise this option applies only where the interest is paid by an issuer acting out of its head office or non-French branch situated in a European Union Member State, Iceland, Norway or Liechtenstein.

However, prospective purchasers of Program Securities who are French resident for tax purposes or who would hold such Program Securities through a permanent establishment or fixed base in France should be aware that transactions involving the Program Securities, including any purchase or disposal of, or other dealings in, the Program Securities, may have French tax consequences. The tax consequences regarding interest, premium on redemption and capital gains in particular may depend, amongst other things, upon the status of the prospective purchaser (i.e. legal entities or individuals). Prospective purchasers of the Program Securities should consult their own advisers about the tax implications of holding Program Securities and of any transactions involving Program Securities.

## EUROPEAN UNION SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

Each Issuer is offering the Program Securities on a continuing basis through Morgan Stanley & Co. International plc of 25 Cabot Square, Canary Wharf, London E14 4QA and Morgan Stanley & Co. LLC whose principal executive offices are at 1585 Broadway, New York, New York 10036, U.S.A., (the "**Distribution Agents**"), who have agreed to use reasonable efforts to solicit offers to purchase the Program Securities. Each Issuer will have the sole right to accept offers to purchase Program Securities and may reject any offer in whole or in part. The Distribution Agents will have the right to reject any offer to purchase Program Securities solicited by it in whole or in part. Each Issuer may pay the Distribution Agents, in connection with sales of the Program Securities resulting from a solicitation the Distribution Agents made or an offer to purchase received by the Distribution Agents, a commission, which may be in the form of a discount from the purchase price if the Distribution Agents are purchasing the Program Securities for their own account.

Each Issuer may also sell Program Securities to a Distribution Agent as principal for its own account at a price to be agreed upon at the time of sale. The Distribution Agents may resell any Program Securities they purchase as principal at prevailing market prices, or at other prices, as the Distribution Agents determine.

The arrangements for the offer and sale of the Program Securities from time to time are set out in the Euro Distribution Agreement dated on or about 21 June 2012 (as modified and restated from time to time, the "**Distribution Agreement**") among Morgan Stanley, MSI plc, Morgan Stanley Jersey, MSBV and the Distribution Agents (and any Additional Issuer that accedes to the Program). Pursuant to the Distribution Agreement, Morgan Stanley, MSI plc, Morgan Stanley Jersey, MSBV and the Distribution Agents have agreed (and any Additional Issuer that accedes to the Program shall agree) to indemnify each other against certain liabilities, or to contribute payments made in respect thereof. Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV have also agreed (and any Additional Issuer that accedes to the Program shall agree) to reimburse the Distribution Agents for certain expenses. The Distribution Agreement makes provision for the appointment of additional Distribution Agents who may agree to become bound by its terms (either in relation to the Program generally or in relation to a particular Series of Program Securities) in an accession letter provided by such additional Distribution Agent to the Issuers.

In order to facilitate the offering of the Program Securities, the Distribution Agents may engage in transactions that stabilise, maintain or otherwise affect the price of the Program Securities or any other securities the prices of which may be used to determine payments on those Program Securities. Specifically, the Distribution Agents may over allot in connection with any offering of the Program Securities, creating a short position in the Program Securities for their own accounts. In addition, to cover overallotments or to stabilise the price of the Program Securities or of any other securities, the Distribution Agents may bid for, and purchase, Program Securities or any other securities in the open market. Finally, in any offering of the Program Securities through a syndicate of underwriters, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Program Securities in the offering if the syndicate repurchases previously distributed Program Securities in transactions to cover syndicate short positions, in stabilisation transactions or otherwise. Any of these activities may stabilise or maintain the market price of the Program Securities above independent market levels. The Distribution Agents are not required to engage in these activities and may end any of these activities at any time.

### United States of America

The Program Securities have not been and will not be registered under the Securities Act and may not be offered, sold or delivered, *at any time*, within the United States or to, or for the account or benefit of, U.S. Persons. Each Distribution Agent (1) has acknowledged that the Program Securities have not been and will not be registered under the Securities Act, or any securities laws of any state in the United States, are subject to U.S. tax law requirements, and the Program Securities are not being offered or sold and may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the Securities Act); (2) has represented, as a condition to acquiring any interest in the Program Securities, that neither it nor any persons for whose account or benefit the Program Securities are being acquired is a U.S. Person, is located in the United States, or was solicited to purchase Program Securities while present in the United States; (3) has agreed not to offer, sell or deliver any of the Program Securities, directly or indirectly, in the United States to any U.S. Person; and (4) has agreed that, at or prior to confirmation of sale of any Program Securities (whether upon original issuance or in any secondary transaction), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Program Securities from it a written notice containing language substantially the same as the foregoing. As used herein, "**United States**" means the United States of America (including the states and the District of Columbia), its territories and possessions.

In addition, the Distribution Agents have represented and agreed that they have not offered or sold Program Securities and will not offer or sell Program Securities *at any time* except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, the Distribution Agents have represented and agreed that neither they, their affiliates (if any) nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to Program Securities, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

**European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Distribution Agent has represented and agreed, and each further Distribution Agent appointed under the Program will be required to represent and agree, in relation to each Tranche of Program Securities 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 Program Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Program Securities to the public in that Relevant Member State:

(a) if the final terms in relation to the Program Securities specify that an offer of those Program 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 Program 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 final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Distribution Agent or Distribution Agents nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Program Securities referred to in (b) to (d) above shall require the relevant Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Program Securities to the public**" in relation to any Program 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 Program Securities to be offered so as to enable an investor to decide to purchase or subscribe the Program Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

**United Kingdom**

In relation to each Tranche of Program Securities, each Distribution Agent has represented and agreed, subscribing for or purchasing such Program Securities, and each further Distribution Agent appointed under the Program will be required to represent and agree with, the relevant Issuer and, if the Program Securities are issued by Morgan Stanley Jersey or MSBV, the Guarantor that:

(a) ***Program Securities with maturities of less than one year***: in relation to any Program Securities which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Program Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Program Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer;

(b) ***Financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Program Securities in circumstances in which Section 21(1) of the FSMA does not, apply to the Issuer or the Guarantor, if applicable; and

(c) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Program Securities in, from or otherwise involving the United Kingdom.

**Japan**

The Program Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "**FIEL**") and, accordingly, each Distribution Agent has undertaken, and each further Distribution Agent appointed under the Program will be required to undertake, that it will not offer or sell any Program Securities directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person except pursuant to an exemption from the registration requirements under, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

**Ireland**

In relation to each Tranche of Program Securities, each Distribution Agent subscribing for or purchasing such Program Securities has represented to, warranted and agreed with, or will represent to, warrant and agree with, the Issuer and the Guarantor that:

(a) it will not underwrite the issue of, or place the Program Securities, otherwise than in conformity than with the provisions of S.I. No. 60 of 2007, European Communities (Markets in Financial Instruments) Regulations 2007 (MiFID Regulations), including, without limitation, Parts 6, 7, and 12 thereof and the provisions of the Investor Compensation Act 1998;

(b) it will not underwrite the issue of, or place, the Program Securities, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 – 2011 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1998;

(c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Program Securities otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland;

(d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Program Securities, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland; and

(e) any issue of the Program Securities with a legal maturity of less than one year will be carried out in strict compliance with the Central Bank of Ireland's implementation notice for credit institutions BSD C 01/02 of 12 November 2002 (as may be amended, replaced or up-dated) and issued pursuant to Section 8(2) of the Irish Central Bank Act, 1971 (as amended).

**Spain**

Neither the Program Securities nor this Base Prospectus have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Program Securities may not be offered, sold or re-sold in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of Article 30-bis of the Spanish Securities Market Law 24/1988 of July 28, 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) as amended and restated (the "**Spanish Securities Market Law**") and Royal Decree 1310/2005 of 4 November (*Real Decreto 1310/2005 de 4 de noviembre*), and supplemental rules enacted thereunder or in substitution thereof from time to time, and in compliance with the requirements of the Spanish Securities Market Law as amended and restated and any regulations developing it or in substitution thereof which may be in force from time to time.

**Republic of Italy**

The offering of the Program Securities has not been registered pursuant to Italian securities legislation and, accordingly, each Distribution Agent has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Program Securities in the Republic of Italy in an offer to the public and that sales of the Program Securities in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each of the Distribution Agents has represented and agreed that it will not offer, sell or deliver any Program Securities or distribute copies of this Base Prospectus and any other document relating to the Program Securities in the Republic of Italy except:

(1) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Decree No. 58**") and in Articles 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**").

(2) that it may offer, sell or deliver Program Securities or distribute copies of any prospectus relating to such Program Securities in a solicitation to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Directive 2003/71/EC of 4 November 2003 (the "**Prospectus Directive**") and the Directive 2010/73/EU of 24 November 2010 (the "**Amending Directive**"), as implemented in Italy under Decree 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of approval of such prospectus; and

(3) in any other circumstances where an express exemption from compliance with the solicitation restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Program Securities or distribution of copies of the Base Prospectus or any other document relating to the Program Securities in the Republic of Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and

(b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

***Provisions relating to the secondary market in Italy***

Investors should also note that, in any subsequent distribution of the Program Securities in the Republic of Italy (with a minimum denomination lower than €50,000 - or €100,000 from 1st July 2012 - or its equivalent in another currency), Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Program Securities are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Program Securities who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Program Securities were purchased, unless an exemption provided for under Decree No. 58 applies.

**The Netherlands**

For selling restrictions in respect of The Netherlands, see "European Economic Area" above and in addition:

(a) *Specific Dutch selling restriction for exempt offers*: Each Distribution Agent has represented and agreed and each further Distribution Agent appointed under the Program will be required to represent and agree that it will not make an offer of Program Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:

(i) such offer is made exclusively to legal entities which are qualified investors (as defined in the Prospectus Directive and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or

(ii) standard exemption logo and wording are disclosed as required by article 5:20(5) of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the "**FMSA**"); or

(iii) such offer is otherwise made in circumstances in which article 5:20(5) of the FMSA is not applicable,

**provided that** no such offer of Program Securities shall require any Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expressions (i) an "**offer of Program Securities to the public**" in relation to any Program Securities in The Netherlands; and (ii) "**Prospectus Directive**", have the meaning given to them above in the paragraph headed "European Economic Area".

(b) *Regulatory capacity to offer Program Securities in The Netherlands:* Each Distribution Agent under the Program, and each further Distribution Agent appointed under the Program, which did and does not have the requisite Dutch regulatory capacity to make offers or sales of financial instruments in The Netherlands has represented and agreed respectively will be required to represent and agree with the Issuers that it has not offered or sold and will not offer or sell any of the Program Securities of the relevant Issuer in The Netherlands, other than through one or more investment firms acting as principals and having the Dutch regulatory capacity to make such offers or sales.

(c) *Compliance with Dutch Savings Certificates Act*: Each Distribution Agent has represented and agreed that Zero Coupon Program Securities (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the relevant Issuer or a member firm of NYSE Euronext (Amsterdam) admitted in a function on one or more of the markets or systems operated by Euronext Amsterdam N.V., in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Program Security in global form, or (b) in respect of the initial issue of Zero Coupon Program Securities in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Program Securities in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Program Securities within, from or into The Netherlands if all Zero Coupon Program Securities (either in definitive form or as rights representing an interest in a Zero Coupon Program Security in global form) of any particular Series or Tranche of Program Securities are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein "Zero Coupon Program Securities" are Program Securities that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

**Norway**

Each Distribution Agent represents and agrees that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Norwegian Krone-denominated Program Securities or distribute any draft or definitive document in relation to any such offer, invitation or sale in Norway or to Norwegian residents except in compliance with Norwegian laws and regulations.

**Switzerland**

The Program Securities shall not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and neither this Base Prospectus as completed by the final terms nor any other solicitation for investments in the Program Securities may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations (the "**CO**") or of Article 3 of the Swiss Federal Act on Collective Investment Schemes (the "**CISA**") unless the legal and regulatory conditions imposed on a public offering under the CO or CISA are satisfied. This Base Prospectus as completed by the final terms does not constitute a public offering within the meaning of Articles 652a, respectively 1156, of the CO and of Article 5 of the CISA and may not comply with the information standards required thereunder, and in particular with the guidelines on informing investors about structured products as published in July 2007 by the Swiss Bankers Association, as applicable. The Issuers may apply for a listing of the Program Securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and therefore, the information contained in this Base Prospectus as completed by the final terms does comply with the information standards set out in the listing rules of the SIX Swiss Exchange.

The Program Securities do not constitute collective investments within the meaning of the CISA. Accordingly, holders of the Program Securities do not benefit from protection under the CISA or from the supervision of the Swiss Federal Banking Commission. Investors are exposed to the default risk of the relevant Issuer and/or the Guarantor.

**Hong Kong**

Each Distribution Agent has represented and agreed that:

(a) (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Program Securities (except for Program Securities which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (a) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Program Securities which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Program Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

**Singapore**

Each Distribution Agent has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Distribution Agent has represented, warranted and agreed that it has not offered or sold any Program Securities or caused such Program Securities to be the subject of an invitation for subscription or purchase, and will not offer or sell any Program Securities or cause such Program Securities to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed, nor will it circulate or distribute, the Base Prospectus or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Program Securities, whether directly or indirectly, to persons in Singapore other than:

(i) to an institutional investor (as defined in Section 4A of 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 an offer referred to in 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 provisions of the SFA.

Where the Program Securities are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(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,

the shares, debentures and units of shares and debentures 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 Program Securities pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA.

**Taiwan**

The Program Securities may not be sold, offered or issued to Taiwan resident investors or in Taiwan unless they are made available, (i) outside Taiwan for purchase outside Taiwan by such investors and/or (ii) in Taiwan through bank trust departments, licensed securities brokers and/or insurance company investment linked insurance policies pursuant to the Taiwan Rules Governing Offshore Structured Products or otherwise as permitted by Taiwan law.

**Brazil**

The Program Securities have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets and, as a result, have not been and will not be registered with the Brazilian Securities Commission (the *Comissão de Valores Mobiliários* or "CVM"). Any public offering or distribution, as defined under Brazilian laws and regulations, of the Program Securities in Brazil is not legal without prior registration under Law No. 6,385 of December 7, 1976 ("Law No. 6,385"), as amended, and Instruction No. 400, issued by the CVM on December 29, 2003 ("CVM Instruction No. 400"), as amended. Documents relating to the offering of the Program Securities, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Program Securities is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Program Securities to the public in Brazil. Therefore, each of the Distribution Agents has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, the Program Securities in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

**Mexico**

The Program Securities have not been registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the National Banking and Securities Commission (*Comisión Nacional Bancaria de Valores*) or CNBV, and therefore, may not be publicly offered or sold in Mexico. The offering materials are the responsibility of the Issuer and may not be publicly distributed in Mexico. However the Issuer, whether directly or indirectly, may offer and sell the Program Securities in Mexico, on a private placement basis, to Mexican qualified or institutional investors pursuant to the applicable law.

**Chile**

The Program Securities are not and will not be subject to the laws of Chile and are not, and will not be, registered in Chile in the Securities Registrar (*Registro de Valores*) of the Superintendence of Securities and Insurance (*Superintendencia de Valores y Seguros*), pursuant to Law N° 18,045 about Securities Market (Ley No. 18,045 de Mercado de Valores). Therefore, the Program Securities cannot be publicly offered or sold in Chile. The offering materials are the responsibility of the Issuer and may not be publicly distributed in Chile.

**Jersey**

Each Distribution Agent has severally represented to, and agreed with, Morgan Stanley Jersey that it will not take any action on behalf of Morgan Stanley Jersey that would result in Morgan Stanley Jersey being required to become registered under the Financial Services (Jersey) Law 1998, as amended.

Each Distribution Agent has severally represented to, and agreed with, Morgan Stanley Jersey that:

(a) it has not offered or sold and will not offer or sell any Program Securities in any jurisdiction in a manner that would cause the Issuer to be in breach of the consents granted to it by the Jersey Financial Services Commission (the "**Commission**");

(b) no prospectus, explanatory memorandum or other invitation offering the Program Securities for subscription, sale or exchange (other than a prospectus, as defined in the Companies (Jersey) Law 1991), as amended, in respect of which the consent of the Jersey Registrar of Companies (the "**Jersey Registrar**") has been granted pursuant to the Companies (General Provisions) (Jersey) Order 2002)) at any time has been or will be issued by it on behalf of the Issuer to any person other than a financial institution, dealer, market maker, commercial paper issuer, conduit vehicle or sophisticated investor (as defined in any Condition (A) waiver issued to the Issuer by the Commission pursuant to the Control of Borrowing (Jersey) Order 1958, as amended); and

(c) it has not and will not circulate in Jersey any offer for subscription, sale or exchange of any securities of a non-Jersey issuer (including, without limitation, MSI plc and MSBV).

**Kingdom of Bahrain**

**NOTICE TO BAHRAIN RESIDENTS**

**The Central Bank of Bahrain and the Bahrain Stock Exchange assume no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Base Prospectus. Each potential investor resident in Bahrain intending to subscribe for Programme Securities (each, a "potential investor") may be required to provide satisfactory evidence of identity and, if so required, the source of funds to purchase Programme Securities within a reasonable time period determined by the Issuer and the relevant Distribution Agent(s). Pending the provision of such evidence, an application to subscribe for Programme Securities will be postponed. If a potential investor fails to provide satisfactory evidence within the time specified, or if a potential investor provides evidence but none of the Issuer or the relevant Distribution Agent(s) are satisfied therewith, its application to subscribe for Programme Securities may be rejected in which event any money received by way of application will be returned to the potential investor (without any additional amount added thereto and at the risk and expense of such potential investor). In respect of any potential investors, the Issuer will comply with Bahrain's Legislative Decree No. (4) of 2001 with respect to Prohibition and**

**Combating of Money Laundering and various Ministerial Orders issued thereunder including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering.**

***Kingdom of Bahrain***

Each Distribution Agent has represented and agreed, and each further Distribution Agent appointed under the Program will be required to represent and agree, that it has not offered and will not offer any Programe Securities to the Public (as defined in Articles 142-146 of the Commercial Companies Law (decree Law No. 21/2001 of Bahrain)) in the Kingdom of Bahrain.

**France**

Each of the Distribution Agents has represented and agreed that, it has not offered or sold and will not offer or sell, directly or indirectly, any Program Securities to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Program Securities and such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French Code *monétaire et financier*.

## NO OWNERSHIP BY U.S. PERSONS

**The Program Securities may not be legally or beneficially owned by U.S. Persons at any time. Each holder and each beneficial owner of a Program Security hereby represents, as a condition to purchasing or owning the Program Security or any beneficial interest therein, that neither it nor any person for whose account or benefit the Program Securities are being purchased is located in the United States, is a U.S. Person or was solicited to purchase the Program Securities while present in the United States. Each holder and each beneficial owner of a Program Security hereby agrees not to offer, sell or deliver any of the Program Securities, at any time, directly or indirectly in the U.S. or to any U.S. Person. The term "U.S. Person" will have the meaning ascribed to it in Regulation S under the Securities Act.**

## FORM OF GUARANTEE

### Guarantee of Morgan Stanley

Morgan Stanley (the "**Guarantor**") hereby guarantees unconditionally and irrevocably the payment obligations of (a) Morgan Stanley (Jersey) Limited, (b) Morgan Stanley B.V. and (c) any other of its subsidiaries that accedes to the Program (as defined below) and in respect of whom the Guarantor is referred to as guarantor in the Accession Agreement under which such subsidiary accedes to the Program as issuer unless, in each case, otherwise stated in the applicable final terms with respect thereto (each an "**Issuer**") in respect of the Notes, Warrants and Certificates issued by each such Issuer (together the "**Program Securities**") under the Morgan Stanley (as issuer and guarantor), Morgan Stanley (Jersey) Limited (as issuer) and Morgan Stanley B.V. (as issuer) U.S.$5,000,000,000 Program, as may be increased by Morgan Stanley from time to time, for the Issue of Notes, Warrants and Certificates (the "**Program**").

If the Program Securities are held by a common depository or common safekeeper for Euroclear Bank S.A./N.V. as Operator of the Euroclear System (the "**Euroclear Operator**"), Clearstream Banking, *société anonyme* ("**Clearstream**") or such other clearing system as specified in the relevant final terms with respect to any series of Program Securities, the Guarantor covenants to each person who is for the time being shown in the records of the relevant clearing system or registrar (in the case of Program Securities in registered form) as the holder of a principal amount or number of the Program Securities (the "**Accountholders**") that it shall make such payments under this Guarantee and acknowledges that the Accountholders may take proceedings to enforce this Guarantee directly against the Guarantor.

The holders of the Program Securities from time to time and the Accountholders are referred to herein as the **Holders**. References to the Euroclear Operator, Clearstream or any other clearing system shall include their respective successors and assigns.

The Guarantor hereby agrees that it shall not be necessary, as a condition to enforce this guarantee, that suit be first instituted against the applicable Issuer or that any rights or remedies against such Issuer be first exhausted. Rather, it is understood and agreed that the liability of the Guarantor hereunder shall be primary, direct, and in all respects, unconditional. The obligations of the Guarantor under this Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and rank without preference among themselves and, subject as aforesaid, *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by laws relating to creditors' rights.

The Guarantor shall be fully liable as if it were the principal debtor under the Program Securities whether any time has been granted to the applicable Issuer, whether the obligations of the Issuer under the Program Securities have ceased to exist pursuant to bankruptcy, corporate reorganization or other similar event, whether the applicable Issuer has been dissolved or liquidated or consolidated or has changed or lost its corporate identity and whether or not any other circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defense to a guarantor.

If any moneys shall become payable by the Guarantor under this Guarantee, the Guarantor shall not for so long as the same remain unpaid in respect of any amount paid by it under this Guarantee exercise any right or subrogation in relation to the applicable Issuer or any other right or remedy which may accrue to it in respect of or as a result of any such payment.

All payments pursuant to this Guarantee will be made without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the United States of America, or any political subdivision or any authority thereof having power to tax unless such withholding or deduction is required by law. The Guarantor shall not be required to make any additional payments on account of such withholding or deduction (except with respect to any additional payments required to be made by any Issuer under the Program). If the Guarantor becomes subject at any time to any taxing jurisdiction other than the United States of America, references in the Guarantee to the United States shall be construed as references to such other jurisdiction.

This guarantee shall be governed and construed in accordance with New York law, without regard to the conflict of laws principles.

This guarantee shall expire and is no longer effective once all amounts payable on or in respect of the Program Securities has been paid in full.

Dated as of 5 August 2011

**MORGAN STANLEY**

By: ............................................................................

Name: [•]

Title: [•]

## GENERAL INFORMATION

The Program Securities have been accepted for clearance through, *inter alia*, Euroclear and Clearstream, Luxembourg and the Operator. The appropriate code for each issue allocated by Euroclear and Clearstream, Luxembourg will be contained in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than two business days after the date of the transaction.

For so long as this Base Prospectus remains in effect or any securities issued by Morgan Stanley, MSI plc, Morgan Stanley Jersey or MSBV remain outstanding, the following documents will be available from the date hereof in physical or electronic form, during usual business hours on any weekday, for inspection at Citibank Europe plc, 1, North Wall Quay, Dublin 1, Ireland and also at the principal executive offices of Morgan Stanley and the registered offices of MSI plc, Morgan Stanley Jersey and MSBV:

(a) copies of the Distribution Agreement, the Issue and Paying Agency Agreement, the Deeds of Covenant, the Guarantee, all of MSI plc, Morgan Stanley Jersey's and MSBV's future published financial statements and all of Morgan Stanley's future Annual, Quarterly and Current Reports. Morgan Stanley's Quarterly Reports on Form 10-Q contain unaudited quarterly financial statements;

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

(c) the Certificate of Incorporation and the Articles of Association of MSI plc (these shall not be available at the registered office of Morgan Stanley, Morgan Stanley Jersey or MSBV);

(d) the Certificate of Incorporation and Memorandum and Articles of Association of Morgan Stanley Jersey (these shall not be available at the registered office of MSI plc or MSBV);

(e) the Deed of Incorporation of MSBV (this shall not be available at the registered office of MSI plc or Morgan Stanley Jersey);

(f) all reports, letters and other documents, historical financial information, valuations and statements by any expert any part of which is included or referred to herein;

(g) Morgan Stanley's Annual Reports on Form 10-K for the years ended 31 December 2010 and 31 December 2011 including any amendments thereto, which contain the audited consolidated financial statements of Morgan Stanley for the years ended 31 December 2010 and 31 December 2011;

(h) the Annual Reports of MSI plc for the financial years ended 31 December 2010 and 31 December 2011 (these shall not be available at the registered office of Morgan Stanley, Morgan Stanley Jersey or MSBV);

(i) the Annual Reports of MSBV for the financial years ended 31 December 2010 and 31 December 2011 (these shall not be available at the registered office of MSI plc or Morgan Stanley Jersey);

(j) the Annual Reports of Morgan Stanley Jersey for the financial years ended 31 December 2010 and 31 December 2011 (these shall not be available at the registered office of MSI plc or MSBV);

(k) a copy of this Base Prospectus and any document incorporated by reference herein;

(l) any supplement to this Base Prospectus; and

(m) any Final Terms (save that any Final Terms relating to a Program Security which is not listed will only be available for inspection by a holder of such Program Security and such holder must provide evidence satisfactory to the Issuer as to the identity of such holder).

Any statement contained in this Base Prospectus or in a document incorporated or deemed to be incorporated by reference in this Base Prospectus will be deemed to be modified or superseded for purposes of this Base Prospectus, to the extent that a statement contained in this Base Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference in this Base Prospectus and in respect of which a supplement to this Base Prospectus has been prepared modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus.

**MORGAN STANLEY**

The Program was authorised by Morgan Stanley pursuant to general resolutions of its Board of Directors dated 19 September 2006, as amended on 25 December 2009, 15 July 2010 and 19 January 2011.

**MSI PLC**

The role of MSI plc as issuer under the Program was authorised by resolutions of the Board of Directors of MSI plc on 27 July 2011.

Deloitte LLP, Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants of England and Wales) of 2 New Street Square, London EC4A 3BZ have audited the financial statements of MSI plc for the years ended 2010 and 2011 and unqualified opinions have been reported thereon.

**MORGAN STANLEY JERSEY**

The role of Morgan Stanley Jersey as issuer under the Program was authorised by resolutions of the Board of Directors of Morgan Stanley Jersey passed on 29 July 2011 and 18 June 2012.

Deloitte LLP, Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants of England and Wales) of Lord Coutanche house, 66-68 Esplanade, St Helier, Jersey, JE4 8WA have audited the financial statements of Morgan Stanley Jersey for the years ended 2010 and 2011 and unqualified opinions have been reported thereon. Deloitte LLP, Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants of England and Wales) of Lord Coutanche house, 66-68 Esplanade, St Helier, Jersey, JE4 8WA will audit the financial statements of Morgan Stanley Jersey for the year ended 2012.

This document does not contain any other information that has been audited by Deloitte LLP.

The financial information in respect of Morgan Stanley Jersey has been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002.

Morgan Stanley Jersey has obtained or will obtain all necessary consents, approvals and authorisations in connection with the issue and performance of Program Securities. In particular, the Commission has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of Program Securities under the Program by Morgan Stanley Jersey. The Commission is protected by the Control of Borrowing (Jersey) Law 1947 against liability arising from the discharge of its functions under that law.

A copy of this document has been delivered to the Jersey Registrar in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the Jersey Registrar has given, and has not withdrawn, consent to its circulation.

It must be distinctly understood that, in giving these consents, neither the Jersey Registrar nor the Commission takes any responsibility for the financial soundness of Morgan Stanley Jersey or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial advisor.

It should be remembered that the price of securities and the income from them can go down as well as up.

**Financial Services (Jersey) Law 1998**

Nothing in this Base Prospectus, any Final Terms, or anything communicated to the holders of Program Securities issued by Morgan Stanley Jersey or potential holders of such securities by or on behalf of Morgan Stanley Jersey is intended to constitute or should be construed as advice on the merits of the purchase of or subscription for such securities or the exercise of any rights attached thereto for the purpose of the Financial Services (Jersey) Law 1998, as amended.

**Collective Investment Funds (Restriction of Scope) (Jersey) Order 2000**

**The investments described in this document do not constitute a collective investment fund for the purpose of the Collective Investment Funds (Jersey) Law 1988, as amended, on the basis that they are investment products designed for financially sophisticated investors with specialist knowledge of, and experience of investing in, such investments, who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments. These investments are not regarded by the Commission as suitable investments for any other type of investor.**

**Any individual intending to invest in any investment described in this document should consult his or her professional advisor and ensure that he or she fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.**

**MSBV**

Deloitte Accountants B.V., independent auditors and certified public accountants of Orlyplein 10, 1043 DP Amsterdam, P.O. Box 58110, 1040 HC Amsterdam, The Netherlands, have audited the financial statements of MSBV for the years ended 31 December 2010 and 31 December 2011 and an unqualified opinion has been reported thereon.

This document does not contain any other information that has been audited by Deloitte Accountants B.V.

The financial information in respect of MSBV has been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002.

The role of MSBV as issuer under the Program was authorised by resolutions of the Board of Directors of MSBV passed on 28 July 2011 and 18 June 2012.

## INDEX OF DEFINED TERMS

| | |
|---|---|
| **PRINCIPAL EXECUTIVE OFFICES OF MORGAN STANLEY** | **REGISTERED OFFICE OF MORGAN STANLEY IN DELAWARE** |
| 1585 Broadway<br>New York, New York 10036<br>U.S.A. | The Corporation Trust Center<br>1209 Orange Street<br>Wilmington, Delaware 19801<br>U.S.A. |

**REGISTERED OFFICE OF MORGAN STANLEY & CO. INTERNATIONAL PLC**

25 Cabot Square
Canary Wharf
London El4 4QA
United Kingdom

**REGISTERED OFFICE OF MORGAN STANLEY (JERSEY) LIMITED**

22 Grenville Street
St. Helier
Jersey
JE4 8PX
Channel Islands

**REGISTERED OFFICE OF MORGAN STANLEY B.V.**

Luna Arena
Herikerbergweg 238
1101 CM Amsterdam Zuidoost
The Netherlands

**FISCAL AGENT, PRINCIPAL SECURITIES AGENT, PAYING AGENT AND CALCULATION AGENT**

Citibank Europe plc
1, North Wall Quay
Dublin 1
Ireland

**REGISTRAR, TRANSFER AGENT, SECURITIES REGISTRAR AND SECURITIES TRANSFER AGENT**

Citigroup Global Markets Deutschland AG
Reuterweg 16
60323 Frankfurt
Germany

**PAYING AGENT AND SWISS SECURITIES AGENT**

Citibank N.A., Las Vegas, Zurich Branch
Prime TowerHardstrasse 201
P.O.Box CH-8010
Zurich
Switzerland

**EUROCLEAR REGISTRAR**

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Le Truchot
St Peter Port
Guernsey, GY1 1WD

## LEGAL ADVISORS TO THE ISSUERS AND THE PROGRAM

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31 West 52nd Street
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1077 XZ Amsterdam
The Netherlands

*As to Jersey law*:
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## AUDITORS OF MORGAN STANLEY

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