

BASE PROSPECTUS FOR NOTES, WARRANTS AND CERTIFICATES

15 June 2010

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, Series A and B, 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**"), Morgan Stanley (Jersey) Limited ("**Morgan Stanley Jersey**") 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 Series A Notes and Series B Notes (together, 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 19 June 2008. Payment of amounts due in respect of Notes and Certificates issued by MSI plc is not guaranteed by Morgan Stanley.

Each Issuer is offering the Program Securities, as applicable on a continuing basis through Morgan Stanley & Co. International plc and Morgan Stanley & Co. Incorporated (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, as applicable 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 269.

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 Series A 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 15 June 2011. The Series B Notes will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.

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 - MSI plc, (ii) Summary - Morgan Stanley Jersey, (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 43-48 of the Registration Document, (ii) Selected Financial Information of Morgan Stanley & Co. International plc at pages 49-51 of the Registration Document, (iii) Description of Morgan Stanley (Jersey) Limited at pages 52-53 of the Registration Document and (iv) Description of Morgan Stanley B.V. at pages 54-56 of the Registration Document and (C) items 15-20 incorporated by reference herein in the section "Incorporation by Reference" at pages 21-24 hereof.

The MSI plc base prospectus (the "**MSI plc Base Prospectus**") will comprise the base prospectus with the exception of (A) the information in sections entitled (i) Summary - Morgan Stanley, (ii) Summary - Morgan Stanley Jersey, (iii) Summary - MSBV, (iv) Key Features of the New York Law Notes, (v) Description of New York Law Notes, (vi) Pro Forma Final Terms of the New York Law Notes, (vii) Jersey Taxation and (viii) Netherlands Taxation (B) information incorporated by reference herein from the Registration Document entitled (i) Description of Morgan Stanley at pages 18-37 of the Registration Document, (ii) Selected Financial Information of Morgan Stanley at pages 38-42 of the Registration Document (iii) Description of Morgan Stanley (Jersey) Limited at pages 52-53 of the Registration Document, (iv) Description of Morgan Stanley B.V. at pages 54-56 of the Registration Document and (v) Subsidiaries of Morgan Stanley at pages 57-86 of the Registration Document and (C) items 2-14 and 17-30 incorporated by reference herein in the section "Incorporation by Reference" at pages 21-24 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, (iii) Key Features of the New York Law Notes, (iv) Description of New York Law Notes, (v) Pro Forma Final Terms of the New York Law Notes and (vi) Netherlands Taxation, (B) information incorporated by reference herein from the Registration Document entitled (i) Description of Morgan Stanley & Co. International plc at pages 43-48 of the Registration Document, (ii) Selected Financial Information of Morgan Stanley & Co. International plc at pages 49-51 of the Registration Document and (iii) Description of Morgan Stanley B.V. at pages 54-56 of the Registration Document and (C) items 15-16 and items 19-20 incorporated by reference herein in the section "Incorporation by Reference" at pages 21-24 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, (iii) Key Features of the New York Law Notes, (iv) Description of New York Law Notes, (v) Pro Forma

Final Terms of the New York Law Notes and (vi) Jersey Taxation (B) information incorporated by reference herein from the Registration Document entitled (i) Description of Morgan Stanley & Co. International plc at pages 43-48 of the Registration Document, (ii) Selected Financial Information of Morgan Stanley & Co. International plc at pages 49-51 of the Registration Document and (iii) Description of Morgan Stanley (Jersey) Limited at pages 52-53 of the Registration Document and (C) items 15-18 incorporated by reference herein in the section "Incorporation by Reference" at pages 21-24 hereof.

The aggregate principal amount of Notes outstanding issued under the Program shall not at any time exceed U.S.\$55,000,000,000.

The Notes will be governed by either the laws of the State of New York ("**New York Law Notes**") or the laws of England and Wales ("**English Law Notes**"), as specified in the applicable Final Terms. MSI plc, Morgan Stanley Jersey, MSBV and each Additional Issuer may issue English Law Notes, but shall not issue New York Law Notes.

The Warrants and 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.

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 EITHER REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED). SEE "*SUBSCRIPTION AND SALE*" AND "*NO OWNERSHIP BY U.S. PERSONS*".

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.

THE PROGRAM SECURITIES ARE NOT BANK DEPOSITS AND ARE NOT INSURED OR GUARANTEED 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

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 and paragraph 6 on page (ii) 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 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 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 PROGRAM SECURITIES 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 OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF ANY OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY AGENT OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISING ACTION. ANY STABILISING ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF 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 PROGRAM SECURITIES 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.

CONTENTS

	Page
SUMMARY	1
RISK FACTORS RELATING TO THE PROGRAM SECURITIES	6
WHERE THE INVESTOR CAN FIND MORE INFORMATION ABOUT MORGAN STANLEY	20
INCORPORATION BY REFERENCE	21
KEY FEATURES OF THE NEW YORK LAW NOTES	25
KEY FEATURES OF THE ENGLISH LAW NOTES	29
KEY FEATURES OF THE WARRANTS AND CERTIFICATES	34
DESCRIPTION OF THE NEW YORK LAW NOTES	38
TERMS AND CONDITIONS OF THE ENGLISH LAW NOTES	66
PRO FORMA FINAL TERMS FOR THE NEW YORK LAW NOTES	131
PRO FORMA FINAL TERMS FOR THE ENGLISH LAW NOTES	139
FORMS OF NOTES	164
SUMMARY OF PROVISIONS RELATING TO THE ENGLISH LAW NOTES WHILE IN GLOBAL FORM	168
TERMS AND CONDITIONS OF THE WARRANTS AND CERTIFICATES	172
PRO FORMA FINAL TERMS FOR WARRANTS AND CERTIFICATES	218
FORMS OF WARRANTS AND CERTIFICATES	228
SUMMARY OF PROVISIONS RELATING TO THE WARRANTS AND CERTIFICATES WHILE IN GLOBAL FORM	232
BENEFIT PLAN INVESTORS	237
UNITED STATES FEDERAL TAXATION	238
UNITED KINGDOM TAXATION	242
JERSEY TAXATION	245
NETHERLANDS TAXATION	247
AUSTRIAN TAXATION	250
GERMAN TAXATION	254
ITALIAN TAXATION	257
SPANISH TAXATION	260
FINNISH TAXATION	263
SWEDISH TAXATION	264
SWISS TAXATION	265
EUROPEAN UNION SAVINGS DIRECTIVE	268
SUBSCRIPTION AND SALE	269
NO OWNERSHIP BY U.S. PERSONS	276
FORM OF GUARANTEE	277
GENERAL INFORMATION	279
INDEX OF DEFINED TERMS	282

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. This summary relates only to Program Securities which do not have a minimum denomination of at least EUR 50,000 or the equivalent in another currency. 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 English Law Notes" below or elsewhere in this Base Prospectus have the same meanings in this summary.

Essential characteristics and risks associated with the Issuers

Morgan Stanley

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

On 31 May 1997, Morgan Stanley Group, Inc. was merged with and into Dean Witter Discover & Co which changed its corporate name to Morgan Stanley, Dean Witter, Discover & Co. ("MSDWD"). On 24 March 1998 MSDWD changed its corporate name to Morgan Stanley Dean Witter & Co, and to Morgan Stanley on 20 June 2002.

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

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

On 21 September 2008, Morgan Stanley become a bank holding company. On 23 September 2008, Morgan Stanley became a financial holding company concurrent with the conversion of Morgan Stanley Bank into a national bank.

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

Morgan Stanley's objects and purposes are set out in Article III of its Certificate of Incorporation.

The Directors of Morgan Stanley as of the date of this Base Prospectus are John J. Mack, James P. Gorman, Roy J. Bostock, Erskine B. Bowles, Howard J. Davies, James H. Hance, Jr., Nobuyuki Hirano C. Robert Kidder, Donald T. Nicolaisen, Hutham S. Olayan, O. Griffith Sexton and Laura D. Tyson.

At 31 December 2009, Morgan Stanley had 61,388 employees worldwide (worldwide employees as of 31 December 2009 include additional worldwide employees of businesses contributed by Citi related to Morgan Stanley Smith Barney Holdings LLC).

The auditors of Morgan Stanley for the periods ended 30 November 2008, 31 December 2008 and 31 December 2009 were Deloitte & Touche LLP, an independent registered public accounting firm.

Morgan Stanley changed its accounting reference date from 30 November to 31 December on 16 December 2008.

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

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

As of 31 December 2009, total assets of Morgan Stanley amounted to U.S.\$ 771,462 million and total liabilities amounted to U.S.\$ 718,682 million. As of 31 December 2008, total assets of Morgan Stanley amounted to U.S.\$ 676,764 million and total liabilities amounted to U.S.\$ 627,308 million.

The following entities beneficially own more than 5 per cent of Morgan Stanley's common stock: Mitsubishi UFJ Financial Group, Inc. (20.9%); State Street Corporation (11.1%); FMR LLC (6.589%) and; Blackrock Inc. (5.41%).

There are a number of factors which could cause Morgan Stanley's actual results to differ, in some instances materially, from those anticipated. The factors set out below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties which face Morgan Stanley's business.

The results of Morgan Stanley's operations may be materially affected by market fluctuations and by economic and other factors such as political, economic and market conditions, the availability and cost of capital, the level and volatility of equity prices, commodity prices and interest rates, currency values and other market indices, technological changes and events, the availability and cost of credit, inflation, and investor sentiment and confidence in the financial markets.

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

The financial services industry faces substantial litigation and regulatory risks, and Morgan Stanley may face damage to its professional reputation and legal liability if its services are not regarded as satisfactory or for other reasons.

Prospective investors should consider the section entitled "Risk Factors" in the Registration Document in respect of Morgan Stanley referred to in the section entitled "Incorporation by Reference" in this Base Prospectus and consult with their own professional advisors if they consider it necessary. An investment in the Program Securities issued by Morgan Stanley bears the risk that Morgan Stanley is not able to fulfil its obligations created by the issuance of such Program Securities on the Issue Date.

MSI plc

MSI plc's legal and commercial name is Morgan Stanley & Co. International plc.

MSI plc was incorporated in England and Wales with registered number 2068222 on 28 October 1986 as a company limited by shares under the Companies Act 1985 and operates under the Companies Act 2006. MSI plc was re-named and re-registered as a public limited company on 13 April 2007 under the corporate name of Morgan Stanley & Co. International plc (having previously been named Morgan Stanley & Co. International Limited). MSI plc's registered office is at 25 Cabot Square, Canary Wharf, London E14 4QA, Telephone number +44 20 7425 8000.

The principal activity of MSI plc is the provision of financial services to corporations, governments, financial institutions and individual investors.

The directors of MSI plc as of the date of this Base Prospectus are Colin Bryce, Walid Chammah, Alexander Classen, Gary Lynch, David Nicol, Franck Petitgas, Domenico Siniscalco and Clare Woodman.

MSI plc's report and accounts for the year ended 31 December 2009 and the thirteen-month period ended 31 December 2008 have been audited by Deloitte LLP.

MSI plc's ultimate parent undertaking is Morgan Stanley.

As of 31 December 2009, total assets of MSI plc amounted to U.S.\$ 436,801 million and total liabilities amounted to U.S.\$ 429,984 million. As of 31 December 2008, total assets of MSI plc amounted to U.S.\$ 457,637 million and total liabilities amounted to U.S.\$ 449,499 million.

Prospective investors should consider the section entitled "Risk Factors" in the Registration Document in respect of MSI plc referred to in the section entitled "Incorporation by Reference" in this Base Prospectus and consult with their own professional advisors if they consider it necessary. An investment in Program Securities issued by MSI plc bears the risk that MSI plc is not able to fulfil its obligations created by the issuance of such securities on the Issue Date.

Morgan Stanley Jersey

Morgan Stanley Jersey was incorporated in St. Helier, Jersey, Channel Islands (registration number 35857) as a company with unlimited duration on 24 September 1986. Morgan Stanley Jersey's registered office is at 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands. Morgan Stanley Jersey's objects and purposes are not specified in any document and are, therefore, unlimited.

Morgan Stanley Jersey's business primarily consists of issuing financial instruments and hedging obligations relating thereto. Morgan Stanley Jersey's auditors are Deloitte LLP, Chartered Accountants and Registered Auditors.

Morgan Stanley Jersey has no subsidiaries and is wholly owned by Morgan Stanley.

The directors of Morgan Stanley Jersey are H. Herrmann and R.D.C. Jackson-Proes. Morgan Stanley Jersey has no employees.

At 31 December 2009, the authorised share capital of Morgan Stanley Jersey comprised an unlimited number of shares of no par value designated as Ordinary Shares, an unlimited number of shares of no par value designated as Nominal Shares and an unlimited number of shares of no par value designated as Unclassified Shares available for issue as separate classes of Preference Shares.

The profit or loss before tax for the thirteen month period ended 31 December 2008 and the financial year ended 31 December 2009 was nil and nil respectively. The current assets of Morgan Stanley Jersey have fallen from U.S.\$ 5,273,799,000 in 2008 to U.S.\$ 876,848,000 in 2009 with total liabilities falling from U.S.\$ 5,273,343,000 in 2008 to U.S.\$ 876,392,000 in 2009.

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

Prospective investors should consider the section entitled "Risk Factors" in the Registration Document in respect of Morgan Stanley Jersey referred to in the section entitled "Incorporation by Reference" in this Base Prospectus and consult with their own professional advisors if they consider it necessary.

MSBV

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

MSBV's objects and purposes are set out in Article 3 of its Articles of Association.

MSBV's auditors are Deloitte Accountants B.V. (members of the Royal Netherlands Institute of Registered Accountants).

MSBV has no subsidiaries and is ultimately owned by Morgan Stanley.

The directors of MSBV are J. Y. Bahurel, H. Herrmann, A.J.S. Crawford, J.A Solan and TMF Management B.V. MSBV has no employees.

The authorised share capital of MSBV comprises 400,000 ordinary shares of nominal value EUR 100. The issued, allotted and fully paid up share capital of MSBV comprises 150,180 ordinary shares of nominal value EUR 100.

The net revenue for the periods ended December 2009 and November 2008 was EUR 1,294,000 and EUR 5,170,000 respectively. The profit before tax for the financial years ended 2009 and 2008 was EUR 2,045,000 and EUR 6,237,000 respectively.

The current assets of MSBV increased from EUR 2,153,167,000 in 2008 to EUR 2,900,852,000 in 2009, with total liabilities increasing from EUR 2,128,151,000 in 2008 to EUR 2,874,297,000 in 2009.

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

Prospective investors should consider the section entitled "Risk Factors" in the Registration Document in respect of MSBV referred to in the section entitled "Incorporation by Reference" in this Base Prospectus and consult with their own professional advisors if they consider it necessary.

Essential characteristics and risks associated with the Program Securities

Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV may offer from time to time Notes, Warrants and Certificates. Applications have been made for the Series A Notes, the Warrants and the Certificates issued under the Program to be admitted to the Official List of the FSA and to the main segment of the SIX Swiss Exchange and to be admitted to trading on the Regulated Market of the London Stock Exchange and SCOACH AG. The Series B Notes will not be listed.

The payment of all amounts due in respect of Program Securities issued by Morgan Stanley Jersey or MSBV will, unless specified otherwise in the applicable Final Terms, be unconditionally and irrevocably 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 such 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.

The Issuers may issue Program Securities with a return and/or interest and/or principal determined by reference to, amongst other things, an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates, the credit of one or more entities not affiliated with the Issuers. Such Program Securities may entail significant risks not associated with a similar investment in fixed or floating rate debt securities, including a return that may be significantly less than the return available on an investment in fixed or floating rate debt securities. Notes may also carry the risk of a total or partial loss of principal.

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

MSBV may also issue Nordic Notes or Nordic Securities.

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 all 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 that is not affiliated with Morgan Stanley, as may be 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. Notes may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed rate, which may be zero, or a floating rate, or 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).

Warrants or Certificates may be American Style Securities, European Style Securities or Bermudan Style Securities, as specified in the applicable Final Terms.

With respect to MSBV only, this Base Prospectus is only valid in relation to Program Securities which have a minimum denomination of at least EUR 1,000 per Note, Warrant or Certificate.

Notes may be governed by either the laws of the State of New York or the laws of England and Wales, as specified in the applicable Final Terms. MSI plc, Morgan Stanley Jersey and MSBV will not issue New York Law Notes. Warrants and Certificates will be governed by the laws of England and Wales.

The net proceeds from the sale 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.

Certain documents relating to the Program Securities will be available, during usual business hours on any weekday, for inspection at The Bank of New York Mellon, One Canada Square, London E14 5AL and also at the principal executive offices of Morgan Stanley and the registered offices of MSI plc, Morgan Stanley Jersey 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" 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 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 single securities, baskets of securities or indices, to commodity prices, to currency prices, 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 securities, indices, commodities, currencies and/or underlying credits

The Issuers may issue (i) Notes with principal and/or interest determined by reference to a single security or index, to baskets of securities or indices, to currency prices, commodity prices, 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 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;
- (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 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 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.

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, 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, or basket of securities or indices. 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 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. 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.

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 Notes 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, or a basket of securities or a basket of indices composed, in part or in whole, of emerging market securities

Fluctuations in the trading prices of the underlying emerging market equity will affect the value of Equity-Linked Notes and of Warrant and Certificates linked to emerging market securities. 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, 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, or any specified entity, including entering into loans with, or making equity investments in, the underlying company, or specified entity, or its affiliates or subsidiaries or providing investment advisory services to the underlying company, 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, 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, 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, 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.

Alternative Payment Method Used If Payment Currency Becomes Unavailable. In relation to the New York Law Notes, if a payment currency is unavailable in respect of such Notes, Morgan Stanley would make required payments in U.S. dollars on the basis of the Market Exchange Rate (as defined below under "*Description of New York Law Notes — General*"). However, if the applicable currency for any such Note is not available because the euro has been substituted for that currency, the relevant Issuer would make the payments in euro. Some Notes may specify a different form of payment if a non-U.S. payment currency is unavailable to the relevant Issuer.

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 or index.

Exchange rates may affect the value of a judgment

The English law 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.

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

Potential conflicts of interest between the investor and the determination agent

As determination agent for Program Securities linked to a single security or index or a basket of securities or indices, 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 or index or a basket of securities or indices, Credit-Linked Notes, or Program Securities linked to commodities or to other instruments, assets or obligations including trading in the underlying securities, indices or commodities as well as in other instruments related to the underlying securities, indices 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 or index or a basket of securities or indices, 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, 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, Global Warrants and Global 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 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**"), permanent global notes (each, a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Notes**"), (ii) in the case of Registered Notes, interests in a global note certificate (the "**Global Note Certificate**") or (iii) in the case of Bearer Warrants or Bearer Certificates, one or more temporary global warrants or temporary

global certificates (each a "**Temporary Global Warrant**" or "**Temporary Global Certificate**"), permanent global warrants or permanent global certificates (each a "**Permanent Global Warrant**" or "**Permanent Global Certificate**" and together with the Temporary Global Warrant and Temporary Global Certificate, "**the Global Warrants**" and "**Global Certificates**"). Such Global Notes, Global Note Certificates, Global Warrants and Global Certificates may be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, Global Note Certificate, Global Warrant or Global Certificate, investors will not be entitled to receive definitive Notes, Warrants or Certificates. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes, Global Note Certificates, Global Warrants or, as the case may be, Global Certificates. While the Program Securities are represented by one or more Global Notes, Global Note Certificates, Global Warrants or, as the case may be, Global Certificates, 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 Notes, Global Note Certificates, Global Warrants or Global Certificates, 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 Note, Global Note Certificate, Global Warrant or Global Certificate 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 Notes, Global Note Certificates, Global Warrants or Global Certificates.

Holders of beneficial interests in the Global Notes, Global Warrants or Global Certificates 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 English Law 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.

The Conditions of the New York Law Notes contain provisions for Noteholder votes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not vote and Noteholders who voted in a manner contrary to the majority.

Change of law

The Conditions of the Program Securities are based on English law or New York law (as applicable) 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, New York law or administrative practice in England or the State of New York 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, 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 respect of the English Law Notes) in Condition 18.3.3 (*Settlement Disruption of Physical Settlement*) and (in respect of the Warrants and Certificates) in Condition 11.1 (*Settlement Disruption*) and Condition 11.2 (*Delivery Disruption*), 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

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 Notes 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.

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

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, 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, 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, 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.

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.

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 property indices

The Issuers may issue Notes with principal and/or interest 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.

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.

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 Global 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 Global 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 Global Warrants or Certificates to the date of payment. Penalties may also be payable if the Global Warrants or Certificates are not stamped within 30 days of the date of execution of the Global Warrants or Certificates. If a Global 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 Global 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 further 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.

Morgan Stanley's common stock, par value U.S.\$0.01 per share, is listed on the New York Stock Exchange, Inc. under the symbol "MS". The investor may inspect annual, quarterly and current reports, proxy statements and other information concerning Morgan Stanley and its consolidated subsidiaries at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 (such reports, proxy statements and other information shall not form a part of this Base Prospectus unless they have been expressly incorporated herein as provided in 'Incorporation by Reference' or 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 reference
1. Registration Document dated 15 June 2010	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. Proxy Statement dated 12 April 2010	Whole document	-
3. Current Report on Form 8-K dated 24 August 2009	Whole document	-
4. Current Report on Form 8-K dated 9 March 2010	Whole document	-
5. Current Report on Form 8-K dated 30 March 2010	Whole document	-
6. Current Report on Form 8-K dated 13 April 2010	Whole document	-
7. Current Report on Form 8-K dated 21 April 2010	Whole document	-
8. Current Reports on Form 8-K dated 18 May 2010	Whole document	-
9. Current Report on Form 8-K dated 27 May 2010	Whole document	-
10. Current Report on Form 8-K dated 28 May 2010	Whole document	-
11. Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2010	Whole document	-
12. Amended Quarterly Report on Form 10-Q/A for the quarterly period ended 31 March 2010	Whole document	-
13. Annual Report on Form 10-K for the fiscal year ended 31 December 2009	(a) Report of Independent Registered Public Accounting Firm	112
	(b) Consolidated Statements of Financial Condition	113-114
	(c) Consolidated Statements of Cash Flow	117
	(d) Consolidated Statements of Income	115
	(e) Notes to the Consolidated Financial Statements	120-229
14. Annual Report on Form 10-K for the fiscal year ended 30 November 2008	(a) Report of Independent Registered Public Accounting Firm	106
	(b) Consolidated Statements of Financial Condition	107-108
	(c) Consolidated Statements of Cash Flow	117
	(d) Consolidated Statements of Income	116
	(e) Notes to the Consolidated Financial Statements	113-188

Morgan Stanley & Co. International plc

15. Report and Financial Statements for the period ended 31 December 2009	(a)	Independent auditor's report	7-8
	(b)	Consolidated income statement	9
	(c)	Consolidated statement of comprehensive income and expense	10
	(d)	Consolidated statement of changes in equity	11
	(e)	Consolidated statement of cash flows	12
	(f)	Consolidated statement of financial position	13
	(g)	Notes to the consolidated financial statements	14-84
	(h)	MSI plc balance sheet	85
	(i)	Notes to MSI plc financial statements	86-107
16. Report and Financial Statements for the period ended 31 December 2008	(a)	Independent auditor's report for the Group	7-8
	(b)	Consolidated income statement	9
	(c)	Consolidated balance sheet	10
	(d)	Consolidated Statement of recognised income and expense	11
	(e)	Consolidated cash flow Statement	12
	(f)	Notes to the consolidated financial statements	13-77
	(g)	Company balance sheet	78
	(h)	Notes to MSI plc financial statements	79-92
Morgan Stanley (Jersey) Limited			
17. Annual Report for the year ended 31 December 2009	(a)	Independent auditors' report	5
	(b)	Statement of comprehensive income	6
	(c)	Statement of changes in equity	7
	(d)	Statement of financial position	8
	(e)	Statement of cash flows	9
	(f)	Notes to the financial statements	10-28
18. Annual Report for the year ended 31 December 2008	(a)	Independent auditors' report	4
	(b)	Income statement	5
	(c)	Balance sheet	6
	(d)	Cash flow statement	8

(e)	Notes to the accounts	9-22
-----	-----------------------	------

Morgan Stanley B.V.

19.	Annual Report for the period ended 31 December 2009	(a)	Independent auditors' report	34-37
		(b)	Statement of comprehensive income	5
		(c)	Statement of changes in equity	6
		(d)	Statement of financial position	7
		(e)	Statement of cash flows	8
		(f)	Notes to the financial statements	9-32
20.	Annual Report for the year ended 30 November 2008	(a)	Independent auditors' report	21-22
		(b)	Income statement	3
		(c)	Balance sheet	4
		(d)	Cash flow statement	6
		(e)	Notes to the financial statements	7-20
21.	The terms and conditions set out on pages 85 to 112 of Part C of the base prospectus for notes, series A and B dated 21 June 2005 relating to the Program under the heading "Terms and Conditions of the English Law Notes"			
22.	The terms and conditions set out on pages 86 to 147 of the base prospectus for notes, series A and B dated 12 July 2006 relating to the Program under the heading "Terms and Conditions of the English Law Notes"			
23.	The terms and conditions set out on pages 94 to 157 of the base prospectus for notes, series A and B dated 22 June 2007 relating to the Program under the heading "Terms and Conditions of the English Law Notes"			
24.	The terms and conditions set out on pages 52 to 115 of the base prospectus for notes, series A and B dated 19 June 2008 relating to the Program under the heading "Terms and Conditions of the English Law Notes".			
25.	The terms and conditions set out on pages 51 to 109 of the base prospectus for notes, series A and B dated 17 June 2009 relating to the Program under the heading "Terms and Conditions of the English Law Notes".			
26.	The terms and conditions set out on pages 25 to 70 of Part C of the base prospectus in respect of the warrants and certificates dated 4 July 2005 relating to the Program under the heading "Terms and Conditions of the Securities".			
27.	The terms and conditions set out on pages 49 to 94 of the base prospectus in respect of the warrants and certificates dated 12 July 2006 relating to the Program under the heading "Terms and Conditions of the Securities".			
28.	The terms and conditions set out on pages 63 to 109 of the base prospectus in respect of the warrants and certificates dated 22 June 2007 relating to the Program under the heading "Terms and Conditions of the Securities".			
29.	The terms and conditions set out on pages 28 to 71 of the base prospectus in respect of the warrants and certificates dated 19 June 2008 relating to the Program under the heading "Terms			

and Conditions of the Securities".

30. The terms and conditions set out on pages 29 to 72 of the base prospectus in respect of the warrants and certificates dated 17 June 2009 relating to the Program under the heading "Terms and Conditions of the Securities".

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. 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.

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

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 NEW YORK LAW NOTES

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

Issuer	Morgan Stanley.
Distribution Agents	Morgan Stanley & Co. International plc and Morgan Stanley & Co. Incorporated.
Trustee	The Bank of New York Mellon (as successor Trustee to JPMorgan Chase Bank, N.A., London Branch).
Principal Paying Agent	The Bank of New York Mellon.
Program Amount	U.S.\$55,000,000,000 or the equivalent amount thereof in other currencies. The maximum aggregate amount of Notes permitted to be outstanding at any one time under the Program may be increased from time to time.
General Terms of the Notes	<ul style="list-style-type: none">• Final Terms will be produced in relation to each Tranche of Notes issued by Morgan Stanley (each, a "Final Terms").• The Notes will bear interest at either a fixed rate or a floating rate, which, in either case, may be zero, or at a rate which varies during the lifetime of the relevant Notes, which will be specified in the applicable Final Terms.• The Notes will mature on the date specified in the applicable Final Terms.• The Notes may be either callable by Morgan Stanley or puttable by the holder of the Notes (the "Noteholder").• The Notes may be optionally or mandatorily exchangeable for securities of an issuer that is not affiliated with Morgan Stanley, for a basket or index of those securities or for the cash value of those securities ("Exchangeable Notes").• Payments of principal, interest and/or supplemental amounts on the Notes may be linked to the credit of one or more specified entities not affiliated with Morgan Stanley ("Credit-Linked Notes"), to currency prices ("Currency-Linked Notes"), to commodity prices ("Commodity-Linked Notes") or to single securities, baskets of securities or indices ("Equity-Linked Notes").• Morgan Stanley may from time to time, without the consent of Noteholders, create and issue additional Notes having the same terms as Notes previously issued so that they may be combined with the earlier issuance.• All of the New York Law Notes issued under the Program will constitute a single series for purposes of certain votes required under the Indenture.

- Morgan Stanley may issue Amortising Notes (as defined herein) that pay a level amount in respect of both interest and principal amortised over the life of the Notes.

Forms of Notes Morgan Stanley will issue Notes in bearer form, which may be in either definitive form or global form. Notes in definitive bearer form will be serially numbered. See "*Forms of Notes*" below.

Notes issued with maturities of more than 183 days initially will be represented by a temporary global bearer note that Morgan Stanley will deposit with a common depository 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.

Notes issued with maturities of 183 days or less initially will be represented by a permanent global bearer note that Morgan Stanley will deposit with a common depository or (if in New Global Note form) a common safekeeper for Euroclear, Clearstream, Luxembourg, and/or any other relevant clearing system.

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 Morgan Stanley.

Issue Price Notes may be issued at any price as specified in the applicable Final Terms.

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 (a) the issue proceeds are received by Morgan Stanley in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by Morgan Stanley in the United Kingdom, such Notes must: (i) 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 (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by Morgan Stanley.

Redemption Notes may be redeemed at par or at such other redemption amount (detailed in a formula or otherwise) or by the 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 described in " <i>Description of New York Law Notes—Tax Redemption</i> ", but will otherwise be permitted only to the extent specified in the applicable Final Terms.
Denominations	Notes will be issued in such denominations as may be specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.
Taxation	Unless otherwise provided in the applicable Final Terms payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future Taxes (as defined herein) imposed or levied by or on behalf of the United States or any respective 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 that event, Morgan Stanley will (subject to customary exceptions) pay those Additional Amounts (as defined herein) as will result in the Noteholders receiving those amounts as they would have received in respect of the Notes had no withholding or deduction been required.
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 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 ERISA by reason of any such plan's or account's investment therein.
Use of Proceeds	The net proceeds from the sale of Notes offered by this Base Prospectus will be used by Morgan Stanley for general corporate purposes, in connection with hedging its obligations under the Notes, or both.
Listing	Applications have been made to admit the Series A Notes offered under the Program by Morgan Stanley 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 Series A Notes 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 Series A 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 the main segment of the SIX Swiss Exchange and trading on SCOACH AG, admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as Morgan Stanley and any Distribution Agent may agree. The Series B Notes will not be listed on any exchange.
Clearing Systems	Euroclear, Clearstream, Luxembourg, and/or any other clearing system as may be specified in the applicable Final Terms.
Governing Law	If so indicated in the applicable Final Terms, the Notes will be governed by the laws of the State of New York.
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 either Regulation S under the Securities Act or the United States Internal Revenue Code of 1986, as amended (the "Code")). 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 ENGLISH LAW NOTES

The following summary describes the key features of the English Law 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. Incorporated.
Fiscal Agent	The Bank of New York Mellon.
Program Amount	U.S.\$55,000,000,000 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 will, and MSI plc, Morgan Stanley Jersey and MSBV may, issue Notes in bearer form (" Bearer Notes "). 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. MSBV may also issue Notes in dematerialised and uncertificated book-entry form with a Nordic central securities depository (" Nordic Notes ").

(i) Bearer Notes

Bearer Notes with maturities of more than 183 days initially will be represented by a temporary global bearer note that the relevant Issuer will deposit with a common depository 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 with maturities of 183 days or less initially will be represented by a permanent global Bearer Note that the relevant

Issuer will deposit with a common depository or (if in New Global Note form) a common safekeeper for Euroclear, Clearstream, Luxembourg, and/or any other relevant clearing system.

(ii) 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 be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depository and will be exchangeable for individual note certificates in accordance with its terms.

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 English Law 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.

Any Issuer may issue Notes that are Equity-Linked Notes, Commodity-Linked Notes, Currency-Linked Notes, Inflation-Linked Notes Credit-Linked Notes and Property-Linked Notes (each as defined in Condition 9 (*Equity-Linked, Commodity, Currency, Inflation-linked, Credit-linked and Property-Linked Notes*) of "*Terms and Conditions of the English Law 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 19 June 2008. 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 15 (<i>Redemption and Purchase</i>) of " <i>Terms and Conditions of the English Law Notes</i> " 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. With respect to MSBV only, this Base Prospectus is only valid with respect to Notes issued with a minimum denomination of at least EUR 1,000 per Note.
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 event that any Issuer or the Guarantor determines that such withholding or deduction 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, 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.

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 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 ERISA by reason of any such plan's or account'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 Series A 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 Series A 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 Series A 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. The Series B Notes will not be listed on any exchange.
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	<p>In the case of English Law 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 10 June 2002 (the "Morgan Stanley Deed of Covenant"), in the case of Notes issued by MSI plc in global form, individual holders' rights will be governed by a deed of covenant entered into by MSI plc dated 15 June 2010, (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 19 June 2008 (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 19 June 2008 (the "MSBV Deed of Covenant"), copies of which, in each case, will be available for inspection at the specified office of the Fiscal Agent.</p> <p>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</p>

specified office of the Fiscal Agent.

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 either Regulation S under the Securities Act or the Code)*. 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.

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. Incorporated.
Principal Securities Agent	The Bank of New York Mellon.
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	<p>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 "<i>Terms and Conditions of the Warrants and Certificates</i>" 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.</p> <p>Any Issuer may issue Warrants and Certificates that are Share Securities, Share Basket Securities, Index Securities, Index Basket Securities, Currency Securities, Commodity Securities and Bond Securities (each as defined in Condition 1 of "<i>Terms and Conditions of the Warrants and Certificates</i>").</p>
Forms of Warrants and Certificates	<p>Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV will issue Warrants and Certificates in bearer form ("Bearer Warrants" and "Bearer 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. MSBV may also issue Warrants and Certificates in dematerialised and uncertificated book-entry form with a Nordic central securities depository ("Nordic Securities").</p> <p>Bearer Warrants and Bearer Certificates with maturities of more than 183 days initially will be represented by a temporary global bearer security that the relevant Issuer will deposit with a common depository for Euroclear Bank S.A./N.V. ("Euroclear"), Clearstream Banking, <i>société anonyme</i>, 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</p>

Certificates or for Bearer Warrants or Bearer Certificates in definitive form.

Bearer Warrants and Bearer Certificates issued with maturities of 183 days 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 depository for Euroclear, Clearstream, Luxembourg, and/or any other relevant clearing system.

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.

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 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 ERISA by reason of any such plan's or account'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 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 15 June 2010 (the "**Morgan Stanley Deed of Covenant**"), in the case of Warrants and Certificates issued by MSI plc, individual holders' rights will be governed by a deed of covenant dated 15 June 2010 (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 15 June 2010 (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 19 June 2008 or 15 June 2010, as applicable (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.

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 any of Regulation S under the Securities Act, the Code 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.*"

DESCRIPTION OF THE NEW YORK LAW NOTES

The particular terms of any Notes offered herein will be set forth in the applicable Final Terms (which will, in the case of Notes that are to be admitted to the Official List of the FSA and admitted to trading on the Regulated Market of the London Stock Exchange, when appropriate, be comprised in a supplement to the Base Prospectus). **The terms and conditions set forth in this "Description of New York Law Notes" will apply to each New York Law Note as specified in the applicable Final Terms and in that Note. The Notes will be offered on a continuing basis.**

If any Note is not to be denominated in U.S. dollars, the applicable Final Terms will specify the currency or currencies in which the principal, premium, if any, interest, if any, and supplemental amounts, if any, with respect to that Note are to be paid, along with any other terms relating to the non-U.S. dollar denomination, including for certain issuances historical exchange rates for each relevant foreign currency as against the U.S. dollar and any exchange controls affecting any relevant foreign currency. See " — *Interest and Principal Payments*".

General

Notes governed by New York law will be issued under a senior debt Indenture dated as of 15 November 2000 between Morgan Stanley and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A., London Branch) as Trustee (the "**Trustee**") (as supplemented from time to time, the "**Indenture**"). The Notes issued under the Indenture will constitute a single series under that Indenture.

The following summaries of certain provisions of the Indenture and the Notes, and the summaries of additional provisions of the Indenture described under the heading " — *Indenture*" do not purport to be complete, and those summaries are subject to the detailed provisions of the Indenture. The Notes offered by this Base Prospectus and the accompanying Final Terms are sometimes referred to herein as the "**Offered Notes.**"

The Indenture does not limit the amount of additional indebtedness that Morgan Stanley or any of its subsidiaries may incur, nor does it include a negative pledge provision that would require Morgan Stanley to secure the Notes if it were to secure other senior indebtedness. The Indenture allows Morgan Stanley to "reopen" a previous issue of Notes and issue additional Notes of that issue. The Notes will be direct and general obligations of Morgan Stanley. Most of the assets of Morgan Stanley are owned by its subsidiaries. Therefore, Morgan Stanley's rights and the rights of its creditors, including holders of Notes, to participate in the assets of any subsidiary upon that subsidiary's liquidation or recapitalisation will be subject to the prior claims of that subsidiary's creditors, except to the extent that Morgan Stanley may itself be a creditor with recognised claims against the subsidiary. In addition, dividends, loans and advances from certain subsidiaries to Morgan Stanley are restricted by legal requirements, including (in the case of Morgan Stanley & Co. Incorporated ("**MS & Co.**")) net capital requirements under the Exchange Act and under rules of certain exchanges and other regulatory bodies and (in the case of Discover Bank, a Delaware chartered bank and an indirect wholly owned subsidiary of Morgan Stanley, and other bank subsidiaries) by banking regulations.

The Indenture provides that Notes may be issued from time to time in one or more series and may be denominated and payable in currencies other than U.S. dollars.

The applicable Final Terms (which will, in the case of Notes that will be admitted to the Official List of the FSA and admitted to trading on the Regulated Market of the London Stock Exchange, when appropriate, be comprised in a supplement to the Base Prospectus) will contain, where applicable, the following terms of, and information relating to, any Offered Notes:

- the currency in which the Offered Notes are denominated and/or in which principal, and any premium, interest and/or supplemental amounts, will or may be payable (the "**Specified Currency**"), along with any other terms relating to the non-U.S. dollar denomination, including, if applicable, exchange rates for the Specified Currency as against the U.S. dollar at selected times during previous years, and any exchange controls affecting that Specified Currency;
- the stated maturity date and any terms related to any extension of the maturity date;

- whether the Offered Notes are Notes bearing interest at a fixed rate ("**Fixed Rate Notes**"), Notes bearing interest at a floating rate ("**Floating Rate Notes**"), Notes with original issue discount and/or Amortising Notes;
- for Fixed Rate Notes, the rate per year at which the Notes will bear interest, if any, or the method of calculating that rate and the dates on which interest will be payable;
- for Floating Rate Notes, the Base Rate, the Index Maturity, the Spread, the Spread Multiplier, the Initial Interest Rate, the Interest Reset Periods, the Interest Payment Dates, the Maximum Interest Rate, the Minimum Interest Rate (each as defined below) and any other terms relating to the particular method of calculating the interest rate for the Notes;
- if the Offered Notes are Amortising Notes, the amortisation schedule;
- whether the Offered Notes may be redeemed, in whole or in part, at the option of Morgan Stanley or repaid at the option of the investor, prior to the stated maturity date, and the terms of any redemption or repayment;
- whether the Offered Notes are Currency-Linked Notes, Credit-Linked Notes and/or Notes linked to commodity prices, securities of entities not affiliated with Morgan Stanley, baskets of those securities or indices;
- the terms on which holders of the Offered Notes may convert or exchange them into or for stock or other securities of entities not affiliated with Morgan Stanley (as well as, in the case of Series B Notes, for securities of an entity that is affiliated with Morgan Stanley), or for the cash value of these securities or for any other property, any specific terms relating to the adjustment of the conversion or exchange feature and the period during which the holders may effect the conversion or exchange;
- whether the Offered Notes will be issued in definitive bearer form or in global bearer form;
- whether the Offered Notes will be admitted to the Official List of the FSA and admitted to trading on the Regulated Market of the London Stock Exchange, admitted to listing on 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;
- the place or places for payment of the principal of and any premium, interest and/or supplemental amounts on the Offered Notes;
- any repayment, redemption, prepayment or sinking fund provisions;
- information as to the methods for determining the amount of principal, interest and/or supplemental amounts payable on any date and/or the currencies, securities or baskets of securities, commodities or indices to which the amount payable on that date is linked;
- any applicable, material United States federal income tax consequences other than those set forth herein;
- if applicable, any United Kingdom withholding tax consequences; and
- any other specific terms of the Offered Notes, including any additional events of default or covenants, and any terms required by or advisable under applicable laws or regulations.

Holders may present the Notes for exchange or transfer, in the manner, at the places and subject to the restrictions described under the captions "*Subscription and Sale*" and "*No Ownership By U.S. Persons*" and in the Notes and in the applicable Final Terms. These services will be provided without charge except for any tax or other governmental charge payable in connection with these services and subject to any limitations provided in the Indenture.

The Notes will be Fixed Rate Notes or Floating Rate Notes or may pay interest at a rate which varies. The Notes, including Notes bearing no interest or interest at a rate that at the time of issuance is below the prevailing market rate, may be sold at a discount below their stated principal amount.

Except as may be specified for Notes denominated in currencies other than U.S. dollars, the Notes will be issued in denominations of \$1,000, or as otherwise set forth in the applicable Final Terms. Notes denominated in a Specified Currency other than U.S. dollars will be issued in denominations which are the equivalent of such denominations (rounded to an integral multiple of 1,000 units of that Specified Currency, as applicable), or any amount in excess thereof which is an integral multiple of 1,000 units of such Specified Currency, as determined by reference to the noon U.S. dollar buying rate in The City of New York for cable transfers of that Specified Currency published by the Federal Reserve Bank of New York (the "**Market Exchange Rate**") on the Business Day (as defined below) immediately preceding the date of issuance.

As used herein, the following terms have the meanings set forth below:

"**Amortising Note**" means a Fixed Rate Note (as defined below) that pays a level amount in respect of both interest and principal amortised over the life of the Note.

"**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 center of the country of the Specified Currency, or (c) for Notes denominated in Australian dollars, in Sydney and (ii) for Notes denominated in euro, a day that is also a TARGET Settlement Day.

An "**Interest Payment Date**" for any Note means a date on which, under the terms of that Note, regularly scheduled interest is payable.

"**Euro LIBOR Notes**" means LIBOR Notes for which the Index Currency is euros.

"**London banking day**" means any day on which dealings in deposits in the relevant Index Currency (as defined under " — *Base Rates — LIBOR Notes*" below) are transacted in the London interbank market.

"**Original Issue Discount Note**" means any Note that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof pursuant to the relevant Indenture.

"**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 Euros.

Form and Title

Unless otherwise specified in the applicable Final Terms, the Notes will be issued in global bearer form without coupons attached. For a more complete description of the form of Notes and of the consequences of holding an interest in a global bearer note, see "*Forms of Notes*" below.

The Notes and any coupons issued with the Notes will be transferable by delivery. The investor may present them for payment and exchange in the manner set forth above.

Interest and Principal Payments

Global Bearer Notes. The Principal Paying Agent or any other paying agent will pay interest on a temporary global bearer note to Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system on that portion of the temporary global bearer note held for its account. See "*Forms of Notes*" below. The Principal Paying Agent or any other paying agent will pay interest to Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system only on that portion of the principal amount of the relevant temporary global bearer note for which it receives an Ownership Certificate, as defined in "*Forms of Notes*" below, signed by Euroclear or Clearstream, Luxembourg or, as applicable, any other relevant clearing system. The Ownership Certificate must be dated no earlier than such Interest Payment Date. The Ownership Certificate will be based on Ownership Certificates provided to Euroclear or Clearstream, Luxembourg or, as applicable, any other relevant clearing system by its participants. Euroclear and Clearstream, Luxembourg or, as applicable, any other

relevant clearing system will credit interest received to the accounts of the participants for the beneficial owners of those accounts only if the participants have furnished Ownership Certificates.

Prior to the Exchange Date, the person entitled to receive the principal of, or interest and/or supplemental amounts on, a temporary global bearer note must furnish an Ownership Certificate through the broker or other direct or indirect participant in the clearing systems through which it holds its interest in order to receive any principal or interest and/or supplemental amounts.

On and after the Exchange Date, upon receipt of the required Ownership Certificates, the Principal Paying Agent or any other paying agent will exchange interests in the temporary global bearer note for interests in the related permanent global bearer note. The Principal Paying Agent or any other paying agent will pay the principal, premium, if any, interest and/or supplemental amounts, if any, on the permanent global bearer note to Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system with respect to that portion of any permanent global bearer note held for its account. At maturity, redemption or repayment or on an Interest Payment Date, Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system will credit the principal, premium, if any, interest and/or supplemental amounts, if any, received to the respective accounts of the beneficial owners of the permanent global bearer note. Payment of principal, premium, if any, interest and/or supplemental amounts, if any, made on any permanent global bearer note will be made to Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system in immediately available funds, subject to any applicable laws and regulations.

Definitive Bearer Notes. The Principal Paying Agent or any other paying agent will pay principal, premium, if any, interest and/or supplemental amounts, if any, on a definitive bearer note at maturity, upon redemption or repayment or on any Interest Payment Date only if the Notes and/or any coupons relating to that Interest Payment Date are presented and surrendered. The definitive bearer notes must be presented and surrendered at the offices of a paying agent outside the United States. The holder has the option to receive payment (1) by check or (2) by wire transfer of immediately available funds to an account maintained by the payee with a bank located outside the United States. To elect the second option, the Principal Paying Agent or any other paying agent must receive appropriate wire transfer instructions not less than 15 calendar days prior to an applicable payment date. Payment will be made in immediately available funds, subject to any applicable laws and regulations.

Payment on any Note (including any bearer global notes) will not be made:

- at any office or agency of Morgan Stanley in the United States;
- by cheque mailed to any address in the United States; or
- by wire transfer to an account maintained with a bank located in the United States.

Despite these general prohibitions, payments of principal, premium, if any, interest and/or supplemental amounts, if any, on Notes payable in U.S. dollars will be made at the office of Morgan Stanley's paying agent in the Borough of Manhattan, The City of New York, if and only if:

- the payment of the full amount in U.S. dollars at all offices or agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
- under applicable United States law, the paying agent in the Borough of Manhattan, The City of New York, would be able to make the payment without adverse United States federal tax consequences or other adverse consequences to Morgan Stanley.

Unavailability of Currency. The relevant Specified Currency may not be available to Morgan Stanley for making payments of principal of, and premium, interest and/or supplemental amounts, if any, on any Note. This could occur due to the imposition of exchange controls or other circumstances beyond the control of Morgan Stanley 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. If the Specified Currency is unavailable, Morgan Stanley may satisfy its obligations to Noteholders by making those payments on the date of payment in U.S. dollars on the basis of the Market Exchange Rate on the date of the payment or of the most recent practicable date, or if that rate of exchange is not then available or is not published for that particular payment currency, the Market Exchange Rate will be 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:

- of the Specified Currency for U.S. dollars for settlement on the payment date;
- in the aggregate amount of the Specified Currency payable to those holders or beneficial owners of Notes; and
- 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 Morgan Stanley and the Noteholders. The Exchange Rate Agent will be Morgan Stanley & Co. International plc, an affiliate of Morgan Stanley, 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 Market Exchange Rate where the required payment is in an unavailable Specified Currency will not constitute an Event of Default under the Indenture.

These 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, we may at our option (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 under the Indenture.

Unclaimed Payments. If Morgan Stanley has made, and the Trustee or the Principal Paying Agent or any other paying agent has held, any payment of the principal of, or any premium, interest and/or supplemental amounts on, any Notes that remains unclaimed at the end of two years after that payment has become due and payable (whether at maturity or upon call for redemption or otherwise):

- the Trustee or such paying agent will notify the holders of such Notes that moneys will be repaid to Morgan Stanley, and any person claiming such moneys will thereafter look only to Morgan Stanley for payment thereof; and
- those moneys will be so repaid to Morgan Stanley.

Upon that repayment all liability of the Trustee or such paying agent with respect to those moneys will thereupon cease, without, however, limiting in any way any obligation that Morgan Stanley may have to pay the principal of, or any premium, interest and/or supplemental amounts on, the Notes as the same will become due.

Original Issue Discount Notes. Certain Notes may be Original Issue Discount Notes. Unless otherwise specified in the applicable Final Terms, if the principal of any Note that is considered to be issued with original issue discount is declared to be due and payable immediately as described under "*Events of Default*" below or is redeemed as described under "*Tax Redemption*" below, the amount of principal due and payable on that Note will be limited to:

- the aggregate principal amount of the Note *multiplied* by
- the sum of its issue price, expressed as a percentage of the aggregate principal amount, plus
- the original issue discount amortised from the date of issue to the date of declaration, expressed as a percentage of the aggregate principal amount.

The amortisation will be calculated using the "interest method", computed in accordance with generally accepted accounting principles in effect on the date of declaration. See the applicable Final Terms for any special considerations applicable to these Notes.

Exchanges; Paying Agent for the Notes

Definitive bearer notes and any coupons are transferable by delivery. The investor may exchange definitive bearer notes for other notes in other authorized denominations and in an equal aggregate principal amount. The exchange will take place at the offices of the Principal Paying Agent in London or at the office of any agent that Morgan Stanley designates for that purpose. The terms of, and procedures established under, the Indenture govern any exchange of the definitive bearer notes.

Morgan Stanley has designated The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A., London Branch) as its Principal Paying Agent for the Notes. Morgan Stanley may at any time appoint additional paying agents for the Notes outside the United States. Any initial designation by Morgan Stanley of an agent may be rescinded at any time, except that, so long as any Notes remain outstanding, Morgan Stanley will maintain a paying agent having a specified office in (i) London, so long as any Notes are admitted to the Official List of the FSA and admitted to trading on the regulated market for fixed income securities of the London Stock Exchange and the FSA requires it and (ii) Switzerland, so long as any Notes are admitted to the main segment of the SIX Swiss Exchange and to trading on SCOACH AG and the SIX Swiss Exchange requires it. Morgan Stanley will (if necessary and to the extent practicable) maintain a paying agent in a Member State of the European Union that will not be obligated to withhold or deduct tax pursuant to European Union Directive 2003/48/EC on the taxation of savings or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Morgan Stanley will not be required to:

- exchange notes to be redeemed for a period of fifteen calendar days preceding the publication of the relevant notice of redemption, or
- exchange any definitive bearer note selected for redemption or surrendered for optional repayment.

Fixed Rate Notes

Each Fixed Rate Note will bear interest from the date of issuance at the annual rate stated on its face until the principal is paid or made available for payment.

How Interest Is Calculated. Interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

How Interest Accrues. Interest on Fixed Rate Notes will accrue from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from and including the issue date or any other date specified in a Final Terms on which interest begins to accrue. Interest will accrue to but excluding the next Interest Payment Date or, if earlier, excluding the date on which the principal has been paid or duly made available for payment (except as described below under " — *If a Payment Date is Not a Business Day*").

When Interest Is Paid. Payments of interest on Fixed Rate Notes will be made on the Interest Payment Dates specified in the applicable Final Terms. However, if the first Interest Payment Date is less than 15 days after the date of issuance, interest will not be paid on the first Interest Payment Date, but will be paid on the second Interest Payment Date.

Amount of Interest Payable. Interest payments for Fixed Rate Notes will include accrued interest from and including the date of issue or from and including the last date in respect of which interest has been paid, as the case may be, to but excluding the relevant interest payment date or date of maturity or earlier redemption or repayment, as the case may be.

If a Payment Date Is Not a Business Day. If any scheduled Interest Payment Date is not a Business Day, Morgan Stanley will pay interest on the next Business Day, but interest on that payment will not accrue during the period from and after the Interest Payment Date. If the scheduled maturity date or date of redemption or repayment is not a Business Day, Morgan Stanley may pay principal, premium, interest and/or supplemental amounts, if any, on the next succeeding Business Day, but interest on that payment will not accrue during the period from and after the maturity date or date of redemption or repayment.

Amortising Notes. A Fixed Rate Note may pay a level amount in respect of both interest and principal amortised over the life of the Note. Payments of principal and interest on Amortising Notes will be made on the Interest Payment Dates specified in the applicable Final Terms, and at maturity or upon any earlier date of redemption or repayment. Payments on Amortising Notes will be applied first to interest due and payable and then to the reduction of the unpaid principal amount. Morgan Stanley will provide to the original purchaser, and will furnish to subsequent holders upon request to Morgan Stanley, a table setting forth repayment information for each Amortising Note.

Floating Rate Notes

Each Floating Rate Note will mature on the date specified in the applicable Final Terms.

Each Floating Rate Note will bear interest at a floating rate determined by reference to an interest rate or interest rate formula (the "**Base Rate**"). The Base Rate may be one or more of the following:

- the CD Rate
- the Commercial Paper Rate
- EURIBOR
- the Federal Funds Rate
- the Federal Funds (Open) Rate
- LIBOR
- the Prime Rate
- the Treasury Rate
- the CMT Rate, or
- any other rate or interest rate formula specified in the applicable Final Terms and in the Floating Rate Note.

Formula for Interest Rates. The interest rate on each Floating Rate Note will be calculated by reference to:

- the specified Base Rate based on the Index Maturity;
- *plus or minus* the Spread, if any, and/or
- *multiplied* by the Spread Multiplier, if any.

The interest rate on each Floating Rate Note may, during all or any part of the period that it is outstanding, be set at zero.

"**Index Maturity**" means, for any Floating Rate Note, the period of maturity of the instrument or obligation from which the Base Rate is calculated and will be specified in the applicable Final Terms. The "**Spread**" is the number of basis points (one one-hundredth of a percentage point) specified in the applicable Final Terms to be added to or subtracted from the Base Rate for a Floating Rate Note. The "**Spread Multiplier**" is the percentage specified in the applicable Final Terms to be applied to the Base Rate for a Floating Rate Note. The interest rate on any inverse Floating Rate Note will also be calculated by reference to a fixed rate.

Limitations on Interest Rate. A Floating Rate Note may also have either or both of the following limitations on the interest rate:

- a maximum limitation, or ceiling, on the rate of interest which may accrue during any interest period ("**Maximum Interest Rate**"); and/or

- a minimum limitation, or floor, on the rate of interest that may accrue during any interest period ("**Minimum Interest Rate**").

Any applicable Maximum Interest Rate or Minimum Interest Rate will be set forth in the applicable Final Terms.

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

How Floating Interest Rates Are Reset. The interest rate in effect from the date of issue to the first Interest Reset Date for a Floating Rate Note will be the initial interest rate specified in the applicable Final Terms. This rate is the "**Initial Interest Rate**". The interest rate on each Floating Rate Note may be reset daily, weekly, monthly, quarterly, semiannually or annually. This period is the "**Interest Reset Period**" and the first day of each Interest Reset Period is the "**Interest Reset Date**". The "**Interest Determination Date**" pertaining to any Interest Reset Date is the day the Calculation Agent (which will be specified for any issue of Floating Rate Notes in the applicable Final Terms) will refer to when determining the new interest rate at which a Floating Rate Note will reset, and is applicable as follows:

- for Federal Funds Rate Notes, Federal Funds (Open) Rate Notes, and Prime Rate Notes, the Interest Determination Date will be on the Business Day prior to the Interest Rate Reset Date;
- for CD Rate Notes, Commercial Paper Rate Notes and CMT Rate Notes, the Interest Determination Date will be the second Business Day prior to the Interest Reset Date;
- for EURIBOR Notes or Euro LIBOR Notes, the Interest Determination Date will be the second TARGET Settlement Day (as defined under "*General*") prior to the Interest Reset Date;
- for LIBOR Notes (other than Euro LIBOR Notes), the Interest Determination Date will be the second London Banking Day prior to the Interest Reset Date, except that the Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Note for which the Index Currency is pounds sterling will be the Interest Reset Date;
- for Treasury Rate Notes, the Interest Determination Date will be the day of the week in which the Interest Reset Date falls on which Treasury bills would normally be auctioned; and
- for Notes with two or more Base Rates, the Interest Determination Date will be the latest Business Day that is at least two Business Days before the Interest Reset Date for the applicable Note on which each Base Rate is determinable.

Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that the auction may be held on the preceding Friday; **provided, however, that** if an auction is held on the Friday of the week preceding the Interest Reset Date, the Interest Determination Date will be that preceding Friday. If an auction falls on a day that is an Interest Reset Date, that Interest Reset Date will be the next following Business Day.

The Interest Reset Dates will be specified in the applicable Final Terms. If an Interest Reset Date for any Floating Rate Note falls on a day that is not a Business Day, it will be postponed to the following Business Day, except that, in the case of a EURIBOR Note or a LIBOR Note, if that Business Day is in the next calendar month, the Interest Reset Date will be the immediately preceding Business Day.

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

In the detailed descriptions of the various Base Rates which follow, the "**Calculation Date**" pertaining to an Interest Determination Date means the earlier of (i) the tenth calendar day after the Interest Determination Date, or, if that day is not a Business Day, the next succeeding Business Day, and (ii) the

Business Day immediately preceding the applicable Interest Payment Date or maturity date or, for any principal amount to be redeemed or repaid, any redemption or repayment date.

How Interest is Calculated. Interest on Floating Rate Notes will accrue from and include the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from and including the issue date or any other date specified in a Final Terms on which interest begins to accrue. Interest will accrue to but exclude the next Interest Payment Date, or, if earlier, the date on which the principal has been paid or duly made available for payment (except as described under " — *If a Payment Date Is Not a Business Day*" below).

The applicable Final Terms will specify a calculation agent for any issue of Floating Rate Notes (the "**Calculation Agent**"). Upon the request of the holder of any Floating Rate Note, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective on the next Interest Reset Date for that Floating Rate Note. As long as any Floating Rate Notes have been admitted to the Official List of the FSA and admitted to trading on the Regulated Market of the London Stock Exchange and the rules of the FSA and/or the London Stock Exchange require it, the Calculation Agent will, no later than the first day of the applicable Interest Reset Period, notify the FSA and/or the London Stock Exchange as to the interest rate in effect for such Interest Reset Period and will also publish notice of the relevant interest rate and the applicable Interest Reset Period in the manner described below under " — *Notices*" or make such information available to holders at the offices of the Principal Paying Agent.

For a Floating Rate Note, accrued interest will be calculated by multiplying the principal amount of the Floating Rate Note by an accrued interest factor. This accrued interest factor will be computed by adding the interest factors calculated for each day in the period for which interest is being paid. The interest factor for each day is computed by *dividing* the interest rate applicable to that day:

- by 360, in the case of CD Rate Notes, Commercial Paper Rate Notes, EURIBOR Notes, Federal Funds Rate Notes, Federal Funds (Open) Rate Notes, LIBOR Notes (except for LIBOR Notes denominated in pounds sterling) and Prime Rate Notes;
- by 365, in the case of LIBOR Notes denominated in pounds sterling; or
- by the actual number of days in the year, in the case of Treasury Rate Notes and CMT Rate Notes.

For these calculations, the interest rate in effect on any Interest Reset Date will be the applicable rate as reset on that date. The interest rate applicable to any other day is the interest rate from the immediately preceding Interest Reset Date (or, if none, the Initial Interest Rate).

All percentages used in or resulting from any calculation of the rate of interest on a Floating Rate Note 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., and all U.S. dollar amounts used in or resulting from these calculations on Floating Rate Notes will be rounded to the nearest cent, with one-half cent rounded upward. All Japanese Yen amounts used in or resulting from such calculations will be rounded downward to the next lower whole Japanese Yen amount. 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.

When Interest Is Paid. Morgan Stanley will pay interest on Floating Rate Notes on the Interest Payment Dates specified in the applicable Final Terms. However, if the first Interest Payment Date is less than 15 days after the date of issuance, interest will not be paid on the first Interest Payment Date, but will be paid on the second Interest Payment Date.

If a Payment Date Is Not a Business Day. If any scheduled Interest Payment Date, other than the maturity date or any earlier redemption or repayment date, for any Floating Rate Note falls on a day that is not a Business Day, it will be postponed to the following Business Day, except that, in the case of a EURIBOR Note or a LIBOR Note, if that Business Day would fall in the next calendar month, the Interest Payment Date will be the immediately preceding Business Day. If the scheduled maturity date or any earlier redemption or repayment date of a Floating Rate Note falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest and/or supplemental amounts, if any, will be made on

the next succeeding Business Day, but interest on that payment will not accrue during the period from and after the maturity, redemption or repayment date.

Base Rates

CD Rate Notes

CD Rate Notes will bear interest at the interest rates specified in the CD Rate Notes and in the applicable Final Terms. Those interest rates will be based on the CD Rate and any spread and/or spread multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

The "**CD Rate**" means, for any Interest Determination Date, the rate on that date for negotiable U.S. dollar certificates of deposit having the Index Maturity specified in the applicable Final Terms as published by the U.S. Federal Reserve System (the "**Fed**") in "Statistical Release H.15(519), Selected Interest Rates", or any successor publication of the Board of Governors of the Federal Reserve System ("**H.15(519)**") under the heading "CDs (Secondary Market)".

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

- If the above rate is not published in H.15(519) by 3:00 p.m., New York City time, on the Calculation Date, the CD Rate will be the rate on that Interest Determination Date set forth in the daily update of H.15(519), available through the world wide website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update> or any successor site or publication ("**H.15 Daily Update**") for the Interest Determination Date for certificates of deposit having the Index Maturity specified in the applicable Final Terms under the caption "CDs (Secondary Market)".
- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the Calculation Date, the Calculation Agent will determine the CD Rate to be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on that Interest Determination Date of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York, which may include the Distribution Agents or their affiliates, selected by the Calculation Agent, after consultation with Morgan Stanley, for negotiable U.S. dollar certificates of deposit of major U.S. money center banks of the highest credit standing in the market for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity specified in the applicable Final Terms in an amount that is representative for a single transaction in that market at that time.
- If the dealers selected by the Calculation Agent are not quoting as set forth above, the CD Rate for that Interest Determination Date will remain the CD Rate for the immediately preceding Interest Reset Period, or, if there was no Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

Commercial Paper Rate Notes

Commercial Paper Rate Notes will bear interest at the interest rates specified in the Commercial Paper Rate Notes and in the applicable Final Terms. Those interest rates will be based on the Commercial Paper Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

The "**Commercial Paper Rate**" means, for any Interest Determination Date, the Money Market Yield, calculated as described below, computed using the rate on that date for U.S. dollar commercial paper having the Index Maturity specified in the applicable Final Terms, as that rate is published in H.15(519), under the heading "Commercial Paper — Nonfinancial".

The following procedures will be followed if the Commercial Paper Rate cannot be determined as described above:

- If the above rate is not published by 3:00 p.m., New York City time, on the Calculation Date, then the Commercial Paper Rate will be the Money Market Yield computed using the rate on that Interest Determination Date for commercial paper of the Index Maturity specified in the applicable Final Terms as published in the H.15 Daily Update, or other recognised electronic

source used for the purpose of displaying the applicable rate, under the heading "Commercial Paper — Nonfinancial".

- If by 3:00 p.m., New York City time, on that Calculation Date the rate is not yet published in either H.15(519) or the H.15 Daily Update, or other recognised electronic source used for the purpose of displaying the applicable rate, then the Calculation Agent will determine the Commercial Paper Rate to be the Money Market Yield computed using the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on that Interest Determination Date of three leading dealers of U.S. dollar commercial paper in The City of New York, which may include the Distribution Agents or their affiliates, selected by the Calculation Agent, after consultation with Morgan Stanley, for commercial paper of the Index Maturity specified in the applicable Final Terms, placed for an industrial issuer whose bond rating is "Aa" or the equivalent, from a nationally recognised statistical rating agency.
- If the dealers selected by the Calculation Agent are not quoting as set forth above, the Commercial Paper Rate for that Interest Determination Date will remain the Commercial Paper Rate for the immediately preceding Interest Reset Period, or, if there was no Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

The "**Money Market Yield**" will be a yield calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per year rate for commercial paper quoted on a bank discount basis and expressed as a decimal and "M" refers to the actual number of days in the interest period for which interest is being calculated.

EURIBOR Notes

EURIBOR Notes will bear interest at the interest rates specified in the EURIBOR Notes and in the applicable Final Terms. That interest rate will be based on EURIBOR and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

"**EURIBOR**" means, for any Interest Determination Date, the rate for deposits in euros as sponsored, calculated and published jointly by the European Banking Federation and ACI - The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing those rates, for the Index Maturity specified in the applicable Final Terms as that rate appears on the display on Reuters 3000 Xtra Service ("**Reuters**"), or any successor service, on page EURIBOR01 or any other page as may replace page EURIBOR01 on that service ("**Reuters Page EURIBOR01**") as of 11:00 a.m., Brussels time.

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

- If the above rate does not appear, the Calculation Agent will request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market, as selected by the Calculation Agent, after consultation with Morgan Stanley, to provide the Calculation Agent with its offered rate for deposits in euros, at approximately 11:00 a.m., Brussels time, on the Interest Determination Date, to prime banks in the Euro-zone interbank market for the Index Maturity specified in the applicable Final Terms commencing on the applicable Interest Reset Date, and in a principal amount not less than the equivalent of U.S.\$1 million in euro that is representative of a single transaction in euro, in that market at that time. If at least two quotations are provided, EURIBOR will be the arithmetic mean of those quotations.
- If fewer than two quotations are provided, EURIBOR will be the arithmetic mean of the rates quoted by four major banks in the Euro-zone interbank market, as selected by the Calculation Agent, after consultation with Morgan Stanley, at approximately 11:00 a.m., Brussels time, on the applicable Interest Reset Date for loans in euro to leading European banks for a period of time equivalent to the Index Maturity specified in the applicable Final Terms commencing on that Interest Reset Date in a principal amount not less than the equivalent of U.S.\$1 million in euro.

- If the banks selected by the Calculation Agent are not quoting as set forth above, EURIBOR for that Interest Determination Date will remain EURIBOR for the immediately preceding Interest Reset Period, or, if there was no Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

"Euro-zone" means the region comprising Member States of the European Union that have adopted the single currency in accordance with the Treaty.

Federal Funds Rate Notes

Federal Funds Rate Notes will bear interest at the interest rates specified in the Federal Funds Rate Notes and in the applicable Final Terms. Those interest rates will be based on the Federal Funds Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

The "**Federal Funds Rate**" means, for any Interest Determination Date, the rate on that date for U.S. dollar Federal Funds as published in H.15(519) under the heading "Federal Funds (Effective)" as displayed on Reuters, or any successor service, on page FEDFUNDS1 or any other page as may replace the applicable page on that service, which is commonly referred to as "Reuters Page FEDFUNDS1".

The following procedures will be followed if the Federal Funds Rate cannot be determined as described above:

- If the above rate is not published by 3:00 p.m., New York City time, on the Calculation Date, the Federal Funds Rate will be the rate on that Interest Determination Date as published in the H.15 Daily Update, or other recognised electronic source used for the purpose of displaying the applicable rate, under the heading "Federal Funds (Effective)".
- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update, or other recognised electronic source used for the purpose of displaying the applicable rate, by 3:00 p.m., New York City time, on the Calculation Date, the Calculation Agent will determine the Federal Funds Rate to be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar federal funds as of 9:00 a.m., New York City time, on that Interest Determination Date by each of three leading brokers of U.S. dollar Federal Funds transactions in The City of New York, which may include the Distribution Agents or their affiliates, selected by the Calculation Agent, after consultation with Morgan Stanley.
- If the brokers selected by the Calculation Agent are not quoting as set forth above, the Federal Funds Rate for that Interest Determination Date will remain the Federal Funds Rate for the immediately preceding Interest Reset Period, or, if there was no Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

Federal Funds (Open) Rate Notes.

Federal Funds (Open) Rate Notes will bear interest at the interest rates specified in the Federal Funds (Open) Rate Notes and in the Final Terms. Those interest rates will be based on the Federal Funds (Open) Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

The "Federal Funds (Open) Rate" means, for any Interest Determination Date, the rate on that date for U.S. dollar Federal Funds as published in H.15(519) under the heading "Federal Funds (Open)" as displayed by Reuters (as the successor service to Moneyline Telerate, Inc., ("Telerate")) or any successor service, on page 5 (as the successor to Telerate page 5) or any other page as may replace the applicable page on that service, which is commonly referred to as "Reuters page 5".

The following procedures will be followed if the Federal Funds (Open) Rate cannot be determined as described above:

- If the above rate is not published by 3.00 p.m., New York City time, on the Calculation Date, the Federal Funds (Open) Rate will be the rate on that Interest Determination Date as published in the H.15 Daily Update, or other recognised electronic source used for the purpose of displaying the applicable rate, under the heading "Federal Funds (Open)".

- If the above rate is not yet published in either H.15(519) or the H.15 Daily Update, or other recognised electronic source used for the purpose of displaying the applicable rate, by 3.00 p.m., New York City time, on the Calculation Date, the Calculation Agent will determine the Federal Funds (Open) Rate to be the arithmetic mean of the rates for the last transaction in overnight U.S. dollar Federal Funds, based on the Federal Funds (Open) Rate prior to 9.00 a.m., New York City time, on that Interest Determination Date, by each of three leading brokers of U.S. dollar Federal Funds transactions in The City of New York, which may include the agent and its affiliates, selected by the Calculation Agent, after consultation with Morgan Stanley.
- If the brokers selected by the Calculation Agent are not quoting as set forth above, the Federal Funds (Open) Rate for that Interest Determination Date will remain the Federal Funds (Open) Rate for the immediately preceding Interest Reset Period, or, if there was no Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

LIBOR Notes

LIBOR Notes will bear interest at the interest rates specified in the LIBOR Notes and in the applicable Final Terms. That interest rate will be based on London Interbank Offered Rate ("**LIBOR**") and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

"**LIBOR**" means, for any Interest Determination Date, the arithmetic mean of the offered rates for deposits in the Index Currency having the Index Maturity designated in the applicable Final Terms, commencing on the second London banking day immediately following that Interest Determination Date or, if pounds sterling is the Index Currency, commencing on that Interest Determination Date, that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that Interest Determination Date, if at least two offered rates appear on the Designated LIBOR Page, provided that if the specified Designated LIBOR Page, as defined below, by its terms provides only for a single rate, that single rate will be used.

- If (i) fewer than two offered rates appear or (ii) no rate appears and the Designated LIBOR Page by its terms provides only for a single rate, then the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, after consultation with Morgan Stanley, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity specified in the applicable Final Terms commencing on the second London banking day immediately following the Interest Determination Date or, if pounds sterling is the Index Currency, commencing on that Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that Interest Determination Date and in a principal amount that is representative of a single transaction in that Index Currency in that market at that time. If at least two quotations are provided, LIBOR determined on that Interest Determination Date will be the arithmetic mean of those quotations.
- If fewer than two quotations are provided as described in the prior paragraph, LIBOR will be determined for the applicable Interest Reset Date as the arithmetic mean of the rates quoted at approximately 11:00 a.m., London time, or some other time specified in the applicable Final Terms, in the applicable principal financial center for the country of the Index Currency on that Interest Reset Date, by three major banks in that principal financial center selected by the Calculation Agent, after consultation with Morgan Stanley, for loans in the Index Currency to leading European banks, having the Index Maturity specified in the applicable Final Terms and in a principal amount that is representative of a single transaction in that Index Currency in that market at that time.
- If the banks so selected by the Calculation Agent are not quoting as set forth above, LIBOR for that Interest Determination Date will remain LIBOR for the immediately preceding Interest Reset Period, or, if there was no Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

The "**Index Currency**" means the currency specified in the applicable Final Terms as the currency for which LIBOR will be calculated, or, if the euro is substituted for that currency, the Index Currency will be the euro. If that currency is not specified in the applicable Final Terms, the Index Currency will be U.S. dollars.

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

Prime Rate Notes

Prime Rate Notes will bear interest at the interest rates specified in the Prime Rate Notes and in the applicable Final Terms. That interest rate will be based on the Prime Rate and any Spread and/or Spread Multiplier, and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

The **"Prime Rate"** means, for any Interest Determination Date, the rate on that date as published in H.15(519) under the heading "Bank Prime Loan".

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

- If the above rate is not published prior to 3:00 p.m., New York City time, on the Calculation Date, the Prime Rate will be the rate on that Interest Determination Date as published in H.15 Daily Update opposite the caption "Bank Prime Loan".
- If the above rate is not published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the Calculation Date, the Calculation Agent will determine the Prime Rate to be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Page US PRIME 1, as defined below, as that bank's Prime Rate or base lending rate as in effect for that Interest Determination Date.
- If fewer than four rates for that Interest Determination Date appear on the Reuters Page US PRIME 1 by 3:00 p.m., New York City time, on the Calculation Date, the Calculation Agent will determine the Prime Rate to be the arithmetic mean of the Prime Rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on that Interest Determination Date by at least three major banks in The City of New York, which may include the Distribution Agents or their affiliates, selected by the Calculation Agent, after consultation with Morgan Stanley.
- If the banks selected by the Calculation Agent are not quoting as set forth above, the Prime Rate for that Interest Determination Date will remain the Prime Rate for the immediately preceding Interest Reset Period, or, if there was no Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

"Reuters Page US PRIME 1" means the display designated as page "US PRIME 1" on Reuters, or any successor service, or any other page as may replace the US PRIME 1 page on that service for the purpose of displaying Prime Rates or base lending rates of major U.S. banks.

Treasury Rate Notes

Treasury Rate Notes will bear interest at the interest rates specified in the Treasury Rate Notes and in the applicable Final Terms. That interest rate will be based on the Treasury Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

The **"Treasury Rate"** means:

- the rate from the auction held on the applicable Interest Determination Date (the **"Auction"**) of direct obligations of the United States (**"Treasury Bills"**) having the Index Maturity specified in the applicable Final Terms as that rate appears under the caption "INVESTMENT RATE" on the display on Reuters Page USAUCTION 10 or Reuters Page USAUCTION11 or such other page or pages as may replace Reuters Page USAUCTION10 or Reuters Page USAUCTION11 on that service, or any successor service, for the purpose of displaying such information; or
- if the rate described in the first bullet point is not published by 3:00 p.m., New York City time, on the Calculation Date, the bond equivalent yield of the auction rate for the applicable Treasury Bills as published in the H.15 Daily Update, or other recognised electronic source used for the

purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Auction High"; or

- if the rate described in the second bullet point is not published by 3:00 p.m., New York City time, on the related Calculation Date, the bond equivalent yield of the auction rate of the applicable Treasury Bills, announced by the United States Department of the Treasury; or
- if the rate referred to in the third bullet point is not announced by the United States Department of the Treasury, or if the Auction is not held, the bond equivalent yield of the auction rate on the applicable Interest Determination Date of Treasury Bills having the Index Maturity specified in the applicable Final Terms published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Secondary Market"; or
- if the rate referred to in the fourth bullet point is not published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on the applicable Interest Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognised electronic source used for the purpose of displaying the applicable rate, under the caption "U.S. Government Securities/Treasury Bills/Secondary Market"; or
- if the rate referred to in the fifth bullet point is not published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on the applicable Interest Determination Date calculated by the Calculation Agent as the bond equivalent yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable Interest Determination Date, of three primary U.S. government securities dealers, which may include the Distribution Agents or their affiliates, selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Final Terms; or
- if the dealers selected by the Calculation Agent are not quoting as set forth above, the Treasury Rate for that Interest Determination Date will remain the Treasury Rate for the immediately preceding Interest Reset Period, or, if there was no Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

The "**bond equivalent yield**" means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, "N" refers to 365 or 366, as the case may be, and "M" refers to the actual number of days in the interest period for which interest is being calculated.

CMT Rate Notes

CMT Rate Notes will bear interest at the interest rates specified in the CMT Rate Notes and in the applicable Final Terms. That interest rate will be based on the CMT Rate and any Spread and/or Spread Multiplier and will be subject to the Minimum Interest Rate and the Maximum Interest Rate, if any.

The "**CMT Rate**" means, for any Interest Determination Date, any of the following rates displayed on the Designated CMT Reuters Page, as defined below, under the caption "... Treasury Constant Maturities ... Federal Reserve Board Release H.15... Mondays Approximately 3:45 p.m.", under the column for the Designated CMT Maturity Index, as defined below, for:

- (1) the rate on that Interest Determination Date, if the Designated CMT Reuters Page is the Reuters Page FRBCMT; and
- (2) the week or the month, as applicable, ended immediately preceding the week in which the related Interest Determination Date occurs, if the Designated CMT Reuters Page is the Reuters Page FEDCMT.

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

- If the above rate is no longer displayed on the relevant page, or if not displayed by 3:00 p.m., New York City time, on the Calculation Date, then the CMT Rate will be the Treasury Constant Maturities rate for the Designated CMT Maturity Index as published in the relevant H.15(519).
- If the above rate described in the first bullet point is no longer published, or if not published by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate will be the Treasury Constant Maturities rate for the Designated CMT Maturity Index or other U.S. Treasury rate for the Designated CMT Maturity Index, on the Interest Determination Date for the related Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Designated CMT Reuters Page and published in the relevant H.15(519).
- If the information set forth above is not provided by 3:00 p.m., New York City time, on the related Calculation Date, then the Calculation Agent will determine the CMT Rate to be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 p.m., New York City time, on the Interest Determination Date reported, according to their written records, by three leading primary U.S. government securities dealers (the "**Reference Dealers**") in The City of New York, which may include the Distribution Agents or their affiliates, selected by the Calculation Agent as described in the following sentence. The Calculation Agent will select five Reference Dealers, after consultation with Morgan Stanley, and will eliminate the highest quotation or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for the most recently issued direct noncallable fixed rate obligations of the United States ("**Treasury Notes**") with an original maturity of approximately the Designated CMT Maturity Index, a remaining term to maturity of no more than 1 year shorter than the Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time. If two Treasury Notes with an original maturity as described above have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.
- If the Calculation Agent cannot obtain three Treasury Notes quotations as described in the immediately preceding paragraph, the Calculation Agent will determine the CMT Rate to be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 p.m., New York City time, on the Interest Determination Date of three Reference Dealers in The City of New York, selected using the same method described in the immediately preceding paragraph, for Treasury Notes with an original maturity equal to the number of years closest to but not less than the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in a principal amount that is representative for a single transaction in the securities in that market at that time.
- If three or four, and not five, of the Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of those quotes will be eliminated.
- If fewer than three Reference Dealers selected by the Calculation Agent are quoting as described above, the CMT Rate for that Interest Determination Date will remain the CMT Rate for the immediately preceding Interest Reset Period, or, if there was no Interest Reset Period, the rate of interest payable will be the Initial Interest Rate.

"**Designated CMT Reuters Page**" means the display on the Reuters page, or any successor service, specified in the applicable Final Terms or any other page as may replace that page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no Reuters page is specified in the applicable Final Terms, the Designated CMT Reuters Page will be the Reuters Page FEDCMT, for the most recent week.

"**Designated CMT Maturity Index**" means the original period to maturity of the U.S. Treasury Securities, which is either 1, 2, 3, 5, 7, 10, 20 or 30 years, as specified in the applicable Final Terms, for

which the CMT Rate will be calculated. If no maturity is specified in the applicable Final Terms, the Designated CMT Maturity Index will be two years.

Exchangeable Notes

Morgan Stanley may issue Notes that are optionally or mandatorily exchangeable (the "**Exchangeable Notes**") into:

- the securities of an entity not affiliated with Morgan Stanley;
- a basket of those securities;
- an index or indices of those securities; or
- any combination of the above.

The Exchangeable Notes may or may not bear interest or be issued with original issue discount or at a premium. The general terms of the Exchangeable Notes are as described below. The particular terms of any Exchangeable Notes, including the procedures for exercising any exchange right and for calculating and delivering any securities to be delivered upon exchange, will be set forth in the applicable Final Terms.

Optionally Exchangeable Notes. The holder of an optionally Exchangeable Note (the "**Optionally Exchangeable Notes**") may, during a period, or at specific times, exchange the Notes for the underlying property at a specified rate of exchange. If specified in the applicable Final Terms, Morgan Stanley will have the option to redeem the Optionally Exchangeable Note prior to maturity. If the holder of an Optionally Exchangeable Note does not elect to exchange the Note prior to maturity or any applicable redemption date, the holder will receive the principal amount of the Note plus any accrued interest at maturity or upon redemption.

Credit-linked Notes. Morgan Stanley may issue Credit-Linked Notes. The terms of Credit-Linked Notes will be specified in the applicable Final Terms.

Mandatorily Exchangeable Notes. At maturity, the holder of a mandatorily Exchangeable Note (the "**Mandatorily Exchangeable Notes**") must exchange the Note for the underlying property at a specified rate of exchange, and, therefore, depending upon the value of the underlying property at maturity, the holder of a Mandatorily Exchangeable Note may receive less than the principal amount of the Note at maturity. If so indicated in the applicable Final Terms, the specified rate at which a Mandatorily Exchangeable Note may be exchanged may vary depending on the value of the underlying property so that, upon exchange, the holder participates in a percentage, which may be less than, equal to, or greater than 100 per cent. of the change in value of the underlying property. Mandatorily Exchangeable Notes may include Notes where Morgan Stanley has the right, but not the obligation, to require holders of Notes to exchange the Notes for the underlying property.

Payments upon Exchange. The applicable Final Terms will specify if upon exchange, at maturity or otherwise, the holder of an Exchangeable Note may receive, at the specified exchange rate, either the underlying property or the cash value of the underlying property. The underlying property may be the securities of either U.S. or foreign entities or both. The Exchangeable Notes may or may not provide for protection against fluctuations in the exchange rate between the currency in which that Note is denominated and the currency or currencies in which the market prices of the underlying security or securities are quoted. Exchangeable Notes may have other terms, which will be specified in the applicable Final Terms. Exchangeable Notes for which a holder may receive the underlying property will not be admitted to the Official List of the FSA or admitted to trading on the regulated market for fixed income securities of the London Stock Exchange unless a supplement to the Base Prospectus about the underlying property has been approved by the FSA.

Special Requirements for Exchange of Global Notes. If an Optionally Exchangeable Note is represented by a global bearer note or by definitive bearer notes that remain on deposit with a common depositary or common safekeeper, or specified depositary, as the case may be, for Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system, the beneficial owner must exercise the right to exchange through Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system. In order to ensure that Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant

clearing system will timely exercise a right to exchange a particular Optionally Exchangeable Note or any portion of a particular Optionally Exchangeable Note, the beneficial owner of the Optionally Exchangeable Note must instruct the broker or other direct or indirect participant through which it holds an interest in that Optionally Exchangeable Note to notify Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system of its desire to exchange in accordance with the then applicable operating procedures of Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system. Different firms have different deadlines for accepting instructions from their customers. Each beneficial owner should consult the broker or other participant through which it holds an interest in an Optionally Exchangeable Note in order to ascertain the deadline for ensuring that timely notice will be delivered to Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system.

Payments upon Acceleration of Maturity or upon Tax Redemption. If the principal amount payable at maturity of any Exchangeable Note is declared due and payable prior to maturity as a result of an acceleration or tax redemption, the amount payable will be determined as set forth in the applicable Final Terms.

Credit-Linked Notes, Commodity-Linked Notes and Equity-Linked Notes

Morgan Stanley may issue Notes with the principal amount payable on any principal payment date and/or the amount of interest payable on any Interest Payment Date to be determined by reference to the credit of one or more specified entities not affiliated with Morgan Stanley, to one or more commodity prices, securities of entities not affiliated with Morgan Stanley (as well as, in the case of Series B Notes, securities of an entity that is affiliated with Morgan Stanley), baskets of those securities or indices of those securities. These Notes may include other terms, which will be specified in the applicable Final Terms.

Currency-Linked Notes

Morgan Stanley may issue Notes with the principal amount payable on any principal payment date, and/or the amount of interest payable on any interest payment date to be determined by reference to the value of one or more currencies as compared to the value of one or more other currencies. The applicable Final Terms will specify the following:

- information as to the one or more currencies to which the principal amount payable on any principal payment date or the amount of interest payable on any interest payment date is linked or indexed;
- the currency in which the face amount of the Currency-Linked Note is denominated (the "**Denominated Currency**");
- the currency in which principal on the Currency-Linked Note will be paid (the "**Payment Currency**");
- the interest rate per annum and the dates on which Morgan Stanley will make interest payments;
- specific historic exchange rate information and any currency risks relating to the specific currencies selected; and
- additional United States federal income tax considerations, if any.

The Denominated Currency and the Payment Currency may be the same currency or different currencies. Interest on Currency-Linked Notes will be paid in the Denominated Currency.

Redemption and Repurchase of Notes

Optional Redemption by Morgan Stanley. The applicable Final Terms will indicate either that the Notes cannot be redeemed prior to maturity, other than as provided under " — *Tax Redemption*" below, or will indicate the terms of Morgan Stanley's option to redeem the Notes subject always to compliance with all applicable laws and regulations and the requirements of each listing authority, stock exchange and/or quotation system (if any) by which the relevant Notes have been admitted to listing, trading and/or

quotation. Morgan Stanley will give notice of redemption as described below. The Notes, except for Amortising Notes, will not be subject to any sinking fund.

Notice of Redemption. Unless otherwise specified in the applicable Final Terms, notice of redemption to holders of Notes will be published in the manner described under "Notices" below; **provided that** such notice of redemption shall also be given to holders of Notes who have filed their names and addresses with the Trustee within two years preceding such notice of redemption by first-class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, or within the redemption notice period designated in the applicable Final Terms, to the address of each holder as that address appears upon the books maintained by the Trustee. The publication will not be less than 30 nor more than 60 days prior to the date fixed for redemption. The notice to the beneficial owners of Notes held only in global form may be made through the customary notice procedures of Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system. If a series of Notes is admitted to the Official List of the FSA and admitted to trading on the regulated market for fixed income securities of the London Stock Exchange, appropriate notice will be published in London as required by the FSA.

Repayment at Option of Holder. If applicable, the applicable Final Terms will indicate that the holder has the option to have Morgan Stanley repay the Notes on a date or dates specified prior to their maturity date. The repayment price will be equal to 100 per cent. of the principal amount of the Notes, together with accrued interest to the date of repayment. For Notes issued with original issue discount, the applicable Final Terms will specify the amount payable upon a repayment.

For Morgan Stanley to repay a Note, the applicable paying agent must receive at least 15 days but not more than 30 days prior to the repayment date, or within the repayment notice period designated in the applicable Final Terms, the Note with the form entitled "*Option to Elect Repayment*" on the reverse of the Note duly completed, together with any unmatured coupons.

Exercise of the repayment option by the holder of a Note will be irrevocable. The holder may exercise the repayment option for less than the entire principal amount of the Note but, in that event, the principal amount of the Note remaining outstanding after repayment must be an authorised denomination.

Special Requirements for Optional Repayment of Global Notes. If a Note is represented by a global bearer note or by definitive Notes that remain on deposit with a common depositary or common safekeeper, or specified depositary, as the case may be, for Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system, the beneficial owner must exercise the right to have Morgan Stanley repay that Note through Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system. In order to ensure that Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system will timely exercise a right to have Morgan Stanley repay a particular Note or any portion of a particular Note, the beneficial owner of the Note must instruct the broker or other direct or indirect participant through which it holds an interest in that Note to notify Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system of its desire to have Morgan Stanley repay such Note or any portion of such Note in accordance with the then applicable operating procedures of Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system. Different firms have different deadlines for accepting instructions from their customers. Each beneficial owner should consult the broker or other participant through which it holds an interest in a Note in order to ascertain the deadline for ensuring that timely notice will be delivered to Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system.

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

Redenomination

Application. The following is applicable to the Notes only if specified in the applicable Final Terms as being applicable.

Notice of redenomination. If the country of the Specified Currency becomes or, announces its intention to become, a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty (a "**Participating Member State**"), Morgan Stanley may, without the consent

of the Noteholders, on giving at least 30 days' prior notice to the Noteholders and the paying agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

Redenomination. From the Redenomination Date:

- the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the specified currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); **provided, however, that**, if Morgan Stanley determines 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 Morgan Stanley shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation and the paying agents of such deemed amendments;
- if Notes have been issued in definitive form:
 - 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 Morgan Stanley 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;
 - 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 Morgan Stanley thereunder shall remain in full force and effect; and
 - 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 Trustee may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- 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 check 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 center of any Member State of the European Communities.

Interest. Following redenomination of the Notes where Notes have been issued in definitive form, the amount of interest due in respect of the 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.

Interest Determination Date. If the Note is a Floating Rate Note, 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.

Tax Redemption

All Notes. Notes may be redeemed as a 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:

- any change in or amendment to the laws, (including a holding, judgment or order by a court of competent jurisdiction), or any regulations or rulings promulgated under the laws, of the United States or of any political subdivision or taxing authority of or in the United States affecting taxation, or

- any change in official position regarding the application or interpretation of the laws, regulations or rulings referred to above,

which change or amendment 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 below under " — *Payment of Additional Amounts*". The redemption price will be equal to 100 per cent. of the principal amount of the Notes, except as otherwise specified in the applicable Final Terms or unless the Note is an Original Issue Discount Note or an Exchangeable Note, together with accrued interest to the date fixed for redemption. See "*Description of New York Law Notes — Interest and Principal Payments—Original Issue Discount Notes*" and "*Exchangeable Notes—Payments upon Acceleration of Maturity or upon Tax Redemption*" above for information on Original Issue Discount Notes and Exchangeable Notes. Morgan Stanley will give notice of any tax redemption.

Prior to giving notice of tax redemption, Morgan Stanley will deliver to the Trustee, with a copy to the Principal Paying Agent:

- a certificate stating that Morgan Stanley is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to the right of Morgan Stanley to so redeem have occurred (the date on which that certificate is delivered to the Trustee is the "**Redemption Determination Date**"); and
- 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, which will be given in accordance with " — *Notices*" below.

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 Morgan Stanley 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. Receipt of Ownership Certificates described under " — *Forms of Notes*", is a condition precedent to delivery of definitive bearer notes.

Special Tax Redemption. If Morgan Stanley determines that any payment made outside the United States by Morgan Stanley or any paying agent of principal, premium, interest and/or supplemental amounts, if any, due on any bearer note or coupon would, under any present or future laws or regulations of the United States, be subject to any certification, identification or other information reporting requirement of any kind, the effect of which is the disclosure to Morgan Stanley, any paying agent or any governmental authority of the nationality, residence or identity of a beneficial owner of that bearer note or coupon who is a United States Alien (as defined below) other than such a requirement that:

- would not be applicable to a payment made by Morgan Stanley or any paying agent
 - directly to the beneficial owner or
 - to a custodian, nominee or other agent of the beneficial owner, unless the payment by the custodian, nominee or agent to the beneficial owner would otherwise be subject to any similar requirement, or
- can be satisfied by the custodian, nominee or other agent certifying to the effect that the beneficial owner is a United States Alien, unless the payment by the custodian, nominee or agent to the beneficial owner would otherwise be subject to any similar requirement,

Morgan Stanley will (i) redeem the Notes, as a whole, at a redemption price equal to 100 per cent. of the principal amount thereof (except as otherwise specified in the applicable Final Terms or unless the Note is an Original Issue Discount Note or Exchangeable Note), together with accrued interest to the date fixed for redemption, or (ii) at the election of Morgan Stanley, if the conditions described below in " — *Election to Pay Additional Amounts Rather than Redeem*", are satisfied, pay the Additional Amounts specified in that paragraph.

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.

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

- the effective date of the certification, identification or other information reporting requirements;
- whether Morgan Stanley will redeem the Notes or has elected to pay the additional amounts specified in " — *Election to Pay Additional Amounts Rather than Redeem*" below; and
- if Morgan Stanley elects to redeem, the last date by which the redemption of the Notes must take place.

If Morgan Stanley redeems the Notes for this reason, the redemption will take place on a date not later than one year after the publication of the Determination Notice. Morgan Stanley will elect the date fixed for redemption by notice to the Trustee, with a copy to the Principal Paying Agent, at least 60 days prior to the date fixed for redemption, or within the redemption notice period specified in the applicable Final Terms. Notice of the redemption of the Notes will be given to the Noteholders not more than 60 nor less than 30 days prior to the date fixed for redemption, or within the redemption notice period specified in the applicable Final Terms.

Notwithstanding the foregoing, Morgan Stanley will not redeem the Notes if Morgan Stanley subsequently determines, not less than 30 days prior to the date fixed for redemption, or prior to the last day of the specified redemption notice period in the applicable Final Terms, that subsequent payments would not be subject to any certification, identification or other information reporting requirement, in which case Morgan Stanley will publish prompt notice of the determination and revoke any earlier redemption notice.

Election to Pay Additional Amounts Rather than Redeem. If and so long as the certification, identification or other information reporting requirements referred to in " — *Special Tax Redemption*" would be fully satisfied by payment of a withholding tax or similar charge, Morgan Stanley may elect to pay such additional amounts as may be necessary so that every net payment made outside the United States following the effective date of those requirements by Morgan Stanley, the Principal Paying Agent or any other paying agent of principal, premium, interest and/or supplemental amounts, if any, due in respect of any Note or any coupon of which the beneficial owner is a United States Alien will not be less than the amount provided for in the bearer note or coupon to be then due and payable after deduction or withholding for or on account of the withholding tax or similar charge, other than a withholding tax or similar charge that:

- would not be applicable in the circumstances referred to in the bullet points in the first paragraph following the heading " — *Special Tax Redemption*"; or
- is imposed as a result of presentation of the Note or Coupon for payment more than 15 days after the date on which the payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later.

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

If Morgan Stanley elects to pay any additional amounts as described in " — *Election to Pay Additional Amounts Rather than Redeem*", Morgan Stanley will have the right to redeem the bearer notes as a whole at any time by meeting the same conditions described in " — *Special Tax Redemption*", and the redemption price of the bearer notes will not be reduced for applicable withholding taxes. If Morgan Stanley elects to pay additional amounts as described in " — *Election to Pay Additional Amounts Rather than Redeem*", and the condition specified in the first sentence of " — *Election to Pay Additional Amounts Rather than Redeem*", should no longer be satisfied, then Morgan Stanley will redeem the bearer notes as a whole under the applicable provisions of " — *Special Tax Redemption*".

Payment of Additional Amounts

Additional Amounts. Except as otherwise provided in the applicable Final Terms, Morgan Stanley will, subject to certain exceptions and limitations set forth below, pay those additional amounts (the "**Additional Amounts**") to the Noteholders or holders of any coupon issued with a bearer note 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 and any other amounts payable on the Note after withholding for or on account of any present or future tax, assessment or governmental charge imposed upon or as a result of that payment by the United States or any political subdivision or taxing authority thereof or therein, will not be less than the amount provided for in the Note or Coupon to be then due and payable under the Notes.

Morgan Stanley will not, however, be required to make any payment of Additional Amounts to any holder for or on account of:

- any present or future tax, assessment or other governmental charge that would not have been so imposed but for:
 - the existence of any present or former connection between the holder, or between a fiduciary, settlor, beneficiary, member or shareholder of the holder, if the holder is an estate, a trust, a partnership or a corporation, and the United States and its possessions, including, without limitation, the holder, 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
 - the presentation by the holder of any Note or Coupon 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;
- any estate, inheritance, gift, sales, transfer, capital gains, corporation, income or personal property tax or any similar tax, assessment or governmental charge;
- any tax, assessment or other governmental charge imposed by reason of the holder'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;
- any tax, assessment or other governmental charge that is payable otherwise than by withholding from payments on or in respect of any Note;
- 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;
- any tax, assessment or other governmental charge imposed by reason of the holder'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
- any combination of the items listed above.

In addition, Morgan Stanley will not be required to make any payment of Additional Amounts with respect to any Note or Coupon presented for payment:

- where such withholding or deduction is required to be made pursuant to the European Union Directive on the taxation of savings or any other directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another paying agent in a Member State of the European Union.

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.

Replacement of Notes and Coupons

Any Notes or coupons that become mutilated, destroyed, lost or stolen or are apparently destroyed, lost or stolen will be replaced by Morgan Stanley at the expense of the holder upon delivery of those Notes or coupons or satisfactory evidence of the destruction, loss or theft thereof to Morgan Stanley, the Principal Paying Agent or any other paying agent and the Trustee. In each case, an indemnity satisfactory to Morgan Stanley, the Principal Paying Agent or any other paying agent and the Trustee may be required at the expense of the holder of that Note or Coupon before a replacement Note or Coupon will be issued.

Notices

Notices to Holders of Bearer Notes. Except as provided in the next sentence, Morgan Stanley will publish notices to holders of bearer notes in a newspaper in the English language of general circulation in The City of London. Morgan Stanley may give notice to the beneficial owners of bearer notes held only in global form through the customary notice procedures of Euroclear, Clearstream, Luxembourg or, as applicable, any other relevant clearing system, in which case Morgan Stanley will not publish the notice in a newspaper unless required to by law or stock exchange or other relevant authority regulation. Those notices will be deemed to have been given on the date of that publication (or other transmission, as applicable) or, if published in those newspapers on different dates, on the date of the first publication.

Governing Law

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

Indenture

References in parentheses below are to sections in the Indenture. Wherever particular sections or defined terms of the Indenture are referred to, those sections or defined terms of the Indenture that are incorporated herein by reference as part of the statement made, and the statement is qualified in its entirety by such reference.

Covenants Restricting Mergers and Other Significant Actions

Merger, Consolidation, Sale, Lease or Conveyance. The Indenture provides that Morgan Stanley will not merge or consolidate with any other person and will not sell, lease or convey all or substantially all of its assets to any person, unless:

- Morgan Stanley will be the continuing corporation
- or
- the successor corporation or person that acquires all or substantially all of its assets:
 - if a successor to Morgan Stanley, will be a corporation organised under the laws of the United States, a state of the United States or the District of Columbia; and
 - will expressly assume all of the obligations of Morgan Stanley under the Indenture and the Notes issued under the Indenture; and

- immediately after the merger, consolidation, sale, lease or conveyance, Morgan Stanley, that person or that successor corporation will not be in default in the performance of the covenants and conditions of the Indenture applicable to Morgan Stanley. (Section 9.01)

Absence of Protections Against All Potential Actions of Morgan Stanley. There are no covenants or other provisions in the Indenture that would afford Noteholders additional protection in the event of a recapitalisation transaction, a change of control of Morgan Stanley or a highly leveraged transaction. The merger covenant described above would only apply if the recapitalisation transaction, change of control or highly leveraged transaction were structured to include a merger or consolidation of Morgan Stanley or a sale, lease or conveyance of all or substantially all of the assets of Morgan Stanley. However, Morgan Stanley may provide specific protections, such as a put right or increased interest, for particular Notes, which Morgan Stanley would describe in the applicable Final Terms.

Events of Default

The Indenture provides Noteholders with certain remedies if Morgan Stanley fails to perform specific obligations, such as making payments on the Notes or other indebtedness, or if Morgan Stanley becomes bankrupt. Holders should review these provisions and understand which of Morgan Stanley's actions trigger an Event of Default and which actions do not. The Indenture provisions permit the issuance of Notes in one or more series, and, in many cases, whether an Event of Default has occurred is determined on a series by series basis.

An Event of Default is defined under the Indenture, with respect to any series of Notes issued under the Indenture, as being:

- default in payment for seven days of any principal, premium of the Notes of that series, either at maturity or upon any redemption, by declaration or otherwise;
- default for 30 days in payment of any interest and/or supplemental amount payable in accordance with the terms of the Notes of that series;
- default in the observance or performance of any other covenant of Morgan Stanley or agreement in the Notes of that series or the Indenture other than a covenant included solely for the benefit of a different series of Notes and continuance of that default for a period of 60 days after written notice thereof to Morgan Stanley by the Trustee, or to Morgan Stanley and the Trustee by the holders of not less than 25 per cent. in principal amount of the outstanding Notes affected thereby; and
- events of bankruptcy, insolvency or reorganisation.

Acceleration of Notes upon Event of Default. The Indenture provides that:

- if an Event of Default due to the default in payment of principal of, or any premium or interest on or supplemental amount due with respect to, any series of Notes issued under the Indenture, or due to the default in the performance or breach of any other covenant or warranty of Morgan Stanley applicable to the Notes of that series but not applicable to all outstanding Notes issued under that Indenture occurs and is continuing, either the Trustee or the holders of not less than 25 per cent. in aggregate principal amount of the outstanding Notes of each affected series issued under the Indenture (treated as one class) by notice in writing to Morgan Stanley may declare the principal of all Notes of each affected series and interest accrued thereon to be due and payable immediately; and
- if an Event of Default due to a default in the performance of any other covenants or agreements in the Indenture applicable to all outstanding Notes issued under the Indenture or due to certain events of bankruptcy, insolvency or reorganisation of Morgan Stanley will have occurred and be continuing, either the Trustee or the holders of not less than 25 per cent. in aggregate principal amount of all outstanding Notes issued under the Indenture (treated as one class) may declare the principal of all those Notes and interest accrued thereon to be due and payable immediately. (Section 5.01)

Annulment of Acceleration and Waiver of Defaults. In some circumstances, if any and all Events of Default under the Indenture, other than the non-payment of the principal of the Notes 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 all series of outstanding Notes affected (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. (Sections 5.01 and 5.10)

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

In connection with the exercise of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the holders of the relevant series of Notes affected or of all outstanding Notes affected, as the case may be, as a class. In particular, but without limitation, the Trustee shall not have regard to the consequences of such exercise for individual holders of the relevant series of Notes affected or of all outstanding Notes affected, as the case may be, resulting from such individual holders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. The Trustee shall not be entitled to require, nor shall any holder of the relevant series of Notes affected or of all outstanding Notes affected (as the case may be) be entitled to claim, from Morgan Stanley any indemnification or payment in respect of any tax consequence of any such exercise upon individual holders of the relevant series of Notes affected or of all outstanding Notes affected, as the case may be. (Sections 5.06 and 5.09)

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

- the holder must have previously given written notice to the Trustee of the continuing default;
- the holders of not less than 25 per cent. in aggregate principal amount of each affected series of the outstanding Notes treated as one class, must have (i) requested the Trustee to institute that action and (ii) offered the Trustee reasonable indemnity;
- the Trustee must have failed to institute that action within 60 days of the request referred to above; and
- the holders of a majority in principal amount of the outstanding Notes of each affected series, treated as one class, must not have given directions to the Trustee inconsistent with those of the holders referred to above. (Sections 5.06 and 5.09)

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

Discharge, Defeasance and Covenant Defeasance

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

Discharge of Indenture. Morgan Stanley may discharge all of the obligations, other than as to transfers and exchanges, in the Indenture after Morgan Stanley has:

- paid or caused to be paid the principal and interest on all of the outstanding Notes in accordance with their terms;
- delivered to the Trustee for cancellation all of the outstanding Notes; or
- irrevocably deposited with the Trustee cash or U.S. government obligations in trust for the benefit of the holders of any series of Notes issued under the Indenture that have either become

due and payable, or are by their terms due and payable, or are scheduled for redemption, within one year, in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and interest on, and any mandatory sinking fund payments for, those Notes, except that the deposit of cash or U.S. government obligations for the benefit of holders of a series of Notes that are due and payable, or are scheduled for redemption, within one year will discharge obligations under the Indenture relating only to that series of Notes.

Defeasance of Notes at Any Time. Morgan Stanley may also discharge all obligations, other than as to transfers and exchanges, under any series of Notes at any time ("**defeasance**"). However, Morgan Stanley may not, by defeasance, avoid any duty to register the transfer or exchange that series of Notes, to replace any mutilated, defaced, destroyed, lost, or stolen Notes of that series or to maintain an office or agency in respect of that series of Notes.

Morgan Stanley may be released with respect to any outstanding series of Notes from the obligations imposed by Sections 3.06 and 9.01, which Sections contain the covenants described above limiting liens and consolidations, mergers, asset sales and leases, and elect not to comply with those Sections without creating an Event of Default. Discharge under those procedures is called "**covenant defeasance**".

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

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

In the case of a defeasance, this opinion must be based on a ruling of the Internal Revenue Service or a change in United States federal income tax law occurring after the date of this Base Prospectus, since such a result would not occur under current tax law.

Substitution for Morgan Stanley

Subject to such amendment of the Indenture and such other conditions as Morgan Stanley may agree with the Trustee, but without the consent of the Noteholders or any series or the holders of the coupons appertaining thereto (if any), Morgan Stanley may, subject to such 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 such Notes and the coupons appertaining thereto (if any) and the Indenture. (Sections 8.01 and 13.01).

Any Notes issued by a substitute issuer will be fully and unconditionally guaranteed pursuant to a guarantee of Morgan Stanley as to the payment of principal of, premium, interest and supplemental amounts, if any, and any Additional Amounts (as defined above) on those Notes when and as the same will become due and payable, whether at maturity or otherwise. See "*Description of New York Law Notes—Payment of Additional Amounts*". Under the terms of the guarantee, Noteholders will not be required to exercise their remedies against the substitute issuer prior to proceeding directly against Morgan Stanley. (Section 13.01).

Modification of the Indenture

Modification Without Consent of Holders. Morgan Stanley and the Trustee may enter into supplemental indentures without the consent of the Noteholders to:

- secure any Notes;

- evidence the assumption by a successor corporation of the obligations of Morgan Stanley;
- evidence the assumption of a substitute issuer, in accordance with the provision described under " — *Substitution for Morgan Stanley*" above;
- add covenants for the protection of the Noteholders;
- cure any ambiguity or correct any inconsistency;
- establish the forms or terms of Notes of any series; and
- evidence the acceptance of appointment by a successor Trustee. (Section 8.01).

Modification with Consent of Holders. Morgan Stanley and the Trustee may, with the consent of the holders of not less than a majority in aggregate principal amount of each affected series of outstanding Notes (voting as one class), add any provisions to, or change in any manner or eliminate any of the provisions of, the Indenture or modify in any manner the rights of the holders of those Notes. However, none of the following changes may be made to any outstanding Note without the consent of each holder that would be affected by such change:

- extend the final maturity of the principal;
- reduce the principal amount;
- reduce the rate or extend the time of payment of interest;
- reduce any amount payable on redemption;
- change the currency in which the principal, including any amount of original issue discount, premium, or interest thereon is payable;
- modify or amend the provisions for conversion of any currency into another currency;
- reduce the amount of any original issue discount security payable upon acceleration or provable in bankruptcy;
- alter the terms on which Noteholders may convert or exchange Notes for stock or other securities of Morgan Stanley or of other entities or for other property or the cash value of the property, other than in accordance with the antidilution provisions or other similar adjustment provisions included in the terms of the Notes;
- alter the terms by which any supplemental amounts are determined, other than in accordance with the antidilution provisions or other similar adjustment provisions included in the terms of the Notes;
- impair the right to institute suit for the enforcement of any payment on any debt security when due; or
- reduce the percentage of Notes the consent of whose owners is required for modification of the Indenture.

TERMS AND CONDITIONS OF THE ENGLISH LAW 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 English Law 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.\$55,000,000,000 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 19 June 2008 (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 30 November 2000 (such issue and paying agency agreement as modified and restated on 4 December 2001, 14 June 2005, 11 July 2006, 22 June 2007, 19 June 2008, 17 June 2009 and 15 June 2010 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, The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A., London Branch) as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and The Bank of New York Mellon 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., 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 *Deed of Covenant:* Notes issued by Morgan Stanley in global form are constituted by a deed of covenant entered into by Morgan Stanley dated 10 June 2002 (the "**Morgan Stanley Deed of Covenant**"). Notes issued by MSI plc in global form are constituted by a deed of covenant entered into by MSI plc dated 15 June 2010 (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 19 June 2008 (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 19 June 2008 (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**").

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

1.6 *Summaries:* Certain provisions of these Conditions are summaries of the Issue and Paying Agency 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 applicable to them. Copies of the Issue and Paying Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. **INTERPRETATION**

2.1 *Definitions:* In 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;

"**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;

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

"**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:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

"Determination Agent" means 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 21, (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 15.10 (*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 21 (*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 in 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;

"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 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;

"**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;

"**NCS D Rules**" means any Finnish or, as applicable, Swedish legislation, regulations, rules and operating procedures applicable to and/or issued by the relevant NCS D (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 Share 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, Regeringsgatan 65, Box 7822, SE-103 97 Stockholm, Sweden;

"**Swedish Notes**" means any Tranche of Notes issued by MSBV 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; 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, 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 20 (*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 20 (*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 will issue Notes in bearer form ("**Bearer Notes**"). MSI plc, Morgan Stanley Jersey and MSBV may also issue Notes in registered form ("**Registered Notes**"). MSBV may also issue Notes in dematerialised and uncertificated book-entry form with a Nordic central securities depository ("**Nordic Notes**").

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 *Registered Notes*

3.3.1 *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.

3.3.2 *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**" and "**Couponholder**" shall be construed accordingly.

- 3.3.3 *Ownership:* The holder of any Registered Note or Coupon 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.
- 3.3.4 *Transfers:* Subject to Conditions 3.3.7 (*Closed Periods*) and 3.3.8 (*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.
- 3.3.5 *Registration and Delivery:* Within five business days of the surrender of a Note Certificate in accordance with Condition 3.3.4 (*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 3.3.5, "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.
- 3.3.6 *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.
- 3.3.7 *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.
- 3.3.8 *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.

3.4 *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. As the Nordic Notes will be in uncertificated and dematerialised book-entry form, the Conditions as so amended shall be deemed to be incorporated by reference in, and to form part of, the MSBV Deed of Covenant by which the Nordic Notes are constituted. 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 bearer instruments shall not apply.

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 16 (*Payments - Bearer Notes*) and 17 (*Payments - Registered 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 (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 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, 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, 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, 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 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 AND PROPERTY-LINKED INTEREST NOTE PROVISIONS**

6.1 *Application:* This Condition 6 (*Floating Rate Note, Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked and Property-Linked Interest Note Provisions*) is applicable to

the Notes only if the Floating Rate Note Provisions, the Equity-Linked, Commodity-Linked, the Currency-Linked, Inflation-Linked or Property-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 16 (*Payments - Bearer Notes*) and 17 (*Payments - Registered 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 (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 6.3.1 above, such rate does not appear on that page or, in the case of 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 and Property-Linked Interest Note Provisions:* If the Equity-Linked, Commodity-Linked, Currency-Linked, Inflation-Linked or Property-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 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 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 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 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 AND PROPERTY-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 (respectively, "**Single Share Notes**", "**Share Basket Notes**", "**Single Index Notes**" and "**Index 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**"); or
- 9.1.7 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 or Property-Linked Notes, as the case may be, 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 or Index 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 or Single Share 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, its good faith estimate of the value for the Underlying Share 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, the Valuation Date for each Underlying Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and for each Underlying Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Underlying Share, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Underlying Share. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Underlying Share, 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 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, Basket of Indices or Basket of Shares 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 or a Single Share Note, the arithmetic mean of the Relevant Prices of the Index or the Underlying Shares 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); and
 - (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 Share 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.

- (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 or a Single Share 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, Condition 10.1.1(a)(ii);
 - (2) in the case of an Index Basket Note or a Share Basket Note, the Averaging Date for each Underlying Share or Index not affected by the occurrence of a Disrupted Day shall be the date specified in the applicable Final Terms as an Averaging Date in relation to the relevant Valuation Date, and the Averaging Date for an Underlying Share or Index affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Underlying Share or Index. If the first succeeding Valid Date in relation to such Underlying Share or Index 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 Underlying Share or Index, 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, 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 or a Potential Adjustment 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 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 27 (*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:*

This Condition 10.3 is applicable only in relation to Single Share Notes or Share Basket Notes.

10.3.1 *Adjustments for Potential Adjustment Events:*

Following the declaration by the Underlying Issuer 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 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 to which each Note relates, the number of Underlying Shares comprised in a Basket of Shares, the amount, the number of or type of shares 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 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 is applicable only in relation to Notes specified in the relevant Final Terms as being Single Share Notes or Share 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 to which each Note relates, the number of Underlying Shares comprised in a Basket of Shares, 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, the cancellation of terms applicable in respect of Underlying Shares 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 Event**" means, in respect of any relevant Underlying Shares, as determined by the Determination Agent, acting in a commercially reasonable manner, any: (i) reclassification or change of such Underlying Shares that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Issuer with

or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Shares of the Underlying Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Shares (other than such Underlying Shares 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 with or into another entity in which the Underlying Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares outstanding but results in the outstanding Underlying Shares (other than Underlying Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Shares 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, 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, 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 all or substantially all the assets of an Underlying Issuer 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, (1) all the Underlying Shares of that Underlying Issuer are required to be transferred to a trustee, liquidator or other similar official or (2) holders of the Underlying Shares of that Underlying Issuer become legally prohibited from transferring them ("**Insolvency**"); or
- (C) the Exchange announces that pursuant to the rules of such Exchange, the Underlying Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any Member State of the European Union) ("**Delisting**"),

then the Issuer will, 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 to which each Note relates, the number of Underlying Shares comprised in a Basket of Shares, 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, the cancellation of terms applicable in respect of Underlying Shares 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 *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 to which each Note relates, the number of Underlying Shares comprised in a Basket, 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 redemption, settlement, or payment terms of the relevant Notes and/or any other adjustment (including without limitation, in relation to Share Basket Notes or Index Basket Notes, the cancellation of terms applicable in respect of any Underlying Shares or Index, as the case may be, affected by the relevant Additional Disruption Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

- (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.

10.6 *Definitions applicable to Equity-Linked Notes:*

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

"**Basket**" means in relation to any Share Basket Notes, the Underlying Shares specified in the applicable Final Terms as comprising the Basket, and in relation to Index Basket Notes, the Indices specified in the applicable Final Terms as comprising the Basket, in each case in the relative proportions specified in 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 proportion 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 or Basket of Shares Notes, it has become illegal to hold, acquire or dispose of any relevant Underlying Shares, 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 or Underlying Share 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;

"**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; and
- (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.

"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 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 or the relevant Index on any relevant Related Exchange and (b) with respect to any Multi-exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) any Component on the Exchange in respect of such Component, or (ii) futures or options contracts relating to the Index on the Related Exchange;

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

"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 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 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 or an Index other than a Multi-exchange Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Determination Agent determines is material, 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 or Share Basket Notes:

- (i) a subdivision, consolidation or reclassification of an Underlying Share (unless resulting in a Merger Event), or a free distribution or dividend of Underlying Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of relevant Underlying Shares of (A) such Underlying Shares, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Issuer equally or proportionately with such payments to holders of such an Underlying Shares, or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Underlying Issuer as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or 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 any of its subsidiaries of Underlying Shares, 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.

"Related Exchange", in respect of an Index relating to Single Index Notes or Index Basket Notes or an Underlying Share relating to Single Share Notes or Share 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 or Underlying Shares 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 or Underlying Shares 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 or Underlying Shares, 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; and
- (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;

"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 or Index, the period of Settlement Cycle Days following a trade in such Underlying Share or the securities underlying such Index, 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 or an Index 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 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 or the relevant Index or Indices 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 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; and
- (g) 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 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 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 *Definitions applicable to Commodity-Linked Notes*

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

"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;

"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 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 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 *Definitions applicable to Currency-Linked Notes*

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

"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;

"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 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, 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, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 13.1, 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 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, 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, 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 27 (*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 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.
- 13.6 *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 in respect of which an Index has not been published or announced;

"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);

"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 13.6 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, in respect of an Affected Payment Date; and

"Successor Index" has the meaning specified in Condition 13.2.

14. **PROPERTY-LINKED NOTES**

This Condition 14 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 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 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 27 (*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 *Definitions Applicable to Property-Linked Notes*

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

"**Data Pool**" means the pool of properties underlying a Property Index.

"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. REDEMPTION AND PURCHASE

15.1 *Scheduled Redemption.* Save in the case of 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 16 (*Payments — Bearer Notes*) and 17 (*Payments — Registered 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 18 (*Physical Settlement*). Credit-Linked Notes shall be redeemed as set out in Condition 19 (*Credit-Linked Notes*).

15.2 *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:

15.2.1 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

15.2.2 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 20 (*Taxation*). The redemption price will be specified in the applicable Final Terms. Morgan Stanley will give notice of any tax redemption.

15.3 *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 20 (*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 27 (*Notices*).

15.4 Prior to the relevant Issuer giving notice of redemption under Condition 15.2 or 15.3, it will deliver to the Fiscal Agent:

15.4.1 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

15.4.2 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. Receipt of Ownership Certificates, as described in "**Forms of Notes**" above, is a condition to delivery of definitive bearer notes. Bearer Notes in definitive form will be redeemed as described above.

15.5 *Special Tax Redemption.* If the Issuer determines that any payment made outside the United States by the Issuer, the Guarantor (in the case of MSBV Notes or MSJ Notes) or any Paying Agent of principal, premium, interest and/or supplemental amounts, if any, due on any bearer note or coupon would, under any present or future laws or regulations of the United States, be subject to any certification, identification or other information reporting requirement of any kind, the effect of which is the disclosure to the Issuer, the Guarantor (in the case of MSBV Notes or MSJ Notes), any Paying Agent or any governmental authority of the nationality, residence or identity of a beneficial owner of that bearer note or coupon who is a United States Alien other than such a requirement that:

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

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

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

the Issuer will (1) redeem the Notes, as a whole, at the redemption price specified in the applicable Final Terms, or (2) at the election of the Issuer, if the conditions described below are satisfied, pay the additional amounts specified in that paragraph.

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

15.5.3 the effective date of the certification, identification or other information reporting requirements;

15.5.4 whether the Issuer will redeem the Notes or has elected to pay the additional amounts specified below; and

15.5.5 if the Issuer elects to redeem, the last date by which the redemption of the Notes must take place.

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

Notwithstanding the foregoing, the relevant Issuer will not redeem the Notes if such Issuer subsequently determines, not less than 30 days prior to the date fixed for redemption, or prior to the last day of the specified redemption notice period in the applicable Final Terms, that subsequent payments would not be subject to any certification, identification or other information reporting requirement, in which case the Issuer will publish prompt notice of the determination and revoke any earlier redemption notice.

15.6 *Election to pay Additional Amounts rather than Redeem.* If and so long as the certification, identification or other information reporting requirements referred to in Condition 15.5 (*Special Tax Redemption*) would be fully satisfied by payment of a back-up withholding tax or similar charge, the relevant Issuer may elect to pay such additional amounts as may be necessary so that every net payment made outside the United States following the effective date of those requirements by the Issuer, the Guarantor (if applicable) or any Paying Agent of principal, premium, interest and/or supplemental amounts, if any, due in respect of any bearer note or any coupon of which the beneficial owner is a United States Alien will not be less than the amount provided for in the Note or Coupon to be then due and payable after deduction or withholding for or on account of the back-up withholding tax or similar charge, other than a back-up withholding tax or similar charge that:

- (a) would not be applicable in the circumstances referred to in Conditions 15.5.1 and 15.5.2 or
- (b) is imposed as a result of presentation of the Note or Coupon for payment more than 15 days after the date on which the payment becomes due and payable or on which payment thereof is duly provided for, whichever occurs later.

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

If the Issuer elects to pay any additional amounts as described in this Condition 15.6, the Issuer will have the right to redeem the Notes as a whole at any time by meeting the same conditions described in Condition 15.5 (*Special Tax Redemption*), and the redemption price of the Notes will not be reduced for applicable withholding taxes. If the Issuer elects to pay additional amounts as described in this Condition 15.6 and the condition specified in the first sentence of this Condition 15.6 should no longer be satisfied, then the Issuer will redeem the Notes as a whole under the applicable provisions of Condition 15.5 (*Special Tax Redemption*).

15.7 *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).

15.8 *Partial Redemption.*

- (a) if the Notes are to be redeemed in part only on any date in accordance with Condition 15.7 (*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 such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 15.7 (*Redemption at the Option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed; and
- (b) in respect of a partial redemption of Nordic Notes, the notice to Noteholders referred to in Condition 15.7 (*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.

- 15.9 *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.

In order to exercise the option contained in this Condition 15.9 the holder of a 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 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 15.9, 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 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 in accordance with this Condition 15.9, the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- 15.10 *Early Redemption of 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:

15.10.1 the Reference Price; and

15.10.2 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 15.10 or, if none is so specified, a Day Count Fraction of 30E/360.

- 15.11 *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.
- 15.12 *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.

16. **PAYMENTS - BEARER NOTES**

This Condition 16 is only applicable to Bearer Notes.

- 16.1 *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.

- 16.2 *Interest:* Payments of interest shall, subject to Condition 16.8 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 16.1 above.
- 16.3 *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).
- 16.4 *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 20 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- 16.5 *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:
- 16.5.1 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;
- 16.5.2 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.

- 16.6 *Unmatured Coupons Void:* If the applicable Final Terms specify that this Condition 16.6 is applicable or that 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 15.2 or Condition 15.3 (*Tax Redemption*), Condition 15.5 (*Special Tax Redemption*), Condition 15.8 (*Redemption at the Option of Noteholders*), Condition 15.7 (*Redemption at the Option of the Issuer*) or Condition 21 (*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.
- 16.7 *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.
- 16.8 *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 16.3 above).
- 16.9 *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.
- 16.10 *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 22 (*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.
- 16.11 *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.

16.12 *Ownership Certificate:* Bearer Notes, other than Bearer Notes that satisfy the requirements of United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(iii), and any coupons or talons appertaining thereto, will not be delivered in definitive form, and no interest will be paid thereon, unless the Issuer has received a signed certificate in writing, or an electronic certificate described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(ii), (an "**Ownership Certificate**"), stating that on the date of the Ownership Certificate that Bearer Note:

- (i) is owned by a person that is not a United States person;
- (ii) is owned by a United States person that is described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6); or
- (iii) is owned by a United States or foreign financial institution for the purposes of resale during the Restricted Period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)),

and, in addition, if the owner of the Bearer Note is a United States or foreign financial institution described in clause (iii) above, whether or not also described in clause (i) or clause (ii) above, the financial institution certifies that it has not acquired the Bearer Note for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

The relevant Issuer will make payments on any such Bearer Notes only outside the United States and its possessions except as permitted by the above Treasury regulations.

As used herein, "**United States person**" means, for United States federal income tax purposes, (i) a citizen or resident of the United States; (ii) a corporation, partnership or other entity created or organised in or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust.

17. **PAYMENTS - REGISTERED NOTES**

This Condition 17 is only applicable to Registered Notes.

17.1 *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.

- 17.2 *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.
- 17.3 *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 20 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- 17.4 *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 17 arriving after the due date for payment or being lost in the mail.
- 17.5 *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.
- 17.6 *Record date:* Each payment in respect of a Registered 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.
- 17.7 *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.

18. **PHYSICAL SETTLEMENT**

18.1 *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 and/or the Relevant Clearing System(s) to perform their respective obligations hereunder and (ii) notify to the Fiscal Agent and the Noteholders) send to the Relevant Clearing System(s) (in accordance with the relevant operating procedures), 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) specify the number of the Noteholder's account at the Relevant Clearing System(s) to be debited with such Notes;
 - (d) 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 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;
 - (h) include a certificate of non-U.S. beneficial ownership in the form required by the Issuer; and
 - (i) authorise the production of the Delivery Notice in any applicable administrative or legal proceedings.
- (ii) A Delivery Notice, once delivered to the Relevant Clearing System(s) 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). A Delivery Notice shall only be valid to the extent that the Relevant Clearing System(s) has not received conflicting prior instructions in respect of the Notes which are the subject of the Delivery Notice.
 - (iii) 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) after consultation with the Fiscal Agent and shall be conclusive and binding on the Issuer and the Noteholder.
 - (iv) 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.

18.2 *Delivery Obligation*

- 18.2.1 Subject to the other provisions of this Condition 18.2, 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 Shares 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.
- 18.2.2 The number of Underlying Shares 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 Shares comprising the Physical Delivery Amount.

- 18.2.3 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 Shares 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 Shares, (ii) be under any obligation to exercise any rights (including voting rights) attaching to such Underlying Shares 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 Shares.
- 18.2.4 Any amounts in respect of dividends and interest on the Underlying Shares 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 Shares 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 Shares will accrue to Noteholders prior to the Determination Date.

18.3 *Settlement Disruption of Physical Settlement*

- 18.3.1 This Condition 18.3 shall apply only where Physical Settlement is applicable.
- 18.3.2 The Determination Agent shall determine whether or not at any time a Settlement Disruption Event has occurred in respect of Underlying Shares 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.
- 18.3.3 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 Shares and as a result of which the Clearing System cannot receive or clear the transfer of such Underlying Shares.

18.4 *Delivery Disruption of Physical Settlement*

- 18.4.1 This Condition 18.4 shall apply only where Physical Settlement is applicable.

18.4.2 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 Shares 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 Shares 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 Shares on redemption shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon delivery of such number of Underlying Shares and payment of such amount.

18.4.3 Where this Condition 18.4 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 Shares to be delivered) and also to such other adjustments as the Determination Agent determines to be appropriate to give practical effect to such provisions.

18.4.4 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 Shares 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 Shares comprised in the Physical Delivery Amount to be delivered on that date.

18.5 *Additional Definitions:* For the purposes of this Condition 18:

"**Clearing System**" means, in respect of an Underlying Share relating to a Physical Settlement Note, the clearing system specified as such for such Underlying Share 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 Shares. If the Clearing System ceases to settle trades in such Underlying Shares, 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 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 Shares to be delivered, subject to Condition 18.3 (*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;

"**Settlement Disruption Event**" means, in relation to an Underlying Share, an event beyond the control of the parties as a result of which the Clearing System cannot clear the transfer of such Underlying Share.

19. **CREDIT-LINKED NOTES**

19.1 This Condition 19 is applicable only in relation to Notes specified in the relevant Final Terms as being Credit-Linked Notes.

- 19.2 *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**").
- 19.3 *Maturity:* Subject to the provisions of and in accordance with Conditions 19.4 and 19.5 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 18 (*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.
- 19.3.1 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.
- 19.3.2 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 27 (*Notices*) of the Redemption Amount payable in cash in respect of each Note as soon as practicable after calculation of such amount.
- 19.4 *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 27 (*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 19.4, 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.
- 19.5 *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 27 (*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 18. If the Issuer elects not to give a Notice of Physical Settlement, Condition 19.4 shall apply.
- 19.5.1 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.

19.5.2 If Conditions to Settlement are satisfied and the Credit-Linked Notes become redeemable in accordance with this Condition 19.5, 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.

19.6 *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 27 (*Notices*) that a Potential Repudiation/Moratorium has occurred, and:

19.6.1 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

19.6.2 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 19.4 or 19.5, as applicable, shall apply to such Credit-Linked Notes.

19.7 *Grace Period Extension:* If "Grace Period Extension" is specified as applying in the relevant Final Terms, the provisions of this Condition 19.7 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:

19.7.1 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

19.7.2 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 19.4 or 19.5, as applicable, shall apply to such Notes.

19.8 *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 27 (*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:

19.8.1 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

19.8.2 where Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 19.4 or 19.5 as applicable shall apply to such Notes.

19.9 *Definitions applicable to Credit-Linked Notes*

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

"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;

"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 Shares to be delivered, subject to Condition 18.3 (*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.

20. TAXATION

20.1 *Additional Amounts*: In respect of a Series of Notes except as otherwise provided in the applicable Final Terms, 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:

- 20.1.1 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;
- 20.1.2 any estate, inheritance, gift, sales, transfer, capital gains, corporation, income or personal property tax or any similar tax, assessment or governmental charge;
- 20.1.3 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;
- 20.1.4 any tax, assessment or other governmental charge that is payable otherwise than by withholding from payments on or in respect of any Note;
- 20.1.5 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;

20.1.6 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

20.1.7 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.

20.2 *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 20.1 above.

21. **EVENTS OF DEFAULT**

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

21.1.1 *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

21.1.2 *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% in aggregate principal amount of the relevant Series, has been delivered to the Issuer and to the Specified Office of the Fiscal Agent; or

21.1.3 *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.

21.2 *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.

22. **PRESCRIPTION**

22.1 *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.

22.2 *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.

23. **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.

24. **AGENTS**

- 24.1 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.
- 24.2 The initial Agents and their initial Specified Office are listed below on the inside back cover of this Base Prospectus. The initial Calculation Agent is the Fiscal Agent. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Fiscal Agent or Registrar or Calculation Agent and additional or successor paying agents; **provided, however, that:**
- 24.2.1 there shall at all times be a Fiscal Agent and a Registrar appointed in respect of the Notes;
- 24.2.2 if a Calculation Agent is specified in the applicable Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- 24.2.3 if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent 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;
- 24.2.4 the Issuer will at all times maintain a Paying Agent with a Specified Office in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to that Directive; and
- 24.2.5 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.
- 24.3 Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

25. **MEETINGS OF NOTEHOLDERS AND MODIFICATION**

- 25.1 *Meetings of Noteholders:* The Issue and Paying Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of 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.

- 25.2 *Modification:* The Notes, these Conditions, the Guarantee and the Deeds of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error

or to effect a modification which is of a formal, minor or technical nature or which, in the opinion of the Issuer and the Fiscal Agent, is not materially prejudicial to the interest of the Noteholders. In addition, the parties to the Issue and Paying Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the 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 the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

- 25.3 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.

26. **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. With respect to Bearer Notes, such further notes shall not be fungible with the Notes until the holders deliver an ownership certificate as described in Condition 16.12 (*Ownership Certificate*).

27. **NOTICES**

- 27.1 *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.

- 27.2 *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. All notices to holders of Nordic Notes shall be valid if so published or mailed to their registered addresses appearing on the relevant NCS Register.

- 27.3 *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.com if permitted by the rules and regulations of the SIX Swiss Exchange.

- 27.4 *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.

28. **CURRENCY INDEMNITY**

- 28.1 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.

28.2 This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

29. **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).

30. **REDENOMINATION, RENOMINALISATION AND RECONVENTIONING**

30.1 *Application:* This Condition 30 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the applicable Final Terms as being applicable.

30.2 *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, 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.

30.3 *Redenomination:* Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

30.3.1 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;

30.3.2 if Notes have been issued in definitive form:

(a) all unmaturing 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 30 (*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.

30.4 *Interest:* Following redenomination of the Notes pursuant to this Condition 30 (*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.

30.5 *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.

31. **SUBSTITUTION**

31.1 *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.

31.2 *MSI plc Notes:* Subject to such conditions as MSI plc may agree with the Fiscal Agent but without the consent of the holders of Notes, 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 may substitute Morgan Stanley in place of MSI plc.

31.3 *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, 19 June 2008 or (ii) where the Issuer is MSBV, 19 June 2008 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 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.

32. **GOVERNING LAW AND JURISDICTION**

32.1 *Governing Law:* 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.

32.2 *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.

32.3 *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.

32.4 *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.

32.5 *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.

33. **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 NEW YORK LAW NOTES
(to be issued by Morgan Stanley only)

Notes issued pursuant to these Final Terms are securities to be listed under Listing Rule [17/19]¹

FINAL TERMS NO. [•]
(To Base Prospectus Dated [•])

MORGAN STANLEY
NOTES, SERIES [A/B]
[Description of Notes]

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 Conditions set forth in the Base Prospectus dated 15 June 2010 [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 and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplemental Base Prospectus[es]] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

We, Morgan Stanley, may not redeem these Notes, Series [A/B] (*Description of Notes*) (the "**Notes**") prior to the maturity date other than under the circumstances described under "*Description of New York Law Notes - Tax Redemption*" in the accompanying Base Prospectus.

We will issue the Notes only in bearer form, which form is further described under "*Forms of Notes*" in the accompanying Base Prospectus. You may not exchange Notes in bearer form at any time for Notes in registered form.

We will apply to the [*name of stock exchange*] for the listing and quotation of the Notes, subject to meeting the applicable listing requirements. The [*name of stock exchange*] assumes no responsibility for the correctness of any of the statements or opinions made or reports contained in this document. Admission to the official list of and quotation of the Notes on the [*name of stock exchange*] is not to be taken as an indication of the merits of the issuer or the Notes.

We have described the basic feature of this type of Note in the section called "*Description of New York Law Notes - [Fixed/Floating] Rate Notes*" in the accompanying Base Prospectus, subject to and as modified by the provisions described below.

	Annual	Redemption	
Principal Amount:	[•]	Percentage Reduction:	[•]
Issue Date:	[•]	Calculation Agent:	[Morgan Stanley & Co. International plc][<i>name of other Calculation Agent</i>]
Maturity Date:	[•]	Denomination:	[•]
Settlement Date (Original Issue Date):	[•]	Interest Payment Dates:	[•]
Interest Accrual Date:	[•]	Optional Repayment Date(s):	[•]
Issue Price:	[•]	Distribution Agent:	[•]
Specified Currency:	[•]	Paying Agent:	[•]
Interest Payment: Period:	[•]	Common Code:	[•]
Interest Rate:	[•]	ISIN:	[•]
Redemption Percentage at Maturity:	[•]	Business Days:	[•]

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.

Initial Redemption [•] Other Provisions: [•]
Percentage:

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

Additional provisions for Floating Rate Notes

Base Rate:	[•]	Spread (Plus or Minus):	[•]
Spread Multiplier:	[•]	Index Currency:	[•]
Index Maturity:	[•]	Maximum Interest Rate:	[•]
Minimum Interest Rate:	[•]	Initial Interest Rate:	[•]
Interest Reset Dates:	[•]	Interest Determination Dates	[•]
Reporting Service:	[•]		

Additional provisions for Index-Linked Notes

The Index:	[•]	Index Performance:	[•]
Index Value:	[•]	Initial Index Value:	[•]
Adjustment Amount:	[•]	Valuation Date:	[•]
Relevant Exchange:	[•]	Successor Index:	[•]
Trading Day	[•]	Additional Events of Default:	[•]
Market Disruption Event:	[•]	Other Provisions:	[•]
New Global Note Form	Yes/No		

Terms not defined above have the meanings given to those terms in the accompanying Base Prospectus.

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 EITHER REGULATIONS UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED), SEE "SUBSCRIPTION AND SALE" AND "NO OWNERSHIP BY U.S. PERSONS" IN THE ACCOMPANYING BASE PROSPECTUS.

Taxation

[•]

Additional Selling Restrictions

[•]

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Program for the Issuance of Notes, Series A and B of Morgan Stanley.

[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 [•].¹

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:
Duly authorised

¹ Delete for Notes which are not to be listed on the SIX Swiss Exchange.

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 [•].]

[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 [•].]

[Not Applicable.]

[Where documenting a fungible issue, need to indicate that original securities are already admitted to trading.]

[Last day of Trading:] [•]

[Estimate of total expenses related to admission to trading: [•]]³

2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: [•]]

[Moody's: [•]]

[Fitch: [•]]

[[Other]: [•]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]⁴

(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.)

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".

³ Delete for Notes with a denomination per Note of less than EUR 50,000.

⁴ Delete for Notes with a denomination per Note of EUR 50,000 or more.

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer: [•]

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

[(ii) Estimated net proceeds: [•]

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

[(iii) Estimated total expenses: [•] [Include breakdown of expenses.]

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

5. **[Fixed Rate Notes only – YIELD**

Indication of yield: [•]

[Calculated as [include details of method of calculation in summary form] on the Issue Date.

As set out above,⁵ 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].⁶

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]⁷ AND OTHER INFORMATION CONCERNING THE UNDERLYING**

⁵ Delete for Notes with a denomination per Note of EUR 50,000 or more.

⁶ Delete for Notes with a denomination per Note of EUR 50,000 or more.

⁷ Delete for Notes with a denomination per Note of EUR 50,000 or more.

[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]⁸. [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.]

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]⁹**

[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.]]

9. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

New Global Note Yes/No

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

Name(s) and address(es) of initial Paying Agent(s): [•]

Name(s) and address(es) 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 ICSDs¹⁰ as common safekeeper 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

⁸ Delete for Notes with a denomination per Note of EUR 50,000 or more.

⁹ Delete for Notes with a denomination per Note of EUR 50,000 or more.

¹⁰ International Central Securities Depositories.

text if "yes" selected, in which case the Notes must be issued in NGN form.]

10. **TERMS AND CONDITIONS OF THE OFFER**

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

PRO FORMA FINAL TERMS FOR THE ENGLISH LAW 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, Series A and B, 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 48 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.]

[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.]

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

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 EITHER REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL

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.

REVENUE CODE OF 1986, AS AMENDED). SEE "*SUBSCRIPTION AND SALE*" AND "*NO OWNERSHIP BY U.S. PERSONS*" IN THE BASE PROSPECTUS DATED 17 JUNE 2009. 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.]¹

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 English Law Notes set forth in the Base Prospectus dated 15 June 2010 [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 the base prospectus dated 19 June 2008 or 17 June 2009.]

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 English Law Notes (the "**Conditions**") incorporated by reference in the base prospectus dated [19 June 2008/17 June 2009]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 15 June 2010 [and the supplemental Base Prospectus[es] dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"), save in respect of the Conditions which are set forth in the base prospectus dated [19 June 2008/17 June 2009] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of the Notes described herein for the purposes of Article 5.4 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. 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

[•]

[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 English Law Notes (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplemental Base Prospectus[es] dated [•]]. 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, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplemental Base Prospectus[es] dated [•]] and are attached hereto. 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 Prospectuses dated [original date] and [current date] [and the supplemental Base Prospectus[es] dated [•] and [•]]. [The Base Prospectus[es] [and the supplemental Base Prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

¹ Delete if Notes are rated

[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.]

1. [(i)] Issuer: [Morgan Stanley/Morgan Stanley & Co, International plc/ Morgan Stanley (Jersey) Limited/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: [•]
 - [(i)] Series: [•]
 - [(ii)] Tranche: [•]
5. Issue Price [•] per cent. of par per Note/[•] per Note
6. (i) Specified Denominations (Par): [•]
- (ii) Calculation Amount:
7. (i) Issue Date: [•]
- (ii) Trade Date: [•]
- (iii) Interest Commencement Date [*Specify/Issue Date/Not Applicable*]
8. Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in, or nearest to, the relevant month and year*]
9. Interest Basis: [•]% Fixed Rate]

[[specify reference rate] +/- [•]% Floating Rate]

[Zero Coupon]

[Dual Currency Interest]

[Equity-Linked Interest]

[Commodity-Linked Interest]

[Currency-Linked Interest]

[Credit-Linked Interest]

- [Inflation-Linked Interest]
- [Property-Linked Interest]
- [Other (*specify*)]
- (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
- [Dual Currency Redemption]
- [Equity-Linked Redemption]
- [Commodity-Linked Redemption]
- [Currency-Linked Redemption]
- [Credit-Linked Redemption]
- [Inflation-Linked Redemption]
- [Property-Linked Redemption]
- [Partly Paid]
- [Instalment]
- [Other (*specify*)]
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: [Applicable/Not Applicable]
- (Condition 15.7)
- (ii) Redemption at the option of the Noteholders: [Applicable/Not Applicable]
- (Condition 15.9)
- (iii) Other Put/Call Options: [Applicable/Not applicable]
13. [(i)] Status of the Notes: Unsecured and unsubordinated, which rank *pari passu* among themselves and all other outstanding unsecured and unsubordinated obligations
- (Condition 4)
- [(ii)] Status of the Guarantee: Unsecured and unsubordinated, which rank *pari passu* among themselves and all other outstanding unsecured and unsubordinated obligations]
14. Method of distribution: [Syndicated/Non-syndicated]

15.	Fixed Rate Note Provisions	[Applicable/Not Applicable]
	(Condition 5)	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(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 1] / <i>[Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period]</i>
	(iii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with <i>[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]</i>]/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/ <i>give details</i>]
16.	Floating Rate Note Provisions	[Applicable/Not Applicable]
	(Condition 6)	<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Interest Payment Dates:	[•]
	(ii) First Interest Payment Date:	[•]
	(iii) Interest Period:	[As set out in Condition 1] / <i>[Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period]</i>
	(iv) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (<i>give details</i>)]
	(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 (<i>give details</i>)]
	(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): [•]
 - 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 disrupted: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions.]*
- (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]
[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: [•]
(Need to include a description of market disruption or settlement disruption events and adjustment provisions)
- (viii) Interest Period: [As set out in Condition 1] / *[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) Averaging Date: [•]
- (xi) Observation Date(s)/ Observation Period: [•]
- (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: [•]

(B) Index/Index Basket Note Interest Provisions: (*If not applicable, delete sub-paragraph (B)*)

- (i) Types of Notes: Index Notes
(specify Index if applicable)
Index Basket Notes
(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 [•]
(Need to include a description of market disruption or settlement disruption

or impracticable or otherwise *events and adjustment provisions*)
disrupted:

- (ix) Interest Period: [As set out in Condition 1] / [*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: [•]

20. **Commodity-Linked Note Interest Provisions** [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) Party responsible for calculating the Rate(s) of interest and/or Interest Amount(s) (if not the Calculation Agent): [•]
- (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 1] / [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** [Applicable] [Not Applicable]
Provisions

(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 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: [•]
(Need to include a description of market disruption or settlement disruption events and adjustment provisions)
- (x) Interest Period: [As set out in Condition 1] / [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]

(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): [•]
- (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: [•]
(Need to include a description of market disruption or settlement disruption events and adjustment provisions)

- (vii) Interest Period: [As set out in Condition 1] / [*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. **Call Option** [Applicable/Not Applicable]
(Condition 15.7) (*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: [•]
26. **Put Option** [Applicable/Not Applicable]
(Condition 15.9) (*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: [•]
27. **Final Redemption Amount of each** [[•] per Calculation Amount] [Linked

Note	Redemption Amount specified below]
(Condition 16.1)	
28. 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:	[•]
29. Equity-Linked Redemption Provisions (Condition 10)	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining sub-paragraphs of this paragraph</i>)
(A) Single Share Notes, Share Basket Notes:	(<i>if not applicable, delete sub-paragraph (A)</i>)
(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] [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	[Cash Settlement/Physical Settlement] [In the event of (<i>describe triggers linked to the closing price of the Underlying Shares</i>), Cash Settlement or Physical

	Underlying Shares, Cash Settlement or Physical Delivery at the option of the Issuer:	Settlement at the option of the Issuer]
(vii)	Weighting for each Underlying Share comprising the basket:	<i>[Insert details]</i> [N/A]
(viii)	Averaging Dates:	[Applicable/Not Applicable] <i>[if Applicable, specify consequences of Averaging Date Disruption as Omission, Postponement or Modified Postponement]</i>
(ix)	Determination Date[s]	[•]
(x)	Determination Time[s]	[•]
(xi)	Potential Adjustment Events:	[•]
(xii)	Delivery provisions for Underlying Shares (including details of who is to make such delivery):	[•] <i>(only where Physical Settlement is applicable)</i>
(xiii)	Physical Settlement:	[Applicable / Not Applicable]
(xiv)	Additional Disruption Events	Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging shall apply <i>[specify if any are <u>not</u> applicable, or any further Additional Disruption Events]</i>
(xv)	Other special terms and conditions:	[•]
(B)	Index/Index Basket Notes:	<i>(If not applicable, delete sub-paragraph (B))</i>
(i)	Types of Notes:	Index Notes <i>(specify Index if applicable)</i> Index Basket Notes <i>(specify Indices if applicable)</i>
(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] <i>[if Applicable, specify consequences of Averaging Date Disruption as Omission, Postponement or Modified Postponement]</i>
(v)	Determination Date[s]	[•]
(vi)	Determination Time[s]	[•]
(vii)	Determination Agent responsible for calculating the Final	[•]

Redemption Amount:

- (viii) Provisions for determining Final Redemption Amount: [•]
 - (ix) Provisions for determining Final Redemption Amount where calculation by reference to Index is impossible or impracticable or otherwise disrupted: [•]
 - (x) Weighting for each Index: [insert details][Not Applicable]
 - (xi) Potential Adjustment Events [•]
 - (xii) 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]*
 - (xiii) Other special terms and conditions: [•]
30. **Commodity-Linked Redemption Provisions** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(Condition 11)
- (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) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or other variable is impossible or impracticable or otherwise disrupted: [•]
 - (viii) Price Source: [specify for each Commodity]
 - (ix) 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)*]

(if appropriate, specify time as of which

- the price will be determined)
- (x) Delivery Date: [•] (specify whether price based on spot market, First Nearby Month, Second Nearby Month, etc.)
- (xi) Pricing Date¹: [•]
- (xii) Common Pricing: [Applicable] [Not Applicable] (*include only if Basket of Commodities*)
- (xiii) Commodity Disruption Events: [Price Source Disruption]
[Trading Disruption]
[Disappearance of Commodity Reference Price]
[Material Change in Formula]
[Material Change in Content]
[Tax Disruption]
[specify any applicable additional Commodity Disruption Events]
[Not Applicable]
- (xiv) Commodity Disruption Fallback: [Determination Agent Determination as defined in Condition 11.3] [*Other (specify)*]
- (xv) Other special terms and conditions: [•]
31. **Currency-Linked Redemption Provisions** [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(Condition 12)
- (i) Settlement Currency: [•]
- (ii) Reference Currency: [•]
- (iii) Specified Amount: [•]
- (iv) Reference Currency Jurisdiction: [•]
- (v) Specified Rate: *Specify one of:*

Reference Currency bid exchange rate;
Reference Currency offer exchange rate;
Average of Reference Currency bid and offer exchange rates;

Settlement Currency bid exchange rate;
Settlement Currency offer exchange rate;
Average of Settlement Currency bid and offer exchange rates;
Official fixing rate;

[*Other (specify)*]
- (vi) Determination Agent responsible for calculating the Final [•]

¹ Delete for Notes with a denomination per Note of EUR50,000 or more

Redemption Amount:

- (vii) Provisions for determining Final Redemption Amount: [•]
- (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) Settlement Rate Option: [Currency Reference Dealers]
- (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) Currency Disruption Events: Price Source Disruption [Applicable/Not Applicable]
[*Other (specify)*]
- (xiii) Currency Disruption Fallbacks: Determination Agent Determination of Settlement Rate;
Fallback Reference Price;
[*Other (specify)*]
(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)
- (xiv) Other special terms and conditions: [•]

32. **Inflation-Linked Redemption Provisions** [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(Condition 13)

- (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) Other special terms and conditions: [•]
33. **Credit-Linked Redemption Provisions** [[Applicable/ Not Applicable] (if applicable, insert relevant provisions)
(Condition 19)
34. **Property-Linked Redemption Provisions** [[Applicable/ Not Applicable] (if applicable, insert relevant provisions)
(Condition 14)
35. **Early Redemption Amount upon early redemption**
(Conditions 15.2, 15.3, 15.5, 15.10, 20 and 21)
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): [As defined in Condition 2/other (specify)]
36. **Governing Law:** [English law/other (specify)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

37. 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]¹

¹ In respect of MS Notes, notice should be 30 days.

- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]¹
- [Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]²
- [Registered Notes]
- [Finnish Notes]
- [Swedish Notes]
38. 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]³
39. 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*]
40. 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*]
41. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
42. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [•]] [annexed to these Final Terms] apply]
43. Restrictions on free transferability of the Notes: [None][*give details*]
44. Other final terms: [Not Applicable/*give details*]
- (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)*

¹ In respect of MS Notes, notice should be 30 days.

² In respect of MS Notes, notice should be 30 days.

³ 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

45. (i) If syndicated, names [and addresses]¹ of Managers [and underwriting commitments]² : [Not Applicable/give names[, addresses and underwriting commitments]] [(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis.)]³
- (ii) [Date of [Subscription] Agreement: [•]]⁴
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
46. If non-syndicated, name [and address]⁵ of Dealer: [Not Applicable/give name [and address]]⁶
47. U.S. Selling Restrictions: (in the case of Bearer Notes) [Reg. S Compliance Category; / TEFRA D/ TEFRA not applicable]⁷
- (in the case of Registered Notes) - Not applicable
48. 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.
49. [Total commission and concession: [•] per cent. of the Aggregate Nominal Amount]⁸
50. Additional selling restrictions: [Not Applicable/give details]

[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

¹ Delete for Notes with a denomination per Note of EUR 50,000 or more.

² Delete for Notes with a denomination per Note of EUR 50,000 or more.

³ Delete for Notes with a denomination per Note of EUR 50,000 or more.

⁴ Delete for Notes with a denomination per Note of EUR 50,000 or more.

⁵ Delete for Notes with a denomination per Note of EUR 50,000 or more.

⁶ Delete for Notes with a denomination per Note of EUR 50,000 or more.

⁷ TEFRA not applicable should only apply if (i) the maturity of the Note is less than 183 days and (ii) the minimum face and principal amount is greater than U.S.\$500,000

⁸ Delete for Notes with a denomination per Note of EUR 50,000 or more.

herein pursuant to the Program for the Issuance of Notes, Series A and B 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 [•].¹

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]

¹ 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 [•].]

[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 [•].]

[Not Applicable.]

[Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading.]

[Last day of Trading: [•]]

[Estimate of total expenses related to admission to trading: [•]]²⁷

2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: [•]]

[Moody's: [•]]

[Fitch: [•]]

[[Other]: [•]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]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".]

²⁷ Delete for Notes with a denomination per Note of less than EUR 50,000.

²⁸ Delete for Notes with a denomination per Note of EUR 50,000 or more.

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer: [•]

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

[(ii)] Estimated net proceeds: [•]

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

[(iii)] Estimated total expenses: [•]

[Include breakdown of expenses.](If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

5. **[Fixed Rate Notes only – YIELD**

Indication of yield: [•]

[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.]

²⁹ Delete for Notes with a denomination per Note of EUR 50,000 or more.

³⁰ Delete for Notes with a denomination per Note of EUR 50,000 or more.

³¹ Delete for Notes with a denomination per Note of EUR 50,000 or more.

³² Delete for Notes with a denomination per Note of EUR 50,000 or more.

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.]

9. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

New Global Note: Yes/No

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.

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, Regeringsgatan 65, Box 7822, SE-103 97 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 ICSDs³⁴ as common safekeeper 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

³³ Delete for Notes with a denomination per Note of EUR 50,000 or more.

³⁴ International Central Securities Depositories.

case the Notes must be issued in NGN form]

10. **TERMS AND CONDITIONS OF THE OFFER**

Offer Price:	[Issue Price] <i>[specify]</i>
Conditions to which the offer is subject:	[Not Applicable/ Offers of the Notes are conditional upon their issue]
Description of the application process:	[Not Applicable/ <i>give details</i>]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/ <i>give details</i>]
Details of the minimum and/or maximum amount of application:	[Not Applicable/ <i>give details</i>]
Details of the method and time limited for paying up and delivering the Notes:	[Not Applicable/ The Notes will be issued on the Issue Date against payment to the Issuer of the net subscription moneys]
Manner in and date on which results of the offer are to be made public:	[Not Applicable/ <i>give details</i>]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/ <i>give details</i>]
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 <i>[insert jurisdiction where the Base Prospectus has been approved and published and jurisdictions into which it has been passported]</i> to any person <i>[insert suitability criteria, if any are deemed appropriate, pursuant to any applicable conduct of business rules]</i> . In other EEA countries, offers will only be made pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus.]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/ <i>give details</i>]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/ <i>give details</i>]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/ <i>give details</i>]

FORMS OF NOTES

Morgan Stanley will, and MSI plc, Morgan Stanley Jersey and MSBV may issue Notes in bearer form ("**Bearer Notes**"). 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. MSBV may also issue Notes in dematerialised and uncertificated book-entry form with a Nordic central securities depository ("**Nordic 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 (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 depository or a common depository (together with a "**Common Safekeeper**", a "**Bearer Note Depository**") 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 Depository 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**") only upon certification as to non-U.S. beneficial ownership. However, that exchange will be made only upon receipt of Ownership Certificates (as defined below). In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. Each issuance of Notes having a maturity of 183 days or less 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:

- (a) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent (in the case of New York Law Notes) or the Fiscal Agent (in the case of English Law Notes); and
- (b) receipt by the Principal Paying Agent (in the case of New York Law Notes) or the Fiscal Agent (in the case of English Law Notes) of a certificate or certificates of non-U.S. beneficial ownership,

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 specified in the certificates of non-U.S. beneficial ownership; **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 Principal Paying Agent (in the case of New York Law Notes) or the Fiscal Agent (in the case of English Law Notes) 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 "*Description of the New York Law Notes—Events of Default*" or in Condition 21 (*Events of Default*) of "*Terms and Conditions of the English Law 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 English Law 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 Principal Paying Agent (in the case of New York Law Notes) or the Fiscal Agent (in the case of English Law Notes) within 30 days of the bearer requesting such exchange. The Bearer Note Depository for Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system will instruct the Principal Paying Agent for the Notes (in the case of New York Law Notes) or the Fiscal Agent (in the case of English Law Notes) 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 applicable to any Definitive Note that is a New York Law Note will be set forth in such Definitive Note. The terms and conditions of any Definitive Note that is an English Law Note will be endorsed on that Definitive Note and will consist of the terms and conditions set out under "*Terms and Conditions of the English Law 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 English Law Note in global form will differ from those terms and conditions which would apply to the English Law Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the English Law Notes while in Global Form*" below.

Legend Concerning United States Persons

In the case of Bearer Notes (or any Tranche thereof) having a maturity of more than 183 days, the Global Notes, the Definitive Notes and any Coupons and Talons appertaining thereto will bear a legend, in English, on their face:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE".

The sections referred to in such legend provide that a United States person who holds a Bearer Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Any Bearer Notes (or any Tranche thereof) having a maturity of 183 days or less (including unilateral rollovers or extensions) must have a minimum face and principal amount of \$500,000 and bear the following legend:

"By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and regulations thereunder)".

Limitations on Issuance of, Payment on, and Delivery of Bearer Notes

In compliance with United States federal income tax laws and regulations, Bearer Notes, including Bearer Notes in global form, will not be offered, sold or delivered, directly or indirectly, in the United States or its possessions or to United States persons, as defined below, except as otherwise permitted by United States Treasury Regulations Section 1.163-5(c)(2)(i)(D). Any underwriters, agents or dealers participating in the offerings of Bearer Notes, directly or indirectly, must agree that (i) they will not, in connection with the original issuance of any Bearer Notes or during the restricted period with respect to such Bearer Notes (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) (the "**Restricted Period**"), offer, sell or deliver, directly or indirectly, any Bearer Notes in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury Regulations described above; and (ii) they will not at any time offer, sell or deliver, directly or indirectly, any Bearer Notes in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury regulations.

In addition, any underwriter, agent or dealer must have procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware of the above restrictions on the offering, sale or delivery of Bearer Notes.

Bearer Notes, other than Bearer Notes that satisfy the requirements of United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(iii), and any coupons or talons appertaining thereto, will not be delivered in definitive form, and no interest will be paid thereon, unless the relevant Issuer has received a signed certificate in writing, or an electronic certificate described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(ii), (an "**Ownership Certificate**"), stating that on the date of the Ownership Certificate that Bearer Note:

- (1) is owned by a person that is not a United States person;
- (2) is owned by a United States person that is described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6); or
- (3) is owned by a United States or foreign financial institution for the purposes of resale during the Restricted Period,

and, in addition, if the owner of the Bearer Note is a United States or foreign financial institution described in clause (3) above, whether or not also described in clause (1) or clause (2) above, the financial institution certifies that it has not acquired the Bearer Note for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

The relevant Issuer will make payments on Bearer Notes only outside the United States and its possessions except as permitted by the above Treasury regulations.

As used herein, "**United States person**" means, for United States federal income tax purposes, (i) a citizen or resident of the United States; (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust.

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 be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream,

Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depository 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 21 (*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 English Law 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 English Law Notes while in Global Form" below.

Nordic Notes

Notes issued by MSBV 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.

SUMMARY OF PROVISIONS RELATING TO THE ENGLISH LAW NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Bearer Notes (or any Tranche thereof) represented by a Global Note, references in the "*Terms and Conditions of the English Law 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 Depository, 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 Depository 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 English Law 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 depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depository or common depository or a nominee for that depository or common depository.

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 (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 and in relation to all other rights arising under such Global Note or Global Note Certificate, 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 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, 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.

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 and provided an Ownership Certificate; 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 English Law 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 English Law Notes under (i) in respect of English Law Notes issued by Morgan Stanley, the Morgan Stanley Deed of Covenant; (ii) in respect of English Law Notes issued by Morgan Stanley Jersey, the MSJ Deed of Covenant; (iii) in respect of English Law Notes issued by MSBV, the MSBV Deed of Covenant; (iv) in respect of English Law 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 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 English Law 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 English Law 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

Whenever a 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 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.

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) has become due and payable in accordance with the terms and conditions of such Permanent Global Note as set out in "*Terms and Conditions of the English Law 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 in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) 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 Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have in respect of English Law Notes under the Morgan Stanley 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 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 Permanent Global Note in respect of English Law Notes will acquire directly against the relevant Issuer all those rights to which they would have been entitled if, immediately before such Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of English Law 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 English Law 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 the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the holder of the Global Note Certificate will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Note Certificate or others may have under the MSJ Deed of Covenant, the MSBV Deed of Covenant, as the case may be or any Additional Deed of Covenant. Under the relevant 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 Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the holders of Individual Note Certificates 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.

Specified Denomination of MSBV Notes

With respect to Notes issued by MSBV only, this Base Prospectus is only valid in relation to Notes with a Specified Denomination of at least EUR 1,000 per Note (or its equivalent in the currency in which such Note is denominated). For so long as the Notes are represented by a Global Note or Global Note Certificate and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradeable in minimum nominal amounts of at least EUR 1,000 per Note (or its equivalent) and integral multiples of any amount thereafter, as specified in the applicable Final Terms. If Definitive Notes are required to be issued in the limited circumstances specified in the Permanent Global Note they will only be printed and issued in denominations of at least EUR 1,000 per Note (or its equivalent). Accordingly, if Definitive Notes are required to be issued, a Noteholder holding Notes having an original nominal amount which cannot be fully represented by Definitive Notes in the denomination of at least EUR 1,000 per Note (or its equivalent) will not be able to receive a Definitive Note in respect of the original nominal amount of the Notes by which the original nominal amount of such holding of Notes exceeds the next lowest integral multiple of at least EUR 1,000 per Note (or its equivalent), the "**Excess Amount**") and will not be able to receive interest or principal in respect of such Excess Amount. Furthermore, at any meetings of Noteholders while Notes are represented by a Global Note or a Global Note Certificate any vote cast shall only be valid if it is in respect of at least EUR 1,000 (or its equivalent) in nominal amount and no vote may be cast in respect of any smaller nominal amount.

Conditions Applicable to Global 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 English Law 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 or Global Note Certificate which, according to the Terms and Conditions of the English Law 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 or the Global Note Certificate 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.

Exercise of Put Option: In order to exercise the Noteholder's put option set out in Condition 15.9 (*Redemption at the Option of Noteholders*) of the Terms and Conditions of the English Law Notes, the bearer of the Permanent Global Note or the holder of a Global Note Certificate 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 15.7 (*Redemption at the Option of the Issuer*) of the Terms and Conditions of the English Law Notes in relation to some but not all of the Notes, the Permanent Global Note or Global Note Certificate 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 27 (*Notices*) of the Terms and Conditions of the English Law Notes while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and the Temporary Global Note are), or Global Note Certificate is, deposited with a Bearer Note Depository or a common depository 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 27 (*Notices*) of the Terms and Conditions of the English Law 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 30 (*Redenomination, Renominalisation and Reconventioning*) of the Terms and Conditions of the English Law 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 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.

Registered Notes

Notwithstanding Condition 17 (*Payments – Registered Notes*), each payment in respect of any Global Registered Note shall be made to the person shown in the Register as the registered holder of the Notes represented by such Global Registered Note 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 Registered Note is being held is open for business.

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 a securities agency agreement dated 30 November 2000 (as modified and restated on 4 December 2001, 30 June 2005, 11 July 2006, 22 June 2007, 19 June 2008, 17 June 2009 and 15 June 2010, the "**Securities Agreement**", which expression shall include any further amendments or supplements thereto) to which Morgan Stanley (Jersey) Limited, Morgan Stanley B.V. and Morgan Stanley & Co. International plc acceded and by which they are bound pursuant to the terms of accession agreements dated respectively as of 10 June 2002, as of 16 April 2004 and as of 15 June 2010. The other parties to the Securities Agreement are (1) Morgan Stanley and (2) The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A., London Branch), as principal Securities Agent (the "**Principal Securities Agent**", which expression includes any successor or substitute Principal Securities Agent appointed in accordance with the Securities Agreement) and Citibank N.A., 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 Securities 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 19 June 2008.

Warrants and Certificates issued by Morgan Stanley in global form are constituted by a deed of covenant entered into by Morgan Stanley dated 15 June 2010 (the "**Morgan Stanley Deed of Covenant**"). Warrants and Certificates issued by MSI plc in global form are constituted by a deed of covenant entered into by MSI plc dated 15 June 2010 (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 15 June 2010 (the "**MSJ Deed of Covenant**"). Warrants and Certificates issued by MSBV in global form or in dematerialised form are constituted by deeds of covenant entered into by MSBV dated (in the case of Warrants and Certificates in dematerialised form) 19 June 2008 and (in the case of Warrants and Certificates in global form) 15 June 2010 (together the "**MSBV Deeds 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**")

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 19 (*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 Securities 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 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 clearing system located outside the United States specified in the relevant Final Terms in which Warrants or Certificates of the relevant Series are for the time being held, or, in relation to an Underlying Security, in which that 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;

"**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 Securities Agreement (or such other form as may from time to time be agreed by the Issuer and the Principal Securities Agent) 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 Registrar to a depositing Securityholder upon deposit of a Warrant or Certificate with such Securities Agent or 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 or Index 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 or Commodity Security, the date specified as such in the relevant Final Terms or, if that date is not a Business Day, a Clearing System Business Day and, if specified in the relevant Final Terms, an Exchange Business Day or a Currency Business Day, the next following day that is a Business Day, a Clearing System Business Day and, as the case may be, an Exchange Business Day or a Currency 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. and designated by the Issuer as "Finnish Securities" in paragraph 30 ("Clearing System") of the relevant Final Terms;

"Global Security" means any Temporary Global Security or Permanent Global Security;

"Index Basket Securities" means Warrants or Certificates relating to a basket of Indices;

"Index Securities" means Warrants or Certificates relating to a single 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 Clearing System through which the relevant Warrant or Certificate is exercised 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)" means, in respect of any Warrant or Certificate, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms;

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

"Permanent Global Security" means, in relation to Bearer Warrants or Bearer Certificates, a Permanent Global Security substantially in the form set out in the Securities Agreement;

"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 or Index 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 or Commodity Security, the dates specified in the relevant Final Terms (or, if any such date is not a Business Day, a Clearing System Business Day and, if so specified in the relevant Final Terms, an Exchange Business Day and/or a Currency Business Day, the next following date that is a Business Day, a Clearing System Business Day and, as the case may be, an Exchange Business Day and/or a Currency 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;

"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;

"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 or Index, the period of Settlement Cycle Days following a trade in such Underlying Security or the securities or other property underlying such Index, 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 Clearing System 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 and a Clearing System Business Day, the next following day that is a Business Day and a Clearing System 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, any office or branch of the Reference Dealer located in the city specified for such purpose in the relevant Final Terms. If a city is not so specified, the Specified Office will be deemed to be an office or branch of such Reference 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, Regeringsgatan 65, Box 7822, SE-103 97 Stockholm, Sweden;

"**Swedish Securities**" means any Tranche of Warrants or Certificates issued by Morgan Stanley B.V. and designated by the Issuer as "Swedish Securities" in paragraph 31 ("Clearing Systems") 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*);

"**Temporary Global Security**" means, in the case of Bearer Warrants or Bearer Certificates, a Temporary Global Security substantially in the form set out in the Securities Agreement;

"**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 will issue Warrants and Certificates in bearer form ("**Bearer Warrants**" and "**Bearer Certificates**"). MSBV may also issue Warrants and Certificates in dematerialised and uncertificated book-entry form with a Nordic central securities depository ("**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 *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. As the Nordic Securities will be in uncertificated and dematerialised book-entry form, the Conditions as so amended shall be deemed to be incorporated by reference in, and to form part of, the MSBV Deed of Covenant by which the Nordic Securities are constituted. 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.

2.4 *General provisions relating to the Warrants and Certificates*

Where interests in any Warrants or Certificates are represented by a Global Security, all transactions in (including transfers of) such Warrants or Certificates in the open market or otherwise, must be effected through an account at the Clearing System(s) in which the Warrants or Certificates to be transferred are held. Interests in any Global Security 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 and in accordance with the rules for the time being of the relevant Clearing System.

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, the United States Internal Revenue Code of 1986, as amended, and the CEA) and will be 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 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, a Clearing System Business Day and, if so specified in the relevant Final Terms, a Scheduled Trading Day, an Exchange Business Day and/or a Currency 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 Securities*) to 12 (*Provisions relating to all Warrants and Certificates*) (as applicable) and 15 (*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 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 Securities*) to 12 (*Provisions relating to all Warrants and Certificates*) (as applicable) and 15 (*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 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 Securities*) to 12 (*Provisions relating to all Warrants and Certificates*) (as applicable) and 15 (*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 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 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 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 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 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 relevant Clearing System(s), the Principal Securities Agent, 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 or telex 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 relevant Clearing System and to the Principal Securities Agent, 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 the United States Internal Revenue Code of 1986, as amended, 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 7.3 (*Adjustments affecting Underlying Securities*) to 12 (*Provisions relating to all Warrants and Certificates*) (as applicable) and 15 (*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 or definitive Bearer Certificate or (as applicable) and delivering from a location outside the United States a duly completed and signed Exercise Notice to the relevant Securities Agent 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 Securities Agent with which a definitive Bearer Warrant or definitive Bearer Certificate is so deposited shall deliver a duly completed Exercise Receipt to the depositing Securityholder.

5.1.4 No definitive Bearer Warrant or definitive Bearer Certificate, once deposited with a duly completed Exercise Notice in accordance with this Condition 5, may be withdrawn; provided however that if, prior to the relevant due date for termination and following due presentation of any such definitive Bearer Warrant or definitive Bearer Certificate,

payment of the moneys falling due is improperly withheld or refused by the relevant Issuer, the relevant Securities Agent 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 or definitive Bearer Certificate 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, and must:

- (a) specify the name, address, telephone, facsimile and telex 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 any applicable Taxes due by reason of exercise of the relevant Warrants or Certificates 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 Securityholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) and to debit a specified account of the Securityholder at the relevant Clearing System with an amount or amounts in respect thereof;
- (d) 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
- (e) give a certification as to the non-U.S. beneficial ownership of the Warrants or Certificates being exercised therewith.

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, facsimile and telex 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, irrevocably instruct the relevant Clearing System to debit on the Strike Price Payment Date a specified account of the Securityholder with 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 above), and to transfer such amount to such account as shall have been specified by the Issuer to the relevant Clearing System for that purpose;
- (d) include an irrevocable undertaking to pay any applicable Taxes due by reason of the transfer (if any) of Underlying Securities to the account at the relevant Clearing System specified, or as otherwise specified, by the Securityholder and an authority to the Issuer and the relevant Clearing System to debit a specified account of the Securityholder with an amount in respect thereof;
- (e) specify the number of the Securityholder's account with the relevant Clearing System to be credited with the relevant Underlying Securities or, as the case may be, the delivery details for such 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 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:

- (a) the Exercise Notice is not complete or not in proper form;
- (b) 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
- (c) sufficient funds equal to any applicable Taxes and the aggregate Strike Price (if any) 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 holder's Warrants or Certificates is still desired.

5.4.3 Any determination by the relevant Securities Agent 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, the Securityholder and the beneficial owner 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 (including the requirement of the holders to provide an Ownership Certificate) as described under "*Forms of Warrants and Certificates - Limitations on Issuance of, Payments on, and Delivery of Bearer Warrants or Certificates*" below.

5.5 *Notification to the relevant Securities Agent:*

5.6.1 Subject to the verification set out in Condition 5.4.1 above, the relevant Securities Agent will:

- (a) confirm to the Principal Securities Agent (copied to the Issuer and the Determination Agent) the number of Warrants or Certificates being exercised; and
- (b) promptly notify the Principal Securities Agent (copied to the Issuer and the Determination Agent) of receipt of the Exercise Notice and the number of Warrants or Certificates to be 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 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 Warrants and Certificates*) to 12 (*Provisions relating to all*

Warrants and Certificates) (as applicable) and 15 (*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 5.3 (*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:*

5.7.1 In respect of Warrants or 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 Warrant or Certificate shall be made only following presentation and surrender of such Warrants or 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 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.

5.7.2 In respect of Warrants or 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 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 Warrant or Certificate for credit to the account specified, or as may otherwise be 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 Warrants or 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 the rules and procedures of the relevant Clearing System) 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. None of the Issuer or any Securities Agent shall under any circumstances be liable for any acts or defaults of any Clearing System in the performance of the Clearing System's duties in relation to the Warrants or Certificates.

5.8 *Effect of Exercise Notice:*

5.8.1 For so long as any outstanding Warrant or Certificate is held by a Securities Agent in accordance with this Condition 5, the depositor of such definitive Bearer Warrant or definitive Bearer Certificate and not such Securities Agent 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.

5.8.3 After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 5.1.2) 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 16 (*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*) and 5.7 (*Debit of Securityholder's Account*) (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 Principal Securities Agent and Common Depositary*). 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.

5.11 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, in the CEA and in the Internal Revenue Code of 1986, as amended) in connection with the settlement of, or exercise of, Warrants or Certificates.

6. **ISSUER CALL OPTION**

If the Call Option is specified in the applicable Final Terms as being applicable, the Warrants or Certificates 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 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 redeem the Warrants or Certificates specified in such notice on the relevant Optional Settlement Date (Call) at the Optional Settlement Amount (Call) plus accrued interest (if any) to such date).

7. **PROVISIONS RELATING TO SHARE SECURITIES, SHARE BASKET SECURITIES, INDEX SECURITIES AND INDEX BASKET SECURITIES**

This Condition 7 is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Share Securities, Share Basket Securities, Index Securities or Index Basket Securities.

7.1 *Valuation, Market Disruption and Averaging Dates:*

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

7.1.2 For the purposes hereof:

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

"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 in its sole and absolute discretion) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Underlying Securities on the Exchange (or, in the case of an Index Security or Index Basket Security, on any relevant Exchange(s) in securities or other property that comprise(s) 20 per cent. or more of the level of the relevant Index), or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Underlying Security or the relevant Index on any relevant Related Exchange and (b) with respect to any Multi-exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) any Component on the Exchange in respect of such Component; or (ii) futures or options contracts relating to the Index on the Related Exchange;

"Market Disruption Event" means (a) in respect of an Underlying Security or Index other than a Multi-exchange Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Determination Agent determines is material (such determination to be at the Determination Agent's sole and absolute discretion), at any time during the one hour period that ends at the relevant Valuation Time, or (iii) an Early Closure. For the purposes of determining whether a Market Disruption Event in respect of an Index exists at any time, if a Market Disruption Event occurs in respect of a security or other property included in the Index at any time, then the relevant percentage contribution of that security or other property to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security or other property and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event; and (b) with respect to any Multi-exchange Index either (i)(A) the occurrence or existence, in respect of any Component, of (1) a Trading Disruption, (2) an Exchange Disruption,

which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component is principally traded, OR (3) an Early Closure; AND (B) the aggregate of all Components in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (A) a Trading Disruption, (B) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange; or (c) an Early Closure.

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

"Scheduled Valuation Date" means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date (ignoring for the purposes of this definition any postponement of the Potential Exercise Date or Expiration Date as a result of the occurrence of a Disrupted Day and assuming that the original Potential Exercise Date or original Expiration Date, as the case may be, would have been a Valuation Date); and

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

7.1.3 If Averaging Dates are specified in the relevant 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 Security or Basket 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 relevant 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 an Index Security or a Share Security that is a Cash Settlement Security or a Part Physical Settlement Security, the arithmetic mean of the Relevant Prices of the Index or the Underlying Securities on each Averaging Date;
 - (ii) in respect of an Index Basket Security, the arithmetic mean of the amounts for the Basket determined by the Determination Agent in its sole and absolute discretion as provided in the relevant Final Terms as

of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Price are so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the relevant Final Terms); and

- (iii) in respect of a Share Basket Security that is a Cash Settlement Security or a Part Physical Settlement Security, the arithmetic mean of the amounts for the Basket determined by the Determination Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation 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 Securities of each Underlying Security Issuer as the product of (1) the Relevant Price of such Underlying Security and (2) the number of such Underlying Securities 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 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 Warrant or Certificate; or
 - (iii) "**Modified Postponement**", then:
 - (1) in the case of an Index Security or a Share Security, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and (B) the Determination Agent shall determine, in its sole and absolute discretion, the relevant level or price for that Averaging Date in accordance with (x) in the case of an Index Security, Condition 7.1.1(a)(2)(i) and (y) in the case of a Share Security, Condition 7.1.1(a)(2)(ii);
 - (2) in the case of an Index Basket Security or a Share Basket Security, the Averaging Date for each Underlying Security or Index not affected by the occurrence of a Disrupted Day shall be the date specified in the relevant Final Terms as an

Averaging Date in relation to the relevant Valuation Date and the Averaging Date for an Underlying Security or Index affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Underlying Security or Index. If the first succeeding Valid Date in relation to such Underlying Security or Index has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Underlying Security or Index, 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)(2) and (y) in the case of a Share Basket Security, Condition 7.1.1(c)(2); and

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

(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 Cash Settlement Payment Date or, as the case may be, the relevant Physical Settlement Date or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment 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 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 (or other property) and capitalisation and other routine events) (an "**Index Modification**") or permanently cancels the Index and no Successor Index exists (an "**Index Cancellation**") or (ii) on any Valuation Date, or any Averaging Date, the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then (A) in the case of an Index Modification or an Index Disruption, the Determination Agent shall determine if such Index Adjustment Event has

a material effect on the Warrants or Certificates and, if so, shall calculate in its sole and absolute discretion the relevant Settlement Price or Final Price, as the case may be, 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 or other property that comprised that Index immediately prior to that Index Adjustment Event and (B) in the case of an Index Cancellation, the Issuer may, at any time thereafter 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 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. 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 Warrants or Certificates 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 final Valuation 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, the Determination Agent may adjust any relevant terms accordingly.

7.3 *Adjustments affecting Underlying Securities:*

This Condition 7.3 is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Share Securities or Share Basket Securities.

7.3.1 *Adjustments for Potential Adjustment Events:*

- (a) Following the declaration by the Underlying Security Issuer 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 Securities and, if so, will (i) make such adjustment as it in its sole and absolute discretion considers appropriate, if any, to the Strike Price, the formula for the Cash Settlement Amount and/or the

Settlement Price and/or the Relevant Price set out in the relevant Final Terms, 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 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).

(b) *For the purposes hereof:*

"Extraordinary Dividend" means the dividend per Underlying Security, or portion thereof, which the Determination Agent determines should be characterised as an Extraordinary Dividend.

"Potential Adjustment Event" means any of the following:

- (i) a subdivision, consolidation or reclassification of relevant Underlying Securities (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Securities to existing holders by way of bonus, capitalisation or similar issue; or
- (ii) a distribution, issue or dividend to existing holders of the relevant Underlying Securities of (A) such Underlying Securities, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Security Issuer equally or proportionately with such payments to holders of such Underlying Securities, or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Underlying Security Issuer as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Determination Agent in its sole and absolute discretion; or
- (iii) an Extraordinary Dividend; or
- (iv) a call by the Underlying Security Issuer in respect of relevant Underlying Securities that are not fully paid; or
- (v) a repurchase by the Underlying Security Issuer or any of its subsidiaries of relevant Underlying Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (vi) in respect of the Underlying Security 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 Security 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, securities, debt instruments or stock rights at a price below their market value, as determined by the Determination Agent in its sole and absolute discretion, **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 Securities; or
- (viii) any other event specified as such in the relevant Final Terms.

7.3.2 *European currency related adjustments:*

If any relevant Underlying Securities were originally quoted, listed and/or dealt as of the Initial Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the EC Treaty, and are at any time thereafter quoted, listed and/or dealt exclusively in euro on the Exchange or, where no Exchange is specified in the relevant Final Terms, the principal market on which such Underlying Securities are traded, then the Determination Agent will adjust any amount or quantity that is payable or deliverable in respect of the Warrants or Certificates and/or any other settlement, payment or other terms of the Warrants or Certificates as the Determination Agent determines appropriate to preserve the economic terms of the Warrants or Certificates. The Determination Agent will make any conversion necessary for purposes of any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Determination Agent prevailing as of the Valuation Time. No adjustments under this Condition 7.3.2 will affect the currency denomination of any payment obligations of the Issuer under the Warrants or Certificates.

7.3.3 *Correction of Underlying Security 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 final Valuation 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, the Determination Agent may adjust any relevant terms accordingly.

7.4 *Extraordinary Events:*

This Condition 7.4 is applicable only in relation to Warrants or Certificates specified in the relevant Final Terms as being Share Securities or Share 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 or not the relevant 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, the formula for the Cash Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the relevant Final Terms, 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 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 Securities, the cancellation of terms applicable in respect of Underlying Securities 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 Securities, as determined by the Determination Agent, acting in a commercially reasonable manner, any: (i) reclassification or change of such Underlying Securities that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Securities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Security Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Security Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Securities 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 Securities of the Underlying Security Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Securities (other than such Underlying Securities owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Security Issuer or its subsidiaries with or into another entity in which the Underlying Security Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Securities outstanding but results in the outstanding Underlying Securities (other than Underlying Securities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Securities immediately following such event (a **"Reverse Merger"**), in each case if the Merger Date is on or before, (A) in respect of Warrants or Certificates where settlement by delivery applies, the later to occur of the Expiration 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 Securities, 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 Security Issuer, as determined by the Determination Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Determination Agent deems relevant.

"**Tender Offer Date**" means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained, as determined by the Determination Agent 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 Securities or all or substantially all the assets of the Underlying Security Issuer 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 or insolvency, dissolution or winding-up of or any analogous proceeding affecting a Underlying Security Issuer, (1) all the Underlying Securities of that Underlying Security Issuer are required to be transferred to a trustee, liquidator or other similar official or (2) holders of the Underlying Securities of that Underlying Security Issuer become legally prohibited from transferring them ("**Insolvency**"); or

(3) the Exchange announces that pursuant to the rules of such Exchange, the Underlying Securities 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, the formula for the Cash Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the relevant Final Terms, 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 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 Securities or Index Basket Securities, the cancellation of terms applicable in respect of Underlying Securities or any Index, as the case may be, affected by the relevant Additional Disruption Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

- (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 Securities 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)(iii) above. In respect of any such event, if the announcement of such event is made after the actual closing time for the regular trading session on the relevant Exchange, without regard to any after hours or any other trading outside of regular trading session hours, the Announcement Date shall be deemed to be the next following Scheduled Trading Day.

7.5 *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 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, the formula for the Cash Settlement Amount and/or the Settlement Price and/or the Relevant Price set out in the relevant Final Terms, 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 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 Securities or Index Basket Securities, the cancellation of terms applicable in respect of any Underlying Securities or Index, as the case may be, affected by the relevant Additional Disruption Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

- (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 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 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 Fiscal Agent and the Determination Agent of the occurrence of an Additional Disruption Event.

7.6 In relation to Share Securities, Share Basket Securities, Index Securities or Index Basket Securities, the following expressions have the meanings set out below:

"Additional Disruption Event" means, with respect to a series of Share Securities or Share Basket Securities (unless otherwise specified in the relevant Final Terms) a Change of Law, Hedging Disruption, Increased Cost of Hedging or Loss of Stock Borrow (as defined below), and any further event or events specified in the applicable Final Terms as an Additional Disruption Event applicable with respect to such Warrants or Certificates.

"Basket" means:

- (i) in respect of an Index Basket Security, a basket composed of each Index specified in the relevant Final Terms in the relative proportions specified in such Final Terms; and
- (ii) in respect of a Share Basket Security and a Bond Security, a basket composed of Underlying Securities of each Underlying Security Issuer specified in the relevant Final Terms in the relative proportions or number of Underlying Securities of each Underlying Security Issuer specified in such Final Terms;

"Change in Law" means that, on or after the Initial Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (X) it has become illegal to hold, acquire or dispose of any relevant Underlying Securities, 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 respect of an Index, any securities comprising such Index;

"Exchange" means (1) in respect of an Underlying Security relating to a Share Security or Share Basket Security or an Index relating to an Index Security or Index Basket Security other than a Multi-exchange Index, each exchange or quotation system specified as such for the relevant Underlying Security or Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the relevant Underlying Security (in the case of a Share Security or Share Basket Security) or the securities comprised in the relevant Index (in the case of an Index Security or Index Basket Security) has temporarily relocated (**provided that** the Determination Agent has determined that there is comparable liquidity relative to such Underlying Security or, as the case may be, the securities comprised in such Index on such temporary substitute exchange or quotation system as on the

original Exchange) or if none is specified, the principal exchange or quotation system for trading in such Underlying Security or Index, as determined by the Determination Agent, and (2) in respect of a Multi-exchange Index, and in respect of each Component, the principal stock exchange on which such Component is principally traded, as determined by the Determination Agent;

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

"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) which the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the relevant Warrants or Certificates, 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 Initial 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, in respect of any Index Security or Index Basket Security and subject to Condition 7.2 (*Adjustments to Indices*), each index specified as such in the relevant 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 the methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Scheduled Trading Day;

"Loss of Stock Borrow" means that the Issuer is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) Underlying Securities with respect to the relevant 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 Underlying Securities) at a rate as determined by the Issuer;

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

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

"Relevant Price" on any day means:

- (i) in respect of an Underlying Security to which a Share Security or a Share Basket Security relates, the price per Underlying Security determined by the Determination Agent as provided in the relevant 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 Price are so provided: (a) in respect of any Underlying Security for which the Exchange is an auction or "open outcry" exchange that has a price as of the Valuation Time at which any trade can be submitted for execution, the Relevant Price shall be the price per Underlying Security as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be, as reported in the official real-time price dissemination mechanism for such Exchange; and (b) in respect of any Underlying Security 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 Valuation Time on the Valuation Date or Averaging Date, as the case may be (or the last such prices quoted immediately before the Valuation Time), without regard to quotations that "lock" or "cross" the dealer exchange or dealer quotation system;
- (ii) in respect of an Index to which an Index Security or an Index Basket Security relates, the level of such Index determined by the Determination Agent as provided in the relevant 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 Price are so provided, the level of the Index as of the Valuation Time on the Valuation Date or Averaging Date, as the case may be;

"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 the regular trading session hours;

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

"Settlement Price" means, in respect of a Share Security, a Share Basket Security, an Index Security or an Index 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; and

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

8. PROVISIONS RELATING TO BOND SECURITIES

This Condition 8 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 or telex to the number specified in the relevant Exercise Notice.

8.3 *In relation to Bond Securities, the following expressions have the meanings set out below:*

"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;

"**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 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 relevant 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 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;

"Currency Business Day" means, unless otherwise specified in the relevant Final Terms, for the purposes of:

- (i) 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, or (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, (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;
- (ii) 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
- (iii) the definition of 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;

"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; 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 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 or telex 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 relevant Final Terms 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 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), 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 *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;

"**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;

"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 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 Clearing System 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 purposes 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 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. PROVISIONS RELATING TO ALL WARRANTS AND CERTIFICATES

12.1 *Performance Disruption:*

- 12.1.1 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.

- 12.1.2 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.

12.2 *Effects of European Economic and Monetary Union:*

- 12.2.1 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.
- 12.2.2 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.

12.2.3 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.

12.2.4 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 Security 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.

13. **SECURITIES AGENTS AND DETERMINATION AGENT**

13.1 *Appointment of Agents:* The Issuer reserves the right at any time to vary or terminate the appointment of any Securities Agent or the Determination Agent and to appoint substitute or additional Securities Agents 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 and (ii) 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 or a Determination Agent and of any appointment of a Securities Agent or a Determination Agent will be given to Securityholders in accordance with Condition 16 (*Notices*) and so long as there is any Tranche of Nordic Securities outstanding, there will at all times be a NCS D duly authorised as a central securities depository under the Finnish or, as appropriate, Swedish legislation and a NCS D Issuing Agent in respect of the relevant Tranche of Nordic Securities.

13.2 *Role of Agents:*

13.2.1 In acting under the Securities Agreement, each Securities 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 Principal Securities Agent under these Conditions may be delegated to any such person as the Determination

Agent or the Principal Securities Agent, as the case may be, in its absolute discretion, may decide.

13.2.2 None of the Issuer, the Guarantor (if applicable), the Principal Securities 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.

13.3 *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 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 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.

14. **TAXES**

14.1.1 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 14.1.2 below.

14.1.2 In any case where the Issuer is obliged to pay any such tax, duty or charge referred to in Condition 14.1.1 above, the relevant Securityholder shall promptly reimburse the Issuer therefor.

14.1.3 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.

15. **FORCE MAJEURE AND ILLEGALITY**

15.1 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").

15.2 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 16 (*Notices*).

16. **NOTICES**

16.1 *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.

- 16.2 *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.
- 16.3 *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.com if permitted by the rules and regulations of the SIX Swiss Exchange.
- 16.4 *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.

17. **LOSSES**

In no event shall the Issuer 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.

18. **PRESCRIPTION**

- 18.1 Claims for payment in respect of Securities shall become void unless the relevant Securities are presented for payment within ten years of the appropriate Relevant Date.
- 18.2 *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 Date. Claims for payment in respect of Finnish Securities shall become void unless made within a period of three years after the appropriate Relevant Date.

19. **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 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 in any particular place, the Securities 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 Securities must be surrendered before replacements will be issued.

20. **SEVERANCE, MEETINGS OF SECURITYHOLDERS AND MODIFICATION OF CONDITIONS**

- 20.1 *Meetings of Securityholders*: The Securities 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.

- 20.2 *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.
- 20.3 *Modification*: The Issuer may modify the Conditions, the Securities 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 16 (*Notices*) but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

21. 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.

22. 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.

23. 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 16 (*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.

24. 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.

25. 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.

26. GOVERNING LAW AND PROCEEDINGS

- 26.1 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.
- 26.2 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.
- 26.3 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.
- 26.4 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.

- 26.5 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]¹

FINAL TERMS dated [•]

Series Number: [•]

Common Code: [•]

Tranche: [•]

ISIN: [•]

[•]

[•]

as Issuer

**[MORGAN STANLEY
as Guarantor]**

*PROGRAM FOR THE ISSUANCE OF NOTES, SERIES A AND B, WARRANTS AND
CERTIFICATES*

Issue of [Aggregate Nominal Amount 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 32 of Part A below, provided such person is one of the persons mentioned in Paragraph 32 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.]

[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) (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

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.

ANY DISTRIBUTION AGENT HAS AUTHORISED, NOR DO THEY AUTHORISE, THE MAKING OF ANY OFFER OF [WARRANTS/CERTIFICATES] IN ANY OTHER CIRCUMSTANCES.]

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, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. 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 EITHER REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED). SEE "*SUBSCRIPTION AND SALE*" AND "*NO OWNERSHIP BY U.S. PERSONS*" IN THE BASE PROSPECTUS DATED [•] 2009. 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 15 June 2010 [and the supplemental Base Prospectus[es] dated [•]]¹ 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 15 June 2010.]

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 Securities (the "**Conditions**") incorporated by reference in the base prospectus dated 19 June 2008. These Final Terms contain the final terms of the Securities and must be read in conjunction with the Base Prospectus dated [•] [and the supplemental Base Prospectus[es] dated [date]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"), save in respect of the Conditions which are set forth in the base prospectus dated [•] and are incorporated by reference in the Base Prospectus. This document constitutes the Final Terms relating to the issue of the [Warrants/Certificates] described herein for the purposes of Article 5.4 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. 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.]

¹ Only include details of a supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Program.

Information Concerning Investment Risk

[•]

General

1. Issuer: [Morgan Stanley/Morgan Stanley & Co. International plc/Morgan Stanley (Jersey) Limited/Morgan Stanley B.V.]
2. [Guarantor: [Morgan Stanley]]
3. Aggregate Number of [Warrants/Certificates] in the Series: [•]
4. Aggregate Number of [Warrants/Certificates] in the Tranche: [•]
5. Issue Date: [•]
6. Issue Price: [currency][amount] per [Warrant/Certificate]
7. Form of Warrants or Certificates: [Bearer Warrants/Bearer Certificates plc]
8. [Warrant/Certificate] Style: [American/European/Bermudan] Style
(Condition 4) [Warrants/Certificates]
 - (i) [Exercise Period:] [As defined in Condition 1]
 - (ii) [Potential Exercise Dates:] [Each day from and including the Commencement Date to and including the Latest Exercise Time on the Expiration Date]
 - (iii) [Commencement Date:] [•]
9. Type: The [Warrants/Certificates] are [Index / Index Basket / Share / Share Basket / Bond / Currency / Commodity / [Warrants/Certificates]]

*For Share and Share Basket
[Warrants/Certificates] only*

- (i) Underlying Security: [•]
- (ii) Relevant Issuer: [•]
- (iii) Exchange(s): [•]
- (iv) Related Exchange: [•][All Exchanges]
- (v) Exchange Business Day: [•]
- (vi) Initial Date: [•]
- (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 Index and Index Basket
[Warrants/Certificates] only*

- (i) Index/Indices: [•]
- (ii) Exchange(s): [•][specify whether Multi-exchange Index]
- (iii) Related Exchange(s): [•][All Exchanges]
- (iv) Exchange Business Day: [•]

*For Commodity
[Warrants/Certificates] 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] [Disappearance of Commodity Reference Price] [Material Change in Formula] [Material Change in Content] [Tax Disruption] [Trading Limitation] [specify any applicable additional Commodity Disruption Events][Not Applicable]
- (vii) Common Pricing: [Applicable/Not Applicable] (*where Commodity Basket only*)

*For Currency
[Warrants/Certificates] 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 8.5]
 - (v) Settlement Rate Option [Currency Reference Dealers]
 - (vi) Valuation Date [•]
 - (vii) Averaging Dates [[•]/Not Applicable]
 - (viii) Other special terms and conditions [•]
10. Minimum Transfer Amount: [•]
(Condition 2.3)

Exercise

11. Expiration Date: [•]
12. Latest Exercise Time: [•] [(local time in the place where the Clearing System through which the relevant [Warrant/Certificate] is exercised is located)]
13. Minimum Exercise Number:
(Condition 5.10) [[•]/Not applicable]
14. Permitted Multiple:
(Condition 5.10) [[•]/Not applicable]
15. Deemed Exercise:
(Condition 5.6) [[•]/Not applicable]³⁷

Issuer Call Option

16. 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

17. Settlement Basis:
(Condition 4) The [Warrants/Certificates] are [Physical/Cash] Settlement [Warrants/Certificates].

*For Physical Settlement
[Warrants/Certificates] only:*³⁸

18. Ratio: [•] [Warrant(s)/Certificate(s)] relates to [•] [Underlying Security/Securities]
19. Strike Price Payment Date: [•]
20. Strike Price: [•]
21. Settlement Price: [[•]/Not applicable]
22. Physical Settlement Date: [As defined in Condition 1]

For Cash Settlement

³⁷ Refer to Listing Rule 19.2.6

³⁸ 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.

[Warrants/Certificates] only:

23. Cash Settlement Amount: [•]
24. Determination Date: [•]
(Condition 5.8.1)
25. Valuation Time: [•]
26. Valuation Date: [•]
27. Averaging Dates: [•]
28. Settlement Currency: [•]
29. Cash Settlement Payment Date: [•]

For all [Warrants/Certificates]:

Additional details

30. Determination Agent: [As defined in the Conditions]
31. Clearing Systems: [Euroclear and Clearstream, Luxembourg]
[The Securities are Swedish Securities]
[The Securities are Finnish Securities]
[Nordic Securities, specify relevant NCSD and NCSD
Finnish Securities: Finnish CSD: Euroclear Finland Oy,
Urho Kekkosen katu 5 C, Box 1110, FI-00101
Helsinki, Finland
Swedish Securities: Swedish CSD: Euroclear Sweden
AB, Regeringsgatan 65, Box 7822, SE-103 97
Stockholm
NCSD Issuing Agent: [•]/give relevant name and
address]
32. 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 Period). See further
paragraph 10 of Part B below.
33. U.S. Selling Restrictions: [Reg. S Compliance Category;/TEFRA D/TEFRA not
applicable]³⁹

³⁹ Not applicable should only apply if (i) the maturity of the Warrant or Certificate is less than 183 days and (ii) the minimum face value and principal amount is greater than U.S.\$500,000

34. Additional Selling Restrictions: [•]

[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 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 [•].⁴⁰

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:
Duly authorised

[Signed on behalf of the Guarantor:

By:
Duly authorised]

⁴⁰ 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 [•].]

[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 [•].]⁴¹

[Not Applicable.]

[Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading.]

[Last day of Trading: [•]]

[Estimate of total expenses related to admission to trading: [•]]⁴²

2. RATINGS

Ratings: The [Warrants/Certificates] to be issued have been rated:

[S & P: [•]]

[Moody's: [•]]

[Fitch: [•]]

[[Other]: [•]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]⁴³

(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:

⁴¹ 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

⁴² Delete for Securities with a denomination per Security of less than EUR50,000

⁴³ Delete for Securities with a denomination per Security of EUR50,000 or more

"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: [•]
- (If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]
- [(ii) Estimated net proceeds: • (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
- [(iii) Estimated total expenses: • [Include breakdown of expenses 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] ⁴⁴ 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]⁴⁵. [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.]

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 Paying [•]

⁴⁴ Delete for Securities with a denomination per Security of EUR50,000 or more

⁴⁵ Delete for Securities with a denomination per Security of EUR50,000 or more

Agent(s):

Names and addresses of additional [•]

Paying Agent(s) (if any):

7. **TERMS AND CONDITIONS OF THE OFFER**

Offer Price:	[Issue Price][<i>specify</i>]
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/ <i>give details</i>]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/ <i>give details</i>]
Details of the minimum and/or maximum amount of application:	[Not Applicable/ <i>give details</i>]
Details of the method and time limited for paying up and delivering the 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/ <i>give details</i>]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/ <i>give details</i>]
Categories 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 <i>[insert jurisdiction where the Base Prospectus has been approved and published and jurisdictions into which it has been passported]</i> to any person <i>[insert suitability criteria, if any are deemed appropriate, pursuant to any applicable conduct of business rules]</i> . In other EEA countries, offers will only be made pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus.]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/ <i>give details</i>]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/ <i>give details</i>]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/ <i>give details</i>]

FORMS OF WARRANTS AND CERTIFICATES

Morgan Stanley, MSI plc, Morgan Stanley Jersey and MSBV will issue Warrants and Certificates in bearer form ("**Bearer Warrants**" and "**Bearer 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. MSBV may also issue Warrants and Certificates in dematerialised and uncertificated book-entry form with a Nordic central securities depository ("**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 of more than 183 days (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 depository or a common depository (a "**Bearer Warrant Depository**") 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**"), without interest coupons, to be held by a Bearer Warrant Depository 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**") only upon certification as to non-U.S. beneficial ownership. However, that exchange will be made only upon receipt of Ownership Certificates (as defined below). Each issuance of Warrants and Certificates having a maturity of 183 days or less 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:

- (a) 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; and
- (b) receipt by the Principal Securities Agent of a certificate or certificates of non-U.S. beneficial ownership,

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 specified in the certificates of non-U.S. beneficial ownership; **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) any Warrant or Certificate is accelerated in accordance with the Terms and Conditions of the Warrants and Certificates or the date for final exercise has occurred and, in either case, payment in full has not been made in accordance with its terms on the due date for payment.

Whenever the Permanent Global 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 Depository 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.

Legend Concerning United States Persons

Unless otherwise specified in the Final Terms, in the case of Warrants and Certificates (or any Tranche thereof) having a maturity of more than 183 days, the Global Warrants and Certificates and the definitive Warrants and Certificates will bear a legend, in English, to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Warrant or Certificate will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Warrant or Certificate and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Unless otherwise specified in the Final Terms, any Warrants or Certificates (or any Tranche thereof) having a maturity of 183 days or less must have a minimum face and principal amount of \$500,000 and bear the following legend:

"By accepting this obligation, the holder represents and warrants that it is not a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and regulations thereunder) and that it is not acting for or on behalf of a United States person (other than an exempt recipient described in Section 6049(b)(4) of the Internal Revenue Code and regulations thereunder)."

Limitations on Issuance of, Payments on, and Delivery of Bearer Warrants and Bearer Certificates

Unless otherwise specified in the Final Terms, Bearer Warrants and Certificates, including Bearer Warrants and Certificates in global form, will not be offered, sold or delivered, directly or indirectly, in the United States or its possessions or to United States persons, as defined below, except as otherwise permitted by United States Treasury Regulations Section 1.163-5(c)(2)(i)(D). Any underwriters, agents

or dealers participating in the offerings of Bearer Warrants and Certificates, directly or indirectly, must agree that (i) they will not, in connection with the original issuance of any Bearer Warrants and Certificates or during the restricted period with respect to such Bearer Warrants and Certificates (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) (the "**Restricted Period**"), offer, sell or deliver, directly or indirectly, any Bearer Warrants and Certificates in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury Regulations described above; and (ii) they will not at any time offer, sell or deliver, directly or indirectly, any Bearer Warrants and Certificates in the United States or its possessions or to United States persons, other than as permitted by the applicable Treasury Regulations above. For these purposes, it is presumed that United States Treasury Regulations Section 1.163-5(c)(2)(i)(D) will apply to the Bearer Warrants and Certificates.

In addition, any underwriter, agent or dealer must have procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Warrants and Certificates are aware of the above restrictions on the offering, sale or delivery of Bearer Warrants and Certificates.

Unless otherwise specified in the Final Terms, Bearer Warrants and Certificates, other than Bearer Warrants and Certificates that satisfy the requirements of United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(iii), will not be delivered in definitive form, and no payment will be made thereon, unless the relevant Issuer has received a signed certificate in writing, or an electronic certificate described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(3)(ii), (an "**Ownership Certificate**") stating that on the date of the Ownership Certificate that Bearer Warrant or Certificate:

- (1) is owned by a person that is not a United States person;
- (2) is owned by a United States person that is described in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6); or
- (3) is owned by a United States or foreign financial institution for the purposes of resale during the Restricted Period,

and, in addition, if the owner of the Bearer Warrant or Certificate is a United States or foreign financial institution described in clause (3) above, whether or not also described in clause (1) or clause (2) above, the financial institution certifies that it has not acquired the bearer Warrant or Certificate for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

The relevant Issuer will make payments on bearer Warrants and Certificates only outside the United States and its possessions.

As used herein, "**United States person**" means, for United States federal income tax purposes, (i) a citizen or resident of the United States; (ii) a corporation, partnership or other entity created or organised in or under the laws of the United States or any political subdivision thereof; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust.

Terms and Conditions applicable to the Warrants and 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 Warrant or 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.

Nordic Warrants and Certificates

Warrants and Certificates issued by MSBV 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 principal, interest (if any) or any other 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.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Security or a Permanent Global 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 bearer of such Global Security and in relation to all other rights arising under the Global 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 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, 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 bearer of the Global 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 registered Global Security, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner of the Securities represented by such registered Global Securities for all purposes under the Securities 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 in full has not been made to the bearer of the Temporary Global Security in accordance with the terms of the Temporary Global Security on the due date for payment,

then the Temporary Global Security (including the obligation to deliver a Permanent Global Security or increase the 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 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 in full has not been made to the bearer of the Permanent Global Security in accordance with the terms of the Permanent Global Security on the due date for payment,

then the Permanent Global Security (including the obligation to deliver 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 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.

Nominal Amount of the Warrants and Certificates

The Warrants or Certificates may be issued in such number and/or nominal amount as shall be specified in the applicable Final Terms. For so long as the Warrants or Certificates are represented by a Global Security, and Euroclear and Clearstream, Luxembourg, as the case may be, so permit, the Securities shall be tradable in such minimum number of Warrants or Certificates and integral multiples of any amount thereafter and/or such nominal amounts, as specified in the applicable Final Terms. If Warrants or Certificates in definitive form are required to be issued in the limited circumstances specified in the Global Security they will only be printed and, if a nominal amount is specified in the applicable Final Terms, issued in nominal amounts equal to such nominal amount. Accordingly, where applicable, if Warrants or Certificates in definitive form are required to be issued, a Securityholder holding Warrants or Certificates having an original nominal amount which cannot be fully represented by Warrants or Certificates in definitive form in the nominal amount of at least at least EUR 1,000 per Warrant or Certificate (or its equivalent) will not be able to receive a Warrant or Certificate in definitive form in respect of the original nominal amount of the Warrants or Certificates by which the original nominal amount of such holding of Warrants or Certificates exceeds the next lowest integral multiple of at least EUR 1,000 per Warrant or Certificate (or its equivalent), (the "**Excess Amount**") and will not be able to receive any payment in respect of such Excess Amount. Furthermore, at any meetings of Securityholders while Warrants or Certificates are represented by a Global Security and Warrants or Certificates are issued in nominal amounts any vote cast shall only be valid if it is in respect of at least EUR 1,000 (or its equivalent) in nominal amount and no vote may be cast in respect of any smaller nominal amount.

Conditions Applicable to Global Securities

Each Global Security will contain provisions which modify the terms and conditions set out in "Terms and Conditions of the Warrants and Certificates" as they apply to the Global Security. The following is a summary of certain of those provisions:

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 a Securityholder (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) the relevant Clearance System and (ii) the relevant Securities Agent, with a copy to the Determination Agent.

In the case of a bearer Global Security, the bearer of the bearer Global Security must, within the period specified therein for the deposit of the relevant Warrant or Certificate and exercise notice, give written notice of such exercise to the Securities Agent and/or such other person as is specified in the relevant Final Terms specifying the number of Warrants or Certificates being exercised. Any such notice will be irrevocable and may not be withdrawn.

Subject to Condition 4.9 (*Warrants and Certificate 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).

Form of Exercise Notice: Each Exercise Notice shall be in the form (for the time being current) available from each Securities Agent and must:

- (i) specify the name, address, telephone, facsimile and telex details of the Securityholder 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 Securityholder (which must not be less than the Minimum Exercise Number);
- (iii) specify the number of the Securityholder'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 Securityholder has irrevocably instructed, the relevant Clearing System to debit the Securityholder's account with the Warrants or Certificates being exercised and credit the same to the account of the relevant Securities Agent;
- (iv) where applicable, specify the number of the Securityholder's account at the relevant Clearing System to be credited with the Cash Settlement Amount 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 Securityholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) and to debit a specified account of the Securityholder at the relevant Clearing System with an amount or amounts in respect thereof;
- (vi) give a certification as to the non-U.S. beneficial ownership of the Warrants or Certificates being exercised therewith; and
- (vii) authorise the production of such certification in any applicable administrative or legal proceedings.

Verification of Securityholder:

To exercise Warrants or Certificates, the Securityholder thereof 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 Securityholder thereof according to the records of such Clearing System and that such Securityholder 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 or the relevant Securities Agent:

- (i) the Exercise Notice is not complete or not in proper form;
- (ii) the person submitting an Exercise Notice is not validly entitled to exercise the relevant Warrants or Certificates or not validly entitled to deliver such Exercise Notice; or
- (iii) sufficient Warrants or Certificates or 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 Securityholder's Warrants or Certificates is still desired.

Any determination by the relevant Clearing System or the relevant Securities Agent as to any of the matters set out above shall, in the absence of manifest error, be conclusive and binding upon the Issuer, the Securityholder and the beneficial owner of the Warrants or Certificates exercised.

Notification to the relevant Securities Agent and Common Depository:

Subject to the verification set out above, the relevant Clearing System will:

- (i) confirm to the relevant Securities Agent (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 Depository of receipt of the Exercise Notice and the number of the Warrants or Certificates to be exercised.

Upon exercise of part of the Global Security, the Common Depository will note such exercise on the Schedule to the Global Security and the number of Warrants or Certificates so exercised as represented by the Global Warrant shall be cancelled pro tanto.

Debit of Securityholder's Account:

The relevant Clearing System will on or before the Cash Settlement Payment Date debit the relevant account of the Securityholder and credit the relevant account of the relevant Paying Agent (in favour of the Issuer) with: (i) the Warrants or Certificates being exercised, (ii) any applicable Taxes (if any) in respect of the Warrants or Certificates being exercised, (iii) any Break Fee, if applicable, and (iv) any other amounts as may be specified in the relevant Final Terms.

If any of the items set out in the paragraph above are not so credited to the relevant account of the relevant 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 Securityholder 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 Securityholder 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 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 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 will be made against presentation and (in the case of payment in full) surrender of the Global Security at the Specified Office of any paying agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bearer Warrants and Bearer Certificates. On each occasion on which a payment is made in respect of the Global Security, the Issuer shall procure that the same is noted in a schedule thereto.

Notices: Notwithstanding Condition 16 (*Notices*) of the "Terms and Conditions of the Warrants and Certificates", while all the Warrants or Certificates are represented by a Global Security (or by Global Securities) and the Global Security is (or the Global Securities are) deposited with a Clearing System, notices to Securityholders 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 Securityholders in accordance with Condition 16 (*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 12.2 (*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 Permanent Global Security and/or a Temporary Global 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.

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 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 ERISA by reason of any such plan's or account'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 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 ERISA BY REASON OF ANY SUCH PLAN'S OR ACCOUNT'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, Series A and B, 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.

References to "Program Securities" herein refer only to Program Securities issued by Morgan Stanley, MSI plc, Morgan Stanley Jersey or MSBV, not to Program Securities issued by an Additional Issuer.

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.

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; and
- 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.

Exchangeable Notes

Except as otherwise 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 or Indices, 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, 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.

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 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; and
- 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.

Warrants and Certificates Linked to Commodity Prices, Single Securities, Baskets of Securities or Indices, 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, 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.

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

Recent legislation generally imposes withholding of 30% on payments to certain foreign entities (including financial intermediaries), after 31 December 2012, of interest or dividends, and on the gross proceeds from the disposition "of any property of a type which can produce" U.S.-source interest or dividends unless various U.S. information reporting and due diligence requirements have been satisfied. Notes issued on or before 18 March 2012 will not be subject to this legislation. The application of this legislation to certain Warrants and Certificates is not clear. It is possible that the legislation could apply to any Warrants or Certificates linked to the common stock of Morgan Stanley. Holders should consult their tax advisors regarding the possible implications of this legislation to their investment in such Warrants or Certificates.

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. Depending on the circumstances, interest on Notes may have a United Kingdom source where, for example, the Notes are secured on assets situated in the United Kingdom, the Notes are issued by an Issuer incorporated and/or tax resident in the United Kingdom or the interest is paid out of funds maintained in the United Kingdom.
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 either (i) admitted to trading on the London Stock Exchange and included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or (ii) admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and officially

listed in the country of that stock exchange in accordance with provisions corresponding to those generally applicable in European Economic Area states.

4. As the London Stock Exchange is a recognised stock exchange, the Notes will, accordingly, constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange. 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%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply.

B. 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

Securityholders and Noteholders should note that where any interest on Program Securities is paid to them (or to any person acting on their behalf) by any person in the United Kingdom acting on behalf of Morgan Stanley (in the case of Program Securities issued by Morgan Stanley) or Morgan Stanley Jersey (in the case of Program Securities issued by Morgan Stanley Jersey) or MSBV (in the case of Program Securities issued by MSBV) or MSI plc (in the case of Program Securities issued by MSI plc) (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Securityholder or Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the relevant Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Securityholder or Noteholder (including the Securityholder's or Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Securityholder or Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

For the purposes of the paragraph above, references to "interest" should be taken, for practical purposes, as including payments made by Morgan Stanley as guarantor in respect of interest on the Program Securities.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Program Securities which constitute "deeply discounted securities" for the purposes of section 18 of the Taxes Management Act 1970 (although in this regard HMRC published guidance for the year 2010/2011 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) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20%) 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. 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% 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% 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% 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% 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 our 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 disclosure outlines certain Netherlands tax consequences to holders of Program Securities. It is based on the current law and practice of the Netherlands, which is subject to changes that could prospectively or retrospectively affect the stated tax consequences. The disclosure does not purport to be complete. Prospective holders of Program Securities should consult their own appropriate independent professional advisors with respect to the tax consequences of any acquisition, ownership or disposal of the Program Securities in their particular circumstances without delay.

Withholding Tax

All payments under 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 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 holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, Program Securities are attributable; and
- (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 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 "**Separated Private Assets**") (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 the disposition 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), 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 can be allocated to the holder's business assets.

For 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 gain 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 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 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, estate 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.

For purposes of Netherlands gift, estate 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, estate 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 Separated Private Assets for 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 Austria in connection with the purchase, holding or sale of the Program Securities. 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 individual potential investors. It is based on the currently valid Austrian 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 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 possible qualification as a foreign investment fund pursuant to sec. 42(1) of the Austrian Investment Funds Act (Investmentfondsgesetz) shall be borne by the purchaser. In general, it has to be noted that the Austrian tax authorities have a critical attitude towards structured products which may also give rise to tax benefits.

General

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 tax regarding the Notes and the Certificates

General

In general, the Notes and the Certificates should qualify as bonds (*Forderungswertpapiere*) in the sense of sec. 93(3) of the Austrian Income Tax Act (*Einkommensteuergesetz*).

Individuals subject to unlimited income tax liability in Austria holding bonds in the sense of sec. 93(3) of the Austrian Income Tax Act as a non-business asset (*Privatvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) pursuant to sec. 27(1)(4) and sec. 27(2)(2) of the Austrian Income Tax Act. Such interest payments are subject to a withholding tax (*Kapitalertragsteuer*) of 25 per cent. in case they are paid out by an Austrian paying agent (*kuponauszahlende Stelle*). This withholding tax has the effect of final taxation (*Endbesteuerung*) in the case of a public placement of the bonds (*i.e.* no additional income tax is levied over and above the amount of tax withheld). Even if interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25 per cent. applies in the case of a public placement of the bonds. Since in this case no withholding tax is levied, interest payments must be included in the income tax return of the investor. If the bonds are not legally and factually offered to an indefinite number of persons (*i.e.* there is no public placement of the bonds), then the interest payments must be included in the investor's income tax return and are subject to income tax at a marginal rate of up to 50 per cent., any withholding tax being creditable against the income tax liability.

Individuals subject to unlimited income tax liability in Austria holding bonds as a business asset (*Betriebsvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price). Such interest payments are subject to a withholding tax of 25 per cent. in case they are paid out by an Austrian paying agent, this

withholding tax having the effect of final taxation (*i.e.* no additional income tax is levied over and above the amount of tax withheld) in case of a public placement of the bonds. Even if interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25 per cent. applies in the case of a public placement of the bonds. Again, such income has to be included in the investor's income tax return. If the bonds are not legally and factually offered to an indefinite number of persons (*i.e.* there is no public placement of the bonds) then the interest payments must be included in the investor's income tax return and are subject to income tax at a marginal rate of up to 50 per cent., any withholding tax being creditable against the income tax liability.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on all interest payments resulting from the bonds (which term also encompasses the difference between the redemption price and the issue price) at a rate of 25 per cent. Under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied.

Private foundations (*Privatstiftung*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec. 13(1) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*) and holding bonds as a non-business asset are subject to corporate income tax (interim taxation; *Zwischenbesteuerung*) on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) pursuant to sec. 13(3)(1) of the Austrian Corporate Income Tax Act at a rate of 12.5 per cent. in case of a public placement of the bonds. If the bonds are not legally and factually offered to an indefinite number of persons (*i.e.* there is no public placement of the bonds) then the interest payments are subject to corporate income tax at a rate of 25 per cent. Under the conditions set forth in sec. 94(11) of the Austrian Income Tax Act no withholding tax is levied.

Individuals subject to limited income tax liability in Austria holding bonds in the meaning of sec. 93(3) of the Austrian Income Tax Act are subject to income tax at a rate of 25 per cent. on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) in Austria if – broadly speaking – the bonds are attributable to an Austrian permanent establishment (*Betriebsstätte*) of the investor. The same applies with respect to corporations subject to limited corporate income tax liability in Austria, the tax rate also being 25 per cent. If interest received by non-resident individuals and corporations is not subject to (corporate) income tax but if at the same time it is subject to withholding by virtue of an Austrian paying agent, the withholding tax will be refunded upon the investor's application. The Austrian Ministry of Finance also provided for the possibility for the non-resident investor to furnish proof of non-residency, in which case the Austrian paying agent may refrain from withholding in the first place.

Additional remarks regarding turbo certificates

The Austrian Ministry of Finance has commented upon the tax treatment of so-called turbo certificates in the Income Tax Regulations (*Einkommensteuerrichtlinien*). These are certificates, which allow for a disproportionately high participation in the development in value of an underlying. The leverage is realised through the fact that in the case of a turbo certificate the capital invested is lower than the fair market value of the underlying (e.g. half of the quotation of a share). Pursuant to the Austrian Federal Ministry of Finance, a distinction has to be made whether the amount paid by the investor for the instrument exceeds 20 per cent. of the fair market value of the respective underlying at the beginning of the certificate's term, or not. If this is the case then the instrument gives rise to income from investments (*Einkünfte aus Kapitalvermögen*), in which case the comments made above apply *mutatis mutandis*. Otherwise (*i.e.* if the amount paid by the investor for the instrument amounts to 20 per cent. or less of the fair market value of the respective underlying at the beginning of the certificate's term), an entirely different tax regime would apply. *Additional remarks regarding foreign investment funds*

Pursuant to sec. 42(1) of the Austrian Investment Funds Act, a foreign investment fund (*ausländischer Investmentfonds*) is defined as any assets subject to a foreign jurisdiction which, irrespective of the legal form they are organised 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. This term, however, does not encompass collective real estate investment vehicles pursuant to sec. 14 of the Austrian Capital Markets Act (*Kapitalmarktgesetz*). 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. If the index relates to a hedge fund then the index must fulfil – apart from the prerequisites just mentioned – additional criteria in order to qualify as a foreign investment fund. Directly held bonds shall, however, not be considered as foreign investment funds if the performance of the bonds depends on an index, regardless whether the index is a well-known one, an individually constructed "fixed" index or an index which is changeable at any time. Investors should be aware that in case the tax authorities qualify the Program Securities as units in a foreign investment fund (rather than as bonds within the meaning of sec. 93(3) of the Austrian Income Tax Act) an entirely different tax regime would apply.

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 is subject to a withholding tax if no exception from such withholding applies. Currently, the withholding tax amounts to 20 per cent. As of 1 July 2011, it will be increased to 35 per cent. Regarding the issue of whether 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. Furthermore, a distinction is made in relation to the underlying assets. Depending on the exact circumstances, index certificates may thus be subject to EU withholding tax.

Income tax regarding the Warrants

General

Individuals subject to unlimited income tax liability in Austria holding warrants pursuant to which they are 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*) as a non-business asset are subject to income tax at a marginal rate of up to 50 per cent. on any income resulting from the sale or exercise of the warrants within one year from acquisition (so called income from speculative transactions; *Einkünfte aus Spekulationsgeschäften*). Negative income from speculative transactions can only be offset against positive income from speculative transactions; an overall loss resulting from speculative transactions cannot be offset against any other type of income. Income from speculative transactions amounting to EUR 440.- at most in a calendar year remains tax-free.

Individuals subject to unlimited income tax liability in Austria holding warrants as a business asset are subject to income tax at a marginal rate of up to 50 per cent. on any income resulting from the sale or exercise of the warrants regardless of the time lapsed between acquisition and sale or exercise of the warrants. Losses from the sale or exercise of the warrants can in general be offset against any other income.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax of 25 per cent. on any income resulting from the sale or exercise of the warrants regardless of the time lapsed between acquisition and sale or exercise of the warrants. Losses from the sale or exercise of the warrants can in general be offset against any other income.

Private foundations pursuant to the Austrian Private Foundations Act fulfilling the prerequisites contained in sec. 13(1) of the Austrian Corporate Income Tax Act and holding warrants as a non-business asset are subject to corporate income tax of 25 per cent. on any income resulting from the sale or exercise of the warrants within one year from acquisition. Negative income from such speculative transactions can only be offset against positive income from speculative transactions; an overall loss resulting from speculative transactions cannot be offset against any other type of income. Income from speculative transactions amounting to EUR 440.- at most in a calendar year remains tax-free.

Individuals subject to limited income tax liability in Austria holding warrants are only subject to income tax on income resulting from the sale or exercise of the warrants if – broadly speaking – the warrants are attributable to an Austrian permanent establishment, in which case a marginal rate of up to 50 per cent.

applies. The same is true with respect to corporations subject to limited corporate income tax liability in Austria, however, with a tax rate of 25 per cent.

Additional remarks regarding foreign investment funds

Reference is made to the comments above.

EU withholding tax

Reference is made to the comments above. However, pursuant to guidelines published by the Austrian Federal Ministry of Finance, income from warrants does not qualify as interest in the sense of the Austrian EU Withholding Tax Act.

Austrian inheritance and gift tax

Pursuant to the Gift Notification Act 2008 (*Schenkungsmitteilungsgesetz 2008*) the Austrian inheritance tax as well as the Austrian gift tax expired as of 1 August 2008. This means that, *inter alia*, transfers of assets both *inter vivos* (e.g. as a gift) and *mortis causa* (e.g. as an inheritance) after 31 July 2008 are neither subject to inheritance tax nor to gift tax (in the case of transfers to certain foundations a foundation tax (*Stiftungseingangssteuer*) of either 2.5 per cent. or 25 per cent. will, however, fall due). Instead of the inheritance and gift tax a notification obligation has been introduced for certain gifts *inter vivos*.

GERMAN TAXATION

The following is a general discussion of certain German tax consequences of the acquisition, ownership and disposal of the Program Securities. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the 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 Securities are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of 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 or redemption of the Program Securities.

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 income from capital investments (*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) income from capital investments pursuant to section 20 para 2 sentence 1 no 7 ITA. If the Program Securities are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in einer Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a disposal. If such disposal results in a loss, such loss can only be offset against other taxable income from capital investments. If the investor does not have enough other taxable income from capital investments in the respective assessment period, the losses can be carried forward; a loss carry back is not possible.

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.

Income from capital investments is, in general, subject to German income tax at a special (flat) tax rate of 26.375% (including solidarity surcharge) plus, if applicable, church tax.

With regard to income from capital investments, 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*), 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% or income tax at an individual tax rate of up to 45%, as the case may be (each plus 5.5% 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%). 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.

German withholding tax

With regard to income from capital investments (*Kapitalerträge*), e.g. interest or capital gains, German withholding tax will be levied at a flat withholding tax rate of 26.375% (including solidarity surcharge, plus church tax if applicable) if the Program Securities 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**"). In the case of capital gains, the tax deduction is calculated on the basis of the capital gain 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. Otherwise, the tax deduction is calculated on the basis of 30% 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 income from capital investments 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 income from capital investments is not required. If no tax is withheld, then the investor is obliged to file a tax return and the income from capital investments will then be taxed within the assessment procedure. However, the special tax rate for income from capital investments applies, in principle, also in the assessment procedure. Further, an investor may alternatively request that all income from capital investments 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 overwithheld 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 268

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 taxes withheld

Purchasers of the Program Securities should note that under Condition 20.1 of the English Law Notes, the Issuer in principle will neither assume any liability for taxes 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 12.5% 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.
- (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. 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 12.5 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. 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% 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% of the voting rights or 5% of the capital of the issuing company (in the case of unlisted companies, the above thresholds are 20% and 25% 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 12.5 per cent (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Program Securities), in case Program Securities' maturity is at least eighteen months, increased to 27 per cent in case Program Securities' maturity is less than eighteen months. Such investors are qualified as "net recipients".

Payments of Interest in respect of Program Securities that qualify as *obbligazioni* or *titoli similari alle obbligazioni* and have a maturity of eighteen months or more, 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.

Early Repayment

Without prejudice to the above provisions, in the event that the Program Securities with an original maturity of eighteen months or more are made subject to an early repayment within eighteen months from the date of issue, Italian resident Noteholders or Securityholders will be required to pay an additional amount equal to 20 per cent of Interest and other proceeds from the Program Securities accrued up to the time of the early repayment. Where Italian withholding agents intervene in the collection of Interest on the Program Securities or in the redemption of the Program Securities, this additional amount will be levied by such withholding agents by way of withholding. In accordance with one interpretation of Italian tax law, the above 20 per cent additional amount may also be due in the event of any purchase of Program Securities by the Issuer with subsequent cancellation thereof prior to eighteen months from the date of issue.

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 27 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 12.5% 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 "*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% 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% of the voting rights or 5% of the capital of the issuing company (in the case of unlisted companies, the above thresholds are 20% and 25% 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 Securities, and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors who are in any doubts as to their position should consult with their own professional advisors.

The summary set out below is based upon Spanish law in force and is subject to any changes in the laws of Spain that may take effect after such date.

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

- (a) 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, as amended by Law 4/2008, of 23 December 2008, abolishing the Wealth Tax levy, generalising the Value Added Tax monthly refund system and introducing other amendments to the tax legal system, and Law 29/1987, of 18 December 1987, on Inheritance and Gift Tax, as amended;
- (b) 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, as amended; and Royal Decree 1777/2004, of 30 July 2004, promulgating the Corporate Income Tax Regulations; and
- (c) 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, as amended; and 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, as amended; and Law 29/1987, of 18 December 1987, on Inheritance and Gift Tax, as amended.

In relation to the income deriving from the Warrants and the Certificates, an issue of Warrants or Certificates will not represent the obtaining and use of third party capital and, therefore will not be a source of income obtained from the transfer of own capital to third parties as defined in Article 25.2 of Law 35/2006, of 28 November 2006, on Personal Income Tax.

I. Withholding Tax

Payments under the Securities would be made free of withholding or deduction of any Spanish taxes as they would not constitute Spanish source income and the Issuers are not tax resident in Spain nor have a permanent establishment in Spain from which the payments derived.

In the case where the Securities were deposited or managed by a Spanish resident entity, a withholding obligation may exist for the depositary or manager of the Securities under certain conditions.

II. Taxes on Income and Capital Gains

a) *Individuals with Tax Residency in Spain subject to Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)*

(i) Notes

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute an income on moveable capital and therefore will form part of the savings income tax base pursuant to the provisions of the Personal Income Tax Law. Accordingly, such income will be subject to tax at the rate of 19% on the first Euros 6,000. Any excess will be subject to tax at the rate of 21%.

(ii) Warrants and Certificates

The premium paid for the subscription of the Warrants or the Certificates or its acquisition price paid in a secondary market will be treated as its acquisition value.

The transfer of Warrants or Certificates will qualify as realising a capital gain (or loss) computed as the excess of the transfer price over the acquisition value (or the excess of the acquisition value over the transfer price). If a Warrant or Certificate is exercised, the gain realised, calculated as the excess of the transfer price over the acquisition value of the Warrant or the Certificate will be treated as a capital gain.

Any of the above gains would be included in the savings income tax base and taxed at the rate of 19% on the first Euros 6,000. Any excess will be subject to tax at the rate of 21%.

If a Warrant or Certificate is not exercised at maturity, the investor will be entitled to claim a capital loss calculated as the acquisition value of the Warrant or, as the case may be, Certificate.

b) *Legal Entities with Tax Residency in Spain subject to Corporate Income Tax (Impuesto sobre Sociedades)*

(i) Notes

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes are subject to Corporate Income Tax in accordance with the rules for this tax and taxed at the applicable rates (the standard being 30%).

(ii) Warrants and Certificates

The premium paid for the acquisition of a Warrant or a Certificate will not have the condition of a tax deductible expense and will be treated as the acquisition value of the relevant Warrant or Certificate. Likewise, the price paid for a Warrant or Certificate in the secondary market will be treated as its acquisition value.

If a Warrant or Certificate is transferred, the accounting result deriving from such transfer, computed as the excess of the transfer price over the acquisition value (net of any provision) (or the excess of the acquisition value over the transfer price) will be treated as income (or loss) subject to Corporate Income Tax at the standard rate of 30% in accordance with the general rules.

If a Warrant or Certificate is exercised, any gain realised, calculated as the excess of the transfer price over the acquisition value of the Warrant or the Certificate, will be treated as taxable income.

If the Warrant or the Certificate is not exercised at maturity, the investor will obtain a deduction calculated as the acquisition value of the Warrant or the Certificate.

c) *Individuals and Legal Entities with no Tax Residency in Spain subject to Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)*

Ownership of the Securities by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Securities form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Securities are, generally, the same as those previously set out for legal entities with tax residency in Spain. See "Legal Entities with Tax Residency in Spain".

In case of non Spanish residents not operating through a permanent establishment located within Spanish territory, income derived from the Securities will not be subject to Spanish taxation.

III. Wealth Tax (Impuesto sobre el Patrimonio)

a) *Individuals with Tax Residency in Spain*

Law 4/2008 has amended Law 19/1991 introducing a credit of 100 per cent. over the tax due and removing the obligation to file Wealth Tax declaration as from 1 January 2008.

Due to this amendment to Law 19/1991, Spanish resident individuals are not subject to Wealth Tax.

b) *Legal Entities with Tax Residency in Spain*

Spanish legal entities are not subject to Wealth Tax.

c) *Individuals and Legal Entities with no Tax Residency in Spain*

Law 4/2008 has amended Law 19/1991 introducing a credit of 100 per cent. over the tax due and removing the obligation to file Wealth Tax declarations as from 1 January 2008.

Due to this amendment to Law 19/1991, non-resident individuals are not subject to Wealth Tax.

Non resident legal entities are not subject to Wealth Tax.

IV. *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 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.

b) *Legal Entities with Tax Residency in Spain*

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Securities by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Securities in their taxable income for Spanish Corporate Income Tax purposes.

c) *Individuals and Legal Entities with no Tax Residency in Spain*

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Securities by inheritance, gift or legacy, will not be subject to Inheritance and Gift Tax provided that the Securities are not located in Spain and the rights deriving from them cannot be exercised within Spanish territory.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable regional and state legislation.

Non-resident entities which acquire ownership or other rights over the Securities by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax provided that the Securities are located in Spain or the rights deriving from them can be exercised within Spanish territory.

V. *Value Added Tax, Transfer Tax and Stamp Duty*

The acquisition and transfer of Securities will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24th September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28th December, regulating such tax, as amended.

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 28 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 (*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.

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.

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, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 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. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

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.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on 24 April 2009. Investors who are in any doubt as to their position should consult their professional advisers.

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. Incorporated 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 Regulation S Euro Distribution Agreement dated 15 June 2010 (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 over allotments 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 either in Regulation S under the Securities Act or the Code); (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.

In compliance with United States federal income tax laws and regulations, Bearer Notes, Warrants or Certificates, including Bearer Notes, Warrants or Certificates in global form, may not be offered, sold or delivered, directly or indirectly, within the United States or its possessions or to U.S. Persons. Bearer Notes, Warrants or Certificates will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D). Terms used in this paragraph have the meanings given to them by the Code and Treasury Regulations.

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;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last (or, in the case of Sweden, last two) financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last (or, in the case of Sweden, last two) annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Distribution Agent nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Program Securities referred to in (b) to (e) above shall require the Issuer or any Distribution Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Securities to the public**" in relation to any 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 to the Program Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

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 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, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Program Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Program Securities would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;
- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Program Securities in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the relevant Issuer or the Guarantor; 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) and, accordingly, each Dealer has undertaken 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 any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. 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 – 2004 (as amended) and any codes of conduct rules made under Section 117(1) thereof;

- (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 Irish Central Bank and Financial Services Regulatory Authority (IFSRA);
- (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 IFSRA; 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 of July 28, 1988 (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) as amended and restated (the "**Spanish Securities Market Law**") and Royal Decree 1310/2005 of 4 November (*Real Decreto 1310/2005 de 4 de noviembre*), and supplemental rules enacted thereunder or in substitution thereof from time to time, but the Program Securities may be offered or sold in Spain in compliance with the requirements of the Spanish Securities Market Law as amended and restated and any regulations developing it or in substitution thereof which may be in force from time to time.

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 a solicitation 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**"), which includes natural persons and small and medium-sized enterprises, as defined by Directive 2003/71/EC of 4 November 2003 (the "**Prospectus Directive**").
- (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 Prospectus Directive, as implemented in Italy under Decree 58 and CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"), and ending on the date which is 12 months after the date of publication 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, 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

Bearer zero coupon Notes in definitive form and other bearer securities that constitute a claim for a fixed sum against the relevant Issuer, in definitive form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen*, the "**SCA**") may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the transfer and acceptance of rights representing an interest in a zero coupon note in global form, (ii) the initial issue of such securities to the first holders thereof, (iii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business; and (iv) the transfer and acceptance of a particular series of such securities within, from or into The Netherlands if they are physically issued outside The Netherlands and are not, in the course of initial distribution or immediately thereafter, distributed in The Netherlands. In the event that the SCA applies, certain identification requirements in relation to the issue and transfer of and payments on zero coupon notes have to be complied with and, in addition thereto, if such zero coupon notes in definitive form do not qualify as commercial paper traded between professional borrowers and lenders within the meaning of the agreement of 2 February 1987 attached to the Royal Decree of 11 March 1987 (*Staatscourant 129*) (as amended), each transfer and acceptance should be recorded in a transaction note, including the name and address of each part to the transaction and the details and serial numbers of such notes.

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

This document will not be delivered for registration to the Registrar of Companies in Hong Kong, and its contents will not be reviewed by any regulatory authority in Hong Kong, nor authorised by the Program Securities and Futures Commission of Hong Kong. Accordingly, this document and the Program Securities must not be issued, circulated or distributed in Hong Kong other than (1) in circumstances which do not constitute this document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) or which do not constitute an offer to the public within the meaning of that Ordinance, or (2) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and the Securities and Futures (Professional Investor) Rules. Unless permitted by the securities laws of Hong Kong, no person has issued or had in its possession for the purpose of issue, or will issue or have in its possession for issue, whether in Hong Kong or elsewhere, this document or the Program Securities or any other 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 to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) and the Securities and Futures (Professional Investor) Rules.

Singapore

Each Distribution Agent represents, warrants and agrees 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 under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or
- (ii) to an accredited investor or other relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or
- (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

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

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

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 (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to 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 and 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; or
- (c) where the transfer is by operation of law.

Taiwan

The Program Securities shall not be offered or sold in Taiwan, and may only be sold to investors resident in Taiwan from outside Taiwan in a manner that would not constitute an offering of securities in Taiwan and would otherwise be in accordance with the Program Securities and Exchange Law of Taiwan.

Brazil

The Program Securities have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither the Issuer of the Program Securities nor the issuance of the Program Securities have been or will be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*). Therefore, each of the Dealers 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.

Persons wishing to offer or acquire the Program Securities within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

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.

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) Program Securities may not be offered to, sold to or purchased or held by or for the account of individuals resident for income tax purposes in Jersey;
- (b) 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; 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).

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 both Regulation S under the Securities Act and the Code.

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 Series A Notes and Series B Notes governed by the laws of England and Wales, 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.\$55,000,000,000 Program, as may be increased by Morgan Stanley from time to time, for the Issue of Notes, Series A and B, 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 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 19 June 2008

MORGAN STANLEY

By:

Name: Daniel B. Park

Title: Assistant Treasurer

GENERAL INFORMATION

The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate code for each issue allocated by Euroclear and Clearstream, Luxembourg will be contained in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than two business days after the date of the transaction.

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 The Bank of New York Mellon, One Canada Square, London E14 5AL 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 Securities Agreement, the Indenture, the accession agreement dated as of 10 June 2002 relating to Morgan Stanley Jersey, the accession agreement dated as of 16 April 2004 relating to MSBV, the accession agreement dated as of 15 June 2010 relating to MSI plc, 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 fiscal years ended 30 November 2008 and 31 December 2009 including any amendments thereto, which contain the audited consolidated financial statements of Morgan Stanley for the fiscal years ended 30 November 2008 and 31 December 2009;
- (h) the Annual Reports of MSI plc for the financial years ended 30 November 2008 and 31 December 2009 (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 30 November 2008 and 31 December 2009 (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 2008 and 31 December 2009 (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 resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 17 June 2003, as amended and updated pursuant to resolutions adopted at a meeting of the Board of Directors of Morgan Stanley held on 14 December 2004, 20 September 2005, 12 December 2006, 19 June 2007, 17 September 2007 and 16 June 2008.

Save as disclosed in (i) the paragraphs beginning with "Residential Mortgage Related Matters" in item 3 entitled "Legal Proceedings" from Morgan Stanley's Annual Report on Form 10-K for the fiscal year ended 31 December 2009 and (ii) the paragraphs beginning with "Residential Mortgage – Related Matters" in item 1 entitled "Legal Proceedings" of the Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2010, there are no, nor have there been, any governmental, legal or arbitration proceedings involving Morgan Stanley (including any such proceedings which are pending or threatened of which Morgan Stanley is aware) during the 12-month period before the date of this Base Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of Morgan Stanley.

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 14 June 2010.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which MSI plc is aware) which may have or have had in the 12 months prior to the date of this Base Prospectus a significant effect on the financial position or profitability of MSI plc.

The auditors of MSI plc are Deloitte LLP of 2 New Street Square, London EC4A 3BZ, who have audited MSI plc's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the year ended 31 December 2008 and the thirteen-month financial period ended 31 December 2009. The auditors of MSI plc have no material interest in MSI plc.

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 7 June 2002, 20 June 2007, 17 June 2008, 16 June 2009 and 14 June 2010.

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

Deloitte LLP, Chartered Accountants and Registered Auditors (members of the Institute of Chartered Accountants of England and Wales) of PO Box 403, Lord Coutanche House, 66-68 Esplanade, St Helier, Jersey JE4 8WA have audited the financial statements of Morgan Stanley Jersey for the years ended 2008 and 2009 and unqualified opinions have been reported thereon.

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 Securities. In particular, the Jersey Financial Services Commission (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 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 registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and has not withdrawn, consent to its circulation.

It must be distinctly understood that, in giving these consents, neither the registrar of companies 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 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 Jersey Financial Services 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

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

Deloitte Accountants B.V., independent auditors and certified public accountants of Orlyplein 10, 1040 HC Amsterdam, The Netherlands have audited the financial statements of MSBV for the years ended 30 November 2008 and 31 December 2009 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 16 April 2004, 20 June 2007, 17 June 2008, 16 June 2009 and 14 June 2020.

INDEX OF DEFINED TERMS

\$ v	Certificates	172
£ v	Change in Law	90, 197
¥ v	CISA	iv, 273
€ v, 174	Clearance System	173
30/360	Clearance System Business Day	173
30E/360	Clearing System	117
30E/360 (ISDA)	Clearing System Business Day	117
Accountholder	Clearstream Luxwembourg	73
Accrual Yield	Clearstream, Luxembourg	13, 26, 29, 34, 174
Actual/360	Closing Date	164, 228
Actual/365 (Fixed)	CMT Rate	52
Actual/Actual	CO	273
Additional Amounts	Code	27, 238
Additional Business Centre(s)	collecting agent	243
Additional Deed of Covenant	Commencement Date	174
Additional Disruption Event	Commercial Paper Rate	47
Additional Issuer	Commission	280
Affected Commodity	Commodity	99, 208
Affected Payment Date	Commodity Business Day	99, 208
Affected Securities	Commodity Disruption Events	95, 204
Affiliate	Commodity Index	99, 208
Agent	Commodity Index Disruption Events	97, 206
Agents	Commodity Reference Price	99, 208
All Exchanges	Commodity Securities	174
American Style Securities	Commodity-Linked Notes	25, 81
Amortising Note	Commodity-Reference Dealers	96
Announcement Date	Commodity-Reference Dealers,	95
Applicable	Common Pricing	97, 206
Auction	Common Safekeeper	164
AUD	Component	90, 99, 197, 208
Australian dollars	Conditions	66, 140, 172, 219
Averaging Date	Conditions to Settlement	120
Averaging Date Disruption	Conversion	200
Base Metal	Conversion Settlement Amount	200
Base Prospectus	Corrected Value	86, 87, 191, 193
Base Rate	Coupon Sheet	68
Basket	Couponholder	75, 76
Basket of Indices	Couponholders	67
Basket of Shares	Coupons	67
Bearer Note Depository	covenant defeasance	64
Bearer Notes	Credit Event	120
Bearer Warrant Depository	Credit Event Determination Date	118, 120
Bermudan Style Securities	Credit Event Notice	120
bond equivalent yield	Credit Event Redemption Amount	120
Bond Securities	Credit Event Redemption Date	120
Bond Security Entitlement	Credit-Linked Notes	25, 82
Business Day	Currency Business Day	102, 174, 203
Business Day Convention	Currency Disruption Events	101, 202
Calculation Agent	Currency Disruption Fallbacks	101, 202
Calculation Amount	Currency Inconvertibility Event	90
Calculation Date	Currency Pair	102, 203
Calculation Period	Currency Securities;	174
Cash Settlement Notes	Currency-Linked Notes	25, 81
Cash-Settlement Amount	Currency-Reference Dealers	102, 203
Cash-Settlement Payment Date	D ₁	69, 70
Cash-Settlement Securities	D ₂	69, 70
CD Rate	Data Pool	106
CEA	Day Count Fraction	78

Decree No. 58.....	272	Exclude Accrued Interest	121
Deeds of Covenant	67	Exercise Date	174
Deemed Exercise	183	Exercise Notice	174
Default Requirement	120	Exercise Period	174
defeasance	64	Expiration Date	174
Definitive Notes	164, 228	Extraordinary Dividend	92, 192
Delisting	89, 195	Extraordinary Event	92
Deliverable Amount	120	Extraordinary Resolution	70
Deliverable Obligations.....	121	Failure to Pay	121
Delivery Date	99, 121, 208	Fallback Bond	105
Delivery Disruption Event.....	117	Fallback Reference Price	101, 202
Delivery Notice	114	Fed	47
Denominated Currency.....	55	Federal Funds Rate	49
Description of New York Law Notes	38	Final Price	121
Designated CMT Maturity Index	53	Final Redemption Amount.....	70
Designated CMT Reuters Page	53	Final Terms	25, 30, 34, 66, 172
Designated LIBOR Page	51	FINMA	iv
Determination Agent	70, 174	Finnish CSD.....	70, 175
Determination Agent Determination	96, 206	Finnish Notes	71
Determination Agent Determination of Settlement Rate.....	101, 202	Finnish Securities.....	175
Determination Notice	59, 108	first currency	127
Determination Time	91	first Person	74
Directive	124	Fiscal Agent	66
Disappearance of Commodity Reference Price	96, 205	Fixed Coupon Amount.....	71
Disputes	130	Fixed Rate Notes.....	39
Disrupted Day.....	91, 174, 187	Floating Rate Convention	68
Distribution Agents	i, 269	Floating Rate Notes.....	39
Distribution Agreement	269	Following Business Day Convention.....	67, 173
DJ-UBS Commodity Index	99, 208	Form of Notes	40
DJ-UBSCI Manual	99, 209	Form of the Notes	74
Due and Payable Amount.....	121	Forms of Notes.....	40, 108
Early Closure.....	91, 187	FRN Convention	68
Early Redemption Amount.....	70	FSA	ii
EC Treaty	174	FSMA	i, 26
EMU Event.....	212	Full Physical-Settlement Securities	179
English Law Notes	iii	Futures Contract.....	99, 209
Equity-Linked Notes	25, 81	Global Note Certificate	13, 166
ERISA	27, 32, 35, 237	Global Notes	164, 228
Error in Publication	106	Governmental Authority	91
EUR.....	v, 174	Grace Period	121
euro.....	v, 174	Grace Period Business Day.....	122
Euro	174	Grace Period Extension Date	122
Euro Exchange Date	57, 128	Guarantee	66
Euro Exchange Notice	57, 128	Guarantor	i, 66, 172
Euro LIBOR Notes	40	H.15 Daily Update	47
Euroclear	13, 26, 29, 34, 73, 174	H.15(519).....	47
Eurodollar Convention	68	Hedging Disruption.....	92, 198
European Economic and Monetary Union ...	174	holder	75, 76, 178
European Style Securities.....	35, 179	Inapplicable.....	97
Euro-zone	49	Include Accrued Interest	121
Event of Default	124	Incorporated Information	24
Excess Amount.....	170, 233	Increased Cost of Hedging.....	92, 198
Exchange	91, 99, 197, 200, 209	Indenture	38
Exchange Business Day	92, 198, 201	Index	92, 105, 198
Exchange Date.....	58, 108, 164, 228	Index Adjustment Event	85, 190
Exchange Disruption	92, 187	Index Adjustment Events	99, 208
Exchange Rate Agent	9	Index Basket Notes	81
Exchangeable Notes	25, 54	Index Basket Securities.....	175
		Index Cancellation	85, 190
		Index Currency	50

Index Disruption.....	85, 190	MS & Co.....	38
Index Maturity.....	44	MSBV.....	i, 66
Index Methodology.....	100, 209	MSBV Base Prospectus.....	ii
Index Modification.....	85, 190	MSBV Deed of Covenant.....	32, 66
Index Securities.....	175	MSBV Notes.....	71
Index Sponsor.....	92, 105, 198	MSDWD.....	1
Individual Note Certificates.....	166	MSI plc.....	174
Inflation-Linked Notes.....	82	MSJ Deed of Covenant.....	32, 66
Initial Date.....	175	MSJ Notes.....	71
Initial Interest Rate.....	45	Multi-exchange Index.....	93, 146, 152, 198
Insolvency.....	89, 195	National Currency Units.....	211
Interest Amount.....	71	Nationalisation.....	89, 195
Interest Commencement Date.....	71	NCSD.....	71, 167, 175, 231
Interest Determination Date.....	45, 71	NCSD Issuing Agent.....	71, 175
Interest Payment Date.....	40, 71	NCSD Register.....	71, 175
Interest Period.....	71	NCSD Rules.....	72, 167, 175, 231
Interest Reset Date.....	45	Nearest.....	173
Interest Reset Period.....	45	New Global Note.....	26, 29
Intervening Period.....	116	New Issuer.....	215
ISDA Credit Derivatives Definitions.....	118	New York Law Notes.....	iii
ISDA Definitions.....	71	New Zealand dollars.....	v
Issue and Paying Agency Agreement.....	66	NGN.....	26, 29, 164
Issue Date.....	71	No Adjustment.....	68, 173
Issuer.....	i, 66, 172	Non Metal.....	99, 100
Issuers.....	i	Non-exempt Offer.....	270
Japanese Person.....	271	Non-U.S. Holder.....	238
Japanese Yen.....	v	Nordic Notes.....	72, 75, 164, 177, 228
Latest Exercise Time.....	175	Nordic Securities.....	175
LIBOR.....	50	Noteholder.....	25, 75, 76, 178
Local Currency.....	90	Noteholders.....	67
London banking day.....	40	Notes.....	i, 66, 131
London Stock Exchange.....	ii	Notice Delivery Period.....	122
Loss of Stock Borrow.....	92, 198	Notice of Physical Settlement.....	118
M ₁	69, 70	NZD.....	v
M ₂	69, 70	Obligations.....	122
Mandatorily Exchangeable Notes.....	54	Observation Date.....	93
Margin.....	71	Observation Period.....	93
Market Disruption Event.....	93, 187	offer of Securities to the public.....	271
Market Exchange Rate.....	40	Offered Notes.....	38
Material Change in Content.....	96, 205	Omission.....	84, 189
Material Change in Formula.....	96, 205	opening data.....	93
Maturity Date.....	71	Optional Redemption Amount (Call).....	72
Maximum Interest Rate.....	44	Optional Redemption Amount (Put).....	72
Merger Date.....	194	Optional Redemption Date (Call).....	72
Merger Event.....	87, 194	Optional Redemption Date (Put).....	72
Merger Event Settlement Amount.....	88, 194	Optional Settlement Amount (Call).....	175
Minimum Exercise Number.....	185	Optional Settlement Date (Call).....	175
Minimum Interest Rate.....	45	Optionally Exchangeable Notes.....	54
Modified Business Day Convention.....	67, 173	Original Determination.....	86, 87, 191, 193
Modified Following Business Day Convention.....	67, 173	Original Issue Discount Note.....	40
Modified Postponement.....	84, 189	Other Physical-Settlement Securities.....	180
Money Market Yield.....	48	Ownership Certificate.....	113, 166, 230
Morgan Stanley.....	i, 66	Part Physical-Settlement Securities.....	180
Morgan Stanley Base Prospectus.....	ii	Participating Member State.....	56, 72
Morgan Stanley Deed of Covenant.....	32, 66	paying agent.....	243
Morgan Stanley Global Notes.....	13	Paying Agents.....	66
Morgan Stanley Jersey.....	i, 66	Payment Business Day.....	72
Morgan Stanley Jersey Base Prospectus.....	ii	Payment Currency.....	55
Morgan Stanley Notes.....	71	Payment Requirement.....	122
		Performance Disruption.....	211

Permanent Global Note	13, 164, 228	Related Exchange.....	94, 198
Permitted Multiple.....	185	Relevant Clearing System.....	73
Person.....	72	Relevant Coupons	111
Physical Delivery Amount	117, 122	Relevant Date.....	73
Physical Hedging Fallback.....	98	Relevant Factor	6
Physical Settlement Date.....	117, 122	Relevant Financial Centre.....	73
Physical Settlement Notes	72	Relevant Implementation Date.....	270
Physical-Settlement Date.....	176	Relevant Level	103
Physical-Settlement Securities	35	Relevant Member State.....	139, 218, 270
Postponed Maturity Date	119	Relevant Price	94, 100, 199, 209
Postponement	84, 189	Relevant Screen Page.....	73
Potential Adjustment Event.....	93, 192	Relevant Time	73
Potential Exercise Date.....	176	Relevant Underlying	6
Potential Failure to Pay	122	Relevant Underlying Currency	9
Preceding	173	Replacement Determination.....	86, 87, 191, 193
Preceding Business Day Convention.....	67	Replacement Property Index	106
Precious Metal.....	99, 100	Repudiation/Moratorium.....	122
Price Source.....	100, 209	Repudiation/Moratorium Evaluation Date	123
Price Source Disruption.....	95, 101, 202, 205	Repudiation/Moratorium Extension Condition	123
Pricing Date.....	100, 209	Reserved Matter	73, 176
Prime Rate	51	Restricted Period.....	166, 230
Principal Financial Centre	72, 176	Reuters	48
Principal Securities Agent	172	Reuters Page EURIBOR01	48
Proceedings	130	Reuters Page US PRIME 1	51
Program	i, 66	Reverse Merger.....	88, 194
Property Index	107	S&P Commodity Index.....	100, 209
Property Index Level	107	SCA.....	273
<i>Property Indices</i>	18	Scheduled Closing Time	94, 199
Property-Linked Notes	82	Scheduled Maturity Date	123
Prospectus Directive . ii, 131, 140, 219, 271, 272		Scheduled Publication Date	107
Publication Date	107	Scheduled Trading Day.....	94, 199
Put Option Notice.....	73	Scheduled Valuation Date.....	83, 188
Put Option Receipt	73	SEC	20
Rate Calculation Date.....	102, 204	second currency	128
Rate of Interest	73	second Person	74
Rebased Index	104	Securities.....	172
Rebased Property Index.....	105	Securities Act.....	176
Rebasing	107	Securities Agents	172
Record Date.....	114, 185	Securities Agreement	172
Redemption Amount	73	Securityholder	176
Redemption Determination Date	58, 108	Selling Agent	15
Redemption Expenses	73	Series.....	29, 34, 66, 172
Redenomination Date	57, 128	Settlement Currency.....	9, 103, 176, 179
Reference Asset.....	73	Settlement Cycle	94, 176
Reference Banks.....	73	Settlement Cycle Day	95, 176
Reference Currency	102, 204	Settlement Disruption Event ...	16, 116, 117, 210
Reference Currency Jurisdiction	102, 204	Settlement Election Date.....	177
Reference Dealers.....	53, 103, 176	Settlement Notice.....	118
Reference Entity	122	Settlement Price	95, 199
Reference Month	105	Settlement Rate	103, 204
Reference Obligation.....	122	Settlement Rate Option	103, 204
Reference Price.....	73, 107	SFA	274
Reference Rate	73	Share Basket Notes	81
Registered Notes.....	29, 75, 164	Share Basket Securities.....	177
Registrar	66	Share Securities.....	177
Regular Date.....	77, 78	Single Index Notes	81
Regular Interest Period Notes.....	77	Single Share Notes	81
Regular Period.....	77	SIX Swiss Exchange	ii
Regulation No. 11971.....	272	Spanish Securities Market Law.....	272
Related Bond	105		

Specified Amount.....	103, 204	Trading Day	98, 207
Specified Currency	38, 74	Trading Disruption.....	95, 96, 188, 205
Specified Denomination(s).....	74	Trading Limitation	205
Specified Office.....	74, 177	Tranche	29, 34, 66, 172
Specified Period	74	Tranches.....	29, 34, 172
Specified Price.....	100, 209	Transfer Agents.....	66
Specified Rate.....	103, 204	Transfer Documentation	74
Specified Time	103, 177	Treasury Bills.....	51
Sponsor.....	98, 207	Treasury Notes	53
Spot Price	201	Treasury Rate.....	51
Spot Rate	103, 204	Treaty	v, 74
Spread.....	44	Trustee	38
Spread Multiplier.....	44	U.S. dollars,	v
Sterling	v	U.S. Person	276
Strike Price	177	U.S.\$	v
Strike Price Payment Date.....	177	UK interest	242
Subsidiary.....	74	Underlying Issuer.....	95, 145, 151
Substitute Index Level.....	105	Underlying Securities.....	177
sub-unit.....	78, 80	Underlying Security	177
Successor Index	85, 98, 105, 190, 207	Underlying Security Issuer.....	177
Successor Sponsor.....	98, 207	Underlying Share	95, 145, 151
Swedish CSD.....	74, 177	United States	270
Swedish Notes	74	United States Alien	59, 124
Swedish Securities.....	177	United States person	113, 166, 230
Talon.....	74	Valid Date	85, 190
TARGET Settlement Day.....	40, 74, 177	Valuation Date	82, 100, 186, 201
TARGET2	40, 74, 177	Valuation Method	123
Tax Disruption.....	96, 205	Valuation Time	199, 201
Taxes	74, 177, 180	volatility	8
Temporary Global Note.....	13, 164, 228	Warrants.....	172
Tender Offer	88, 194	Y ₁	69
Tender Offer Date	88, 195	Y ₂	69
Tender Offer Settlement Amount	88, 195	Zero Coupon Note.....	74
Trade Date	74		

**PRINCIPAL EXECUTIVE OFFICES OF
MORGAN STANLEY**

1585 Broadway
New York, New York 10036
U.S.A.

**REGISTERED OFFICE OF MORGAN
STANLEY IN DELAWARE**

The Corporation Trust Center
1209 Orange Street
Wilmington, Delaware 19801
U.S.A.

REGISTERED OFFICE OF MORGAN STANLEY & CO. INTERNATIONAL PLC

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

REGISTERED OFFICE OF MORGAN STANLEY (JERSEY) LIMITED

22 Grenville Street
St. Helier
Jersey
JE4 8PX
Channel Islands

REGISTERED OFFICE OF MORGAN STANLEY B.V.

Locatellikade 1
1076 AZ Amsterdam
The Netherlands

TRUSTEE

The Bank of New York Mellon
101 Barclay Street, SW
New York, New York 10281
U.S.A.

**PRINCIPAL PAYING AGENT, FISCAL AGENT, EXCHANGE AGENT,
REGISTRAR AND TRANSFER AGENT**

The Bank of New York Mellon
One Canada Square
London E14 5AL
U.K.

LEGAL ADVISORS TO THE ISSUERS

As to English law:
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
U.K.

As to U.S. law:
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
U.S.A.

As to Netherlands law:
Freshfields Bruckhaus Deringer LLP
Strawinskylaan 10
1077 XZ Amsterdam
The Netherlands

As to Jersey law:
Mourant du Feu & Jeune
6th Floor, 125 Old Broad Street
London, EC2N 1AR
U.K.

LEGAL ADVISORS TO THE ISSUERS AND THE PROGRAM

As to English law:
Clifford Chance LLP
10 Upper Bank Street
Canary Wharf
London E14 5JJ
U.K.

AUDITORS OF MORGAN STANLEY

Deloitte & Touche LLP
Two World Financial Center
New York, New York 10281
U.S.A.

AUDITORS OF MORGAN STANLEY & CO. INTERNATIONAL PLC

Deloitte LLP
2 New Street Square
London EC4A 3BZ
U.K.

AUDITORS OF MORGAN STANLEY (JERSEY) LIMITED

Deloitte LLP
PO Box 403
St Helier
Jersey JE4 8WA
Channel Islands

AUDITORS OF MORGAN STANLEY B.V.

Deloitte Accountants B.V.
Orlyplein 10
Postbus 58110
1040 HC Amsterdam
Netherlands