MORGAN STANLEY
Form 424B2
April 02, 2019

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	*Maximum Aggregate Offering Price*	*Amount of Registration Fee*
Market-Linked Notes due 2022	$2,183,400	$264.63

March 2019

Pricing Supplement No. 1,641

Registration Statement Nos. 333-221595; 333-221595-01

Dated March 29, 2019

Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

Structured Investments

Opportunities in Equities, Bonds and Alternative Investments

Market-Linked Notes due April 5, 2022

Based on the Value of the Morgan Stanley ETF-MAP 2 Index

Fully and Unconditionally Guaranteed by Morgan Stanley

The notes are unsecured obligations of Morgan Stanley Finance LLC ("MSFL") and are fully and unconditionally guaranteed by Morgan Stanley. The notes will pay no interest and will have the terms described in the accompanying product supplement and prospectus, as supplemented and modified by this document. At maturity, we will pay per note the stated principal amount of $10 plus a supplemental redemption amount, if any, based on the value of the underlying index on the determination date. The Morgan Stanley ETF-MAP 2 Index employs a rules-based quantitative strategy, which uses modern portfolio theory principles and the related concept of efficient frontier to attempt to maximize returns for a given level of risk, as described more fully below. The underlying index is comprised of three sub-indices. The potential components of each sub-index consist of U.S.-listed exchange-traded funds (ETFs), representing U.S. and non-U.S. equities, fixed income securities, commodities and real estate, and the Morgan Stanley Two Year Treasury Index. Each sub-index is calculated on an excess return basis, and therefore the respective level of each sub-index is determined by the weighted return of the optimized portfolio of index components for such sub-index reduced by the return on an equivalent cash investment receiving the Federal Funds rate. Each sub-index is rebalanced once per month according to a pre-determined schedule. Each sub-index is rebalanced using the same methodology, but at different times of each month. Each monthly rebalancing for a

sub-index is based on the index methodology, which seeks to determine the asset portfolio that had the maximum historical return with 5% annualized volatility during the prior 63-business day period. There is also a daily adjustment to the allocation between the asset portfolio and cash component based on the overall volatility of the asset portfolio. A servicing cost of 0.50% per annum, calculated on a daily basis, is deducted when calculating the level of the index. For more information, see “Underlying Index” beginning on page 12. An investment linked to the index involves risks. See “Risk Factors – There are risks related to the index” beginning on page 6. The notes are for investors who are concerned about principal risk but seek exposure to a multiple asset-linked index, who are willing to accept that the underlying index’s volatility target feature may reduce upside performance in bullish markets, and who are willing to forgo current income in exchange for the repayment of principal at maturity plus the potential to receive a supplemental redemption amount, if any. The notes are notes issued as part of MSFL’s Series A Global Medium-Term Notes program.

All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These securities are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

FINAL TERMS

Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Issue price:	$10 per note (see “Commissions and issue price” below)
Stated principal amount:	$10 per note
Aggregate principal amount:	$2,183,400
Pricing date:	March 29, 2019
Original issue date:	April 3, 2019 (3 business days after the pricing date)
Maturity date:	April 5, 2022
Interest:	None
Underlying index:	Morgan Stanley ETF-MAP 2 Index
Payment at maturity:	The payment due at maturity per $10 stated principal amount will equal: $10 + supplemental redemption amount, if any. *The payment due at maturity will not be less than $10 per note regardless of the performance of the underlying index.*
Supplemental redemption amount:	(i) $10 *times* (ii) the index percent change *times* (iii) the participation rate, *provided that* the supplemental redemption amount will not be less than $0.
Participation rate:	115%
Maximum payment at maturity:	None
Index percent change:	(final index value – initial index value) / initial index value
Initial index value:	1,143.63, which is the index closing value on the pricing date
Final index value:	The index closing value on the determination date
Determination date:	March 31, 2022, subject to postponement for non-index business days and certain market disruption events
CUSIP:	61768X341
ISIN:	US61768X3411
Listing:	The notes will not be listed on any securities exchange.
Agent:	

	Morgan Stanley & Co. LLC ("MS & Co."), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See "Supplemental information regarding plan of distribution; conflicts of interest."
Estimated value on the pricing date:	$9.637 per note. See "Investment Summary" beginning on page 2.

Commissions and issue price:	**Price to public**	**Agent's commissions**	**Proceeds to us[3]**
Per note	$10	$0.25[1] $0.05[2]	$9.70
Total	$2,183,400	$65,502	$2,117,898

(1) *Selected dealers, including Morgan Stanley Wealth Management (an affiliate of the agent), and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of $0.25 for each note they sell. See "Supplemental information regarding plan of distribution; conflicts of interest." For additional information, see "Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement for equity-linked notes.*

(2) *Reflects a structuring fee payable to Morgan Stanley Wealth Management by the agent or its affiliates of $0.05 for each note.*

(3) *See "Use of proceeds and hedging" on page 20.*

The notes involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 6.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these notes, or determined if this document or the accompanying product supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related product supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see "Additional Terms of the Notes" and "Additional Information About the Notes" at the end of this document.

As used in this document, "we," "us" and "our" refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

Product Supplement for Equity-Linked Notes dated November 16, 2017 **Prospectus dated November 16, 2017**

Morgan Stanley Finance LLC

Market-Linked Notes due April 5, 2022

Based on the Value of the Morgan Stanley ETF-MAP 2 Index

Investment Summary

Market-Linked Notes

The Market-Linked Notes due April 5, 2022 Based on the Value of the Morgan Stanley ETF-MAP 2 Index (the “notes”) offer 115% participation in any positive performance of the underlying index. The notes provide investors:

- an opportunity to gain exposure to the Morgan Stanley ETF-MAP 2 Index
- the repayment of principal at maturity, subject to our credit risk
- 115% participation in any appreciation of the underlying index over the term of the notes
- no exposure to any decline of the underlying index if the notes are held to maturity

At maturity, if the underlying index has depreciated or has not appreciated at all, you will receive the stated principal amount of $10 per note, without any positive return on your investment. All payments on the notes, including the repayment of principal at maturity, are subject to our credit risk.

Maturity:	Approximately 3 years
Participation rate:	115%
Interest:	None

The Morgan Stanley ETF-MAP 2 Index

The Morgan Stanley ETF-MAP 2 Index has been developed by and is calculated, published and rebalanced by Morgan Stanley & Co. LLC (the “underlying index publisher”). ETF-MAP stands for “Exchange-Traded Fund – Multi-Asset Portfolio.” The underlying index employs a rules-based quantitative strategy, which uses modern portfolio

theory principles and the related concept of efficient frontier to attempt to maximize returns for a given level of risk. The index is comprised of three sub-indices (each, a “Sub-Index” and together, the “Sub-Indices”). The potential components of each Sub-Index consist of U.S.-listed exchange traded funds (“ETFs”), representing U.S. and non-U.S. equities, fixed income securities, commodities and real estate, and the Morgan Stanley Two Year Treasury Index (collectively, the “Index Components”).

In general, the construction of the asset portfolio for each Sub-Index is based on the principles of modern portfolio theory and the efficient frontier. The fundamental premise of modern portfolio theory is that the weighting of assets in an investment portfolio should be based not only on the individual risk and return characteristics of each asset but also on each asset’s relationship, in terms of correlation, volatility and return, to the other portfolio components. The efficient frontier represents a set of portfolios constructed using modern portfolio theory concepts, each of which has a different risk and return profile. An investor choosing a portfolio from the “efficient frontier” should, the theory says, be maximizing returns for the chosen level of risk.

Each Sub-Index is calculated on an excess return basis, and therefore the respective level of each Sub-Index is determined by the weighted return of the optimized portfolio of Index Components for such Sub-Index (each, an “Asset Portfolio”) reduced by the return on an equivalent cash investment receiving the Federal Funds rate. The level of the index, which is published in respect of each day on which the New York Stock Exchange is open for trading, tracks the average daily return of the Sub-Indices.

Each Sub-Index is rebalanced once per month according to a pre-determined schedule (the “Monthly Rebalancing”). Each Sub-Index is rebalanced using the same methodology, but at different times of each month. The Monthly Rebalancing for each Sub-Index will occur over a period of several trading days (each such trading day, a “Rebalancing Date”). During each Monthly Rebalancing for a Sub-Index, the index methodology determines the optimal weightings of each component in the Asset Portfolio for such Sub-Index by analyzing historical returns and volatility for each Index Component and the historical correlation between each pair of components. In particular, the index methodology seeks to determine the Asset Portfolio for such Sub-Index that had the maximum historical return with 5% annualized volatility during the prior 63-trading-day period. The exposure of each Sub-Index to each market sector and the weighting of each Index Component are subject to limits as outlined below. In addition, there is a “Daily Allocation” for each Sub-Index, based on a 5% volatility target (the “Volatility Target”) between its respective Asset Portfolio and cash. Accordingly, the exposure of each Sub-Index to its respective Asset Portfolio will be monitored and adjusted so that it generally equals the Volatility Target divided by the Realized Volatility (as defined below) of the Asset Portfolio for the relevant Sub-Index. The amount of the reduction in the exposure to the Asset

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Based on the Value of the Morgan Stanley ETF-MAP 2 Index

Portfolio for any Sub-Index will be allocated to cash. For each Sub-Index, the sum of allocations to its respective Asset Portfolio and cash will not exceed 100%.

A servicing cost of 0.50% per annum, calculated on a daily basis, is deducted when calculating the performance of the underlying index. Please see “Underlying Index” beginning on page 12 for more information about the underlying index.

The original issue price of each note is $10. This price includes costs associated with issuing, selling, structuring and hedging the notes, which are borne by you, and, consequently, the estimated value of the notes on the pricing date is less than $10. We estimate that the value of each note on the pricing date is $9.637.

What goes into the estimated value on the pricing date?

In valuing the notes on the pricing date, we take into account that the notes comprise both a debt component and a performance-based component linked to the underlying index. The estimated value of the notes is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying index, instruments based on the underlying index, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

What determines the economic terms of the notes?

In determining the economic terms of the notes, including the participation rate, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the notes would be more favorable to you.

What is the relationship between the estimated value on the pricing date and the secondary market price of the notes?

The price at which MS & Co. purchases the notes in the secondary market, absent changes in market conditions, including those related to the underlying index, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the notes are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the notes in the secondary market, absent changes in market conditions, including those related to the underlying index, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the notes, and, if it once chooses to make a market, may cease doing so at any time.

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Based on the Value of the Morgan Stanley ETF-MAP 2 Index

Key Investment Rationale

Market-Linked Notes offer investors exposure to the performance of the underlying index and provide for the repayment of principal at maturity. They are for investors who are concerned about principal risk but seek exposure to a multiple asset-linked index, who are willing to accept that the underlying index's volatility target feature may reduce upside performance in bullish markets, and who are willing to forgo current income in exchange for the repayment of principal at maturity plus the potential to receive a supplemental redemption amount, if any, based on the performance of the underlying index.

The underlying index employs a rules-based quantitative strategy, which uses modern portfolio theory principles and the related concept of efficient frontier to attempt to maximize returns for a given level of risk. The index is comprised of three Sub-Indices. The potential components of each Sub-Index consist of U.S.-listed exchange-traded funds (ETFs), representing U.S. and non-U.S. equities, fixed income securities, commodities and real estate, and the Morgan Stanley Two Year Treasury Index. Each Sub-Index is calculated on an excess return basis, and therefore the respective level of each Sub-Index is determined by the weighted return of the optimized portfolio of index components for such Sub-Index reduced by the return on an equivalent cash investment receiving the Federal Funds rate.

Repayment of Principal	The notes offer investors 115% upside exposure to the performance of the underlying index, while providing for the repayment of principal in full at maturity, subject to our credit risk.
Exposure to the Morgan Stanley ETF-MAP 2 Index	The Morgan Stanley ETF-MAP 2 Index attempts to maximize returns for a given level of risk. ETF-MAP 2 stands for "Exchange Traded Fund – Multi-Asset Portfolio." The underlying index is comprised of three Sub-Indices. The potential components of each Sub-Index consist of U.S.-listed exchange-traded funds (ETFs), representing U.S. and non-U.S. equities, fixed income securities, commodities and real estate, and the Morgan Stanley Two Year Treasury Index.
Upside Scenario	The underlying index increases in value, and, at maturity, the notes pay the stated principal amount of $10 *plus* 115% of the appreciation of the underlying index. There is no limitation on the appreciation potential.
Par Scenario	The underlying index declines or does not appreciate in value, and, at maturity, the notes pay only the stated principal amount of $10.

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Hypothetical Payout on the Notes

At maturity, for each $10 stated principal amount of notes that you hold, you will receive the stated principal amount of $10 *plus* a supplemental redemption amount, if any. The supplemental redemption amount will be calculated on the determination date as follows:

(i) $10 *times* (ii) the index percent change *times* (iii) the participation rate of 115%.

The payment due at maturity will not be less than $10 per note regardless of the performance of the underlying index.

The table below illustrates the payment at maturity for each note for a hypothetical range of index percent change and does not cover the complete range of possible payouts at maturity. The table assumes a hypothetical initial index value of 1,000. The actual initial index value is set forth on the cover of this document.

Index percent change	**Final index value**	**Stated principal amount**	**Supplemental redemption amount**	**Payment at maturity**	**Return on $10 note**
50%	1,500	$10	$5.75	$15.75	57.50%
40%	1,400	$10	$4.60	$14.60	46.00%
30%	1,300	$10	$3.45	$13.45	34.50%
20%	1,200	$10	$2.30	$12.30	23.00%
10%	1,100	$10	$1.15	$11.15	11.50%
0%	1,000	$10	$0	$10	0.00%
–10%	900	$10	$0	$10	0.00%
–20%	800	$10	$0	$10	0.00%
–30%	700	$10	$0	$10	0.00%
–40%	600	$10	$0	$10	0.00%
–50%	500	$10	$0	$10	0.00%
–60%	400	$10	$0	$10	0.00%
–70%	300	$10	$0	$10	0.00%

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Risk Factors

The following is a non-exhaustive list of certain key risk factors for investors in the notes. For further discussion of these and other risks you should read the section entitled "Risk Factors" in the accompanying product supplement and the accompanying prospectus. You should also consult with your investment, legal, tax, accounting and other advisers in connection with your investment in the notes.

The notes do not pay interest and may not pay more than the stated principal amount at maturity. If the index percent change is less than or equal to 0%, you will receive only the stated principal amount of $10 for each note you hold at maturity. As the notes do not pay any interest, if the underlying index does not appreciate sufficiently over the term of the notes, the overall return on the notes (the effective yield to maturity) may be less than the amount that would be paid on a conventional debt security of ours of comparable maturity. The notes have been designed for investors who are willing to forgo market floating interest rates in exchange for a supplemental redemption amount, if any, based on the performance of the underlying index.

The market price of the notes will be influenced by many unpredictable factors. Several factors will influence the value of the notes in the secondary market and the price at which MS & Co. may be willing to purchase or sell the notes in the secondary market, including the value of the underlying index at any time, the volatility (frequency and magnitude of changes in value) of the underlying index, dividend rate on the exchange traded funds ("ETFs") underlying the index, interest and yield rates in the market, time remaining until the notes mature, geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying index or equities markets generally and which may affect the final index value of the underlying index and any actual or anticipated changes in our credit ratings or credit spreads. The value of the underlying index may be, and has recently been, volatile, and we can give you no assurance that the volatility will lessen. See "Hypothetical Retrospective and Historical Information" below. You may receive less, and possibly significantly less, than the stated principal amount per note if you try to sell your notes prior to maturity.

The notes are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the notes. You are dependent on our ability to pay all amounts due on the notes at maturity and therefore you are subject to our credit risk. The notes are not guaranteed by any other entity. If we default on our obligations under the notes, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the notes prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the notes.

As a finance subsidiary, MSFL has no independent operations and will have no independent assets. As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will

have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

The amount payable on the notes is not linked to the value of the underlying index at any time other than the determination date. The final index value will be based on the index closing value on the determination date, subject to postponement for non-index business days and certain market disruption events. Even if the value of the underlying index appreciates prior to the determination date but then drops by the determination date, the payment at maturity will be less, and may be significantly less, than it would

have been had the payment at maturity been linked to the value of the underlying index prior to such drop. Although the actual value of the underlying index on the stated maturity date or at other times during the term of the notes may be higher than the final index value, the payment at maturity will be based solely on the index closing value on the determination date.

There are risks associated with the underlying index.

Low volatility in the underlying index is not synonymous with low risk in an investment linked to the underlying index. For example, even if the volatility of the underlying index was in line with the Volatility Target, the underlying index may decrease over time, which may result in a zero return on the notes.

The level of the underlying index can go down as well as up. Please see “Hypothetical Retrospective and Historical Information” below.

Each Sub-Index of the underlying index’s portfolio of Index Components is varied and represents a number of different asset classes in a number of different sectors. Investors should be experienced with respect to, and be able to evaluate and understand the risks of (either alone or with the investor’s investment, legal, tax, accounting and other advisors), investments the values of which are derived from different asset classes and sectors.

Each Sub-Index of the underlying index at any time may be composed of a very limited number of ETFs. The components of each Sub-Index’s Asset Portfolio are varied and will be selected from the index Components according to the index methodology. Therefore, at any time, the Sub-Indices of the index may be composed of a very limited number of ETFs, and investors could be exposed to the risks associated with a concentrated investment in that limited number of ETFs. In addition, if the trading of one or more of such ETFs is disrupted, it is likely that the calculation agent will determine that a market disruption event with respect to the notes has occurred and thus postpone the determination date or, if such market disruption event is continuing, determine the level of the underlying index at its discretion. Investors’ interests may be adversely affected by such determination.

The value of the underlying index and any instrument linked to the underlying index may increase or decrease due to a number of factors, many of which are beyond the underlying index publisher’s control. The nature and weighting of the Index Components can vary significantly, and no assurance can be given as to the underlying index’s allocations of the Sub-Indices to any Index Component at any time.

While each Sub-Index, and therefore, the underlying index, has a Volatility Target of 5%, there can be no guarantee, even if each Sub-Index’s allocation to its respective Asset Portfolio is adjusted as frequently as is permitted (i.e., daily), that the realized volatility of the underlying index will not be less than or greater than 5%. In fact, the historical volatility of the underlying index, based on simulated returns, has generally been between 4% and 6%.

There can be no assurance that the actual volatility of the underlying index will be lower than the volatility of any or all of the Index Components.

The volatility target feature of the underlying index may dampen its performance in bullish markets. The underlying index is designed to achieve a Volatility Target of 5% regardless of the direction of price movements in the market. Therefore, in bullish markets, if the Realized Volatility is higher than the Volatility Target, the adjustments to the respective Asset Portfolios of the Sub-Indices through Monthly Rebalancing or Daily Allocation might dampen the performance of the underlying index.

The future performance of the underlying index may bear little or no relation to the historical or hypothetical retrospective performance of the underlying index. Among other things, the trading prices of the Index Components and the dividends paid on the Index Components will impact the level and the volatility of the underlying index. It is impossible to predict whether the level of the underlying index will rise or fall.

The underlying index was established on June 16, 2014 and therefore has a very limited history. As such, performance for periods prior to the establishment of the underlying index has been

retrospectively simulated by the underlying index publisher on a hypothetical basis. A retrospective simulation means that no actual investment which allowed a tracking of the performance of the underlying index existed at any time during the period of the retrospective simulation. The methodology and the underlying index used for the calculation and retrospective simulation of the underlying index has been developed with the advantage of hindsight. In reality, it is not possible to invest with the advantage of hindsight and therefore this historical performance is purely theoretical and may not be indicative of future performance. In addition, the Morgan Stanley Two Year Treasury Index and certain ETFs included in the Index Components existed for only a portion of period for which the underlying index publisher calculates hypothetical retrospective values. For any period during which data for the Morgan Stanley Two Year Treasury Index or one or more ETFs did not exist, the historical simulation is based on (i) the value of the Morgan Stanley Two Year Treasury Index based on simulated historical performance and (ii) the value of each ETF's benchmark index less the relevant ETF's current expense ratio. **Investors should be aware that no actual investment which allowed a tracking of the performance of the underlying index was possible at any time prior to June 16, 2014. Such data must be considered illustrative only.** The historical data may not reflect future performance and no assurance can be given as to the level of the underlying index at any time.

As the underlying index is new and has very limited actual historical performance, any investment in the underlying index may involve greater risk than an investment in an index with longer actual historical performance and a proven track record.

The underlying index is calculated on an excess return basis. The level of the underlying index tracks the average daily return of the Sub-Indices. The level of each Sub-Index is calculated as the excess of the weighted return of the Asset Portfolio for such Sub-Index over an equivalent cash investment receiving the Federal Funds rate. As a result, the level of each Sub-Index, and therefore the level of the index, reflects a deduction of the Federal Funds rate that would apply to such a cash investment, and is less than the average return on the weighted Asset Portfolios of the Sub-Indices. Changes in the Federal Funds rate will affect the value of the underlying index. In particular, an increase in the Federal Funds rate will negatively affect the value of the underlying index.

The underlying index contains embedded costs. As described in more detail under "Underlying Index" below, the underlying index contains an embedded servicing cost of 0.50% per annum. Such cost is deducted when calculating the level of the index and will thus reduce the return of the index.

An investment in the notes involves risks associated with emerging markets equities and bonds, currency exchange rates and commodities. ETFs representing foreign equities (including emerging markets equities) can constitute up to 70% of the underlying index. The underlying index can also consist of certain ETFs representing emerging markets bonds. Therefore, an investment in the notes involve risks associated with the securities markets in those foreign markets and emerging markets countries, including but not limited to risks of volatility in those markets, governmental intervention in those markets and cross-shareholdings in companies in certain countries. The prices of securities issued in foreign markets may be affected by political, economic, financial and social factors in those countries, or global regions, including changes in government, economic and fiscal policies and currency exchange laws. In addition, because the price of an ETF representing foreign securities is generally related to the U.S. dollar

value of securities underlying the index tracked by such ETF, an investment in the notes involve currency exchange rate risk with respect to each of the currencies in which such securities trade. Exchange rate movements for a particular currency are volatile and are the result of numerous factors including the supply of, and the demand for, those currencies, as well as relevant government policy, intervention or actions, but are also influenced significantly from time to time by political or economic developments, and by macroeconomic factors and speculative actions related to the relevant region.

In addition, potential underlying index components also include ETFs representing commodities and thus investors are exposed to risks associated with commodities. Investments linked to the prices of commodities are subject to sharp fluctuations in the prices of commodities over short periods of time for a variety of factors, including: changes in supply and demand relationships; weather; climatic events; the occurrence of natural disasters; wars; political and civil upheavals; acts of terrorism; trade, fiscal,

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monetary, and exchange control programs; domestic and foreign political and economic events and policies; disease; pestilence; technological developments; changes in interest rates; and trading activities in commodities and related contracts. These factors may affect the prices of commodities and therefore of the underlying index and the notes, in varying and potentially inconsistent ways.

- **The Morgan Stanley Two Year Treasury Index can produce negative returns, which may have an adverse effect on the level of the respective Sub-Indices, and consequently, the level of the index**. The Index methodology for the Morgan Stanley Two Year Treasury Index was developed based on historical data and conditions, and there can be no assurances that the methodology can generate positive performance in the future. Therefore, the past performance of the Morgan Stanley Two Year Treasury Index, whether actual or retrospectively calculated, is not a reliable indication of future performance. Poor performance by the Morgan Stanley Two Year Treasury Index will have a negative effect on the performance of the respective Sub-Indices, and consequently on the performance of the index.

If the underlying index is discontinued and no successor index is available, at maturity, Morgan Stanley will pay an alternative supplemental redemption amount, if any, in lieu of the supplemental redemption amount. If MS & Co., as the underlying index publisher, discontinues publication of the underlying index and, as the calculation agent, determines in its sole discretion that no successor index is available, no supplemental redemption amount will be paid on the notes. Instead, *on the date of such determination*, the calculation agent will determine, in good faith and in a commercially reasonable manner, an alternative supplemental redemption amount, which will equal its estimate of the value, if any, of the investors' forgone opportunity to receive any supplemental redemption amount, determined by reference to the calculation agent's pricing models, inputs, assumptions about future market conditions including, without limitation, the volatility of the ETF-MAP 2 Index and its components and current and expected interest rates. The alternative supplemental redemption amount, if any, will be paid *at maturity* in addition to the stated principal amount of the notes. As a result, investors will have no more exposure to the underlying index once the calculation agent determines that no successor index is available to replace the discontinued underlying index, but will not receive the alternative supplemental redemption amount until the maturity date. See "Additional Information About the Notes—Discontinuance of the underlying index" below.

MS & Co., which is a subsidiary of Morgan Stanley and an affiliate of MSFL, is both the calculation agent and the underlying index publisher, and will make determinations with respect to the notes and the underlying index. As calculation agent, MS & Co. has determined the initial index value, will determine the final index value and will calculate the amount of cash you will receive at maturity. Determinations made by MS & Co. in its capacity as calculation agent, including with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the alternative supplemental redemption amount in the event of a discontinuance of the underlying index or a market disruption event, may adversely affect the payout to you at maturity.

MS & Co. is also the underlying index publisher and retains the final discretion as to the manner in which the underlying index is calculated and constructed. The underlying index publisher may change the methodology of the

underlying index or discontinue the publication of the underlying index without prior notice, and such changes or discontinuance may affect the value of the underlying index. The underlying index publisher's calculations and determinations in relation to the underlying index shall be binding in the absence of manifest error.

In performing its duties as the calculation agent of the notes and the underlying index publisher, MS & Co. may have interests adverse to your interests, which may affect the value of the underlying index and the value of the notes.

The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the notes in the original issue price reduce the economic terms of the notes, cause the estimated value of the notes to be less than the original issue price and will adversely affect secondary

market prices. Assuming no change in market conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the notes in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

The inclusion of the costs of issuing, selling, structuring and hedging the notes in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the notes less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the notes are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the notes in the secondary market, absent changes in market conditions, including those related to the underlying index, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

The estimated value of the notes is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price. These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the notes than those generated by others, including other dealers in the market, if they attempted to value the notes. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your notes in the secondary market (if any exists) at any time. The value of your notes at any time after the date of this document will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also "The market price of the notes will be influenced by many unpredictable factors" above.

Adjustments to the underlying index could adversely affect the value of the notes. MS & Co., as the underlying index publisher, can add, delete or substitute the Index Components, and can make other methodological changes required by certain events relating to the Index Components. Any of these actions could adversely affect the value of the notes. The underlying index publisher may also discontinue or suspend calculation or publication of the underlying index at any time. In these circumstances, MS & Co., as the calculation agent, will have the sole discretion to substitute a successor index that is comparable to the discontinued index. MS & Co., in its capacity as both the calculation agent for the notes and underlying index publisher, could have an economic interest that is different than that of investors in the notes.

¡ **Investing in the notes is not equivalent to investing in the underlying index.** Investing in the notes is not equivalent to investing in the underlying index or its component ETFs. Investors in the notes will not have voting rights or rights to receive dividends or other distributions or any other right with respect to the component ETFs of the underlying index.

The notes will not be listed on any securities exchange and secondary trading may be limited. Accordingly, you should be willing to hold your notes for the entire 3-year term of the notes. The notes will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the notes. MS & Co. may, but is not obligated to, make a market in the notes and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the notes, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the notes. Even if there is a secondary market, it may not provide

enough liquidity to allow you to trade or sell the notes easily. Since other broker-dealers may not participate significantly in the secondary market for the notes, the price at which you may be able to trade your notes is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at any time, MS & Co. were to cease making a market in the notes, it is likely that there would be no secondary market for the notes. Accordingly, you should be willing to hold your notes to maturity.

Hedging and trading activity by our affiliates could potentially adversely affect the value of the notes. One or more of our affiliates and/or third-party dealers have carried out, and will continue to carry out, hedging activities related to the notes (and to other instruments linked to the underlying index or its component ETFs), including trading in the component ETFs of the underlying index, in options contracts on the component ETFs, or in other instruments related to the underlying index. As a result, these entities may be unwinding or adjusting hedge positions during the term of the notes, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the determination date approaches. Some of our affiliates also trade the component ETFs of the underlying index and other financial instruments related to the underlying index on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date could have increased the initial index value, and, therefore, could have increased the value at or above which the underlying index must close on the determination date before an investor receives a payment at maturity that exceeds the stated principal amount of the notes. Additionally, such hedging or trading activities during the term of the notes, including on the determination date, could adversely affect the closing value of the underlying index on the determination date, and, accordingly, the amount of cash an investor will receive at maturity.

Morgan Stanley Finance LLC

Market-Linked Notes due April 5, 2022

Based on the Value of the Morgan Stanley ETF-MAP 2 Index

Underlying Index

Morgan Stanley ETF-MAP 2 Index – Index Description

The Morgan Stanley ETF-MAP 2 Index has been developed by and is calculated, published and rebalanced by MS & Co. as the "underlying index publisher." This section outlines the key steps in constructing the underlying index, including the timing and methodology of the underlying index calculation and adjustment. In general, the construction of the Asset Portfolio for each Sub-Index is based on the principles of modern portfolio theory and the efficient frontier. The fundamental premise of modern portfolio theory is that the weighting of assets in an investment portfolio should be based not only on the individual risk and return characteristics of each asset but also on each asset's relationship, in terms of correlation, volatility and return, to the other portfolio components. The efficient frontier represents a set of portfolios constructed using modern portfolio theory concepts, each of which has a different risk and return profile. An investor choosing a portfolio from the "efficient frontier" should, the theory says, be maximizing returns for the chosen level of risk.

The index methodology is applied to the Sub-Index scheduled for monthly rebalancing on the specific rebalancing date (the "Rebalancing Selection Date") to determine the Asset Portfolio for such Sub-Index that had the maximum historical return with 5% annualized volatility during the prior 63-trading-day period (the "Monthly Rebalancing"). Beginning on the trading day after the Rebalancing Selection Date and continuing for a period of several trading days (each such trading day, a "Rebalancing Date"), the weight of each Index Component is adjusted from its prior level and the new Asset Portfolio for the applicable Sub-Index is formed.

Inputs to the index methodology are price-transparent and include the historical returns and historical volatilities of each Index Component as well as the historical correlations between any two Index Components. All levels are calculated based on objective price inputs on an annualized basis over the preceding 63-trading-day calculation window, with more recent data emphasized for volatility and correlation calculations. The index methodology also applies pre-defined limits for Index Component weightings and sector exposures.

To calculate the "Daily Allocation" between the Asset Portfolio and cash for each Sub-Index, on each business day the Calculation Agent determines the realized volatility of the Asset Portfolio for each Sub-Index over a shorter-term and a longer-term period (the greater of which is the "Realized Volatility"). If the Realized Volatility for a Sub-Index exceeds 5.5%, the allocation to the Asset Portfolio for such Sub-Index will be decreased, with the objective of reducing Index volatility, and if the Realized Volatility is below 5%, the allocation to the Asset Portfolio for such Sub-Index may be increased. In each case, the Asset Portfolio allocation for each Sub-Index will generally equal the Volatility Target divided by its Realized Volatility, subject to a maximum of 100%. For example, if the Realized

Volatility of a Sub-Index is 7.5%, the allocation to the Asset Portfolio for such Sub-Index will equal the 5% Volatility Target divided by its 7.5% Realized Volatility, or 66.67%. Volatility is a market standard statistical measure of the magnitude and frequency of price changes of a financial asset over a period of time, used to express the riskiness of the asset. Note, however, that volatility does not identify the direction of the asset's price movement.

Because the Realized Volatility metric used to determine exposure of each Sub-Index to its respective Asset Portfolio is the greater of shorter-term and longer-term volatility, Realized Volatility for the Sub-Indices will increase more quickly when daily volatility increases, and Index exposure to the respective Asset Portfolios will be correspondingly reduced. Conversely, Realized Volatility for the Sub-Indices will decrease more slowly when daily volatility decreases, resulting in a more gradual increase in allocations to the respective Asset Portfolios.

The Daily Allocations with respect to the Sub-Indices will only seek to adjust the volatility of the underlying index and will not attempt to optimize the asset allocations within the respective Asset Portfolios. Because the underlying index will not use leverage it may not be possible to achieve the Volatility Target of 5% during periods of very low volatility.

- The maximum asset weightings on each Rebalancing Date for each market sector and for each Index Component within a given market sector are specified in the table below.

Morgan Stanley Finance LLC

Market-Linked Notes due April 5, 2022

Based on the Value of the Morgan Stanley ETF-MAP 2 Index

- Asset weightings will not be rebalanced between each respective Monthly Rebalancing for the Sub-Indices due to changes in market value of Index Components.

- If between Monthly Rebalancings the Realized Volatility of a Sub-Index exceeds 5.5% or falls below 5%, the allocation to the Asset Portfolio for such Sub-Index may be adjusted pursuant to the Daily Allocation as described above.

- The allocation to the Asset Portfolio for each Sub-Index will equal the Volatility Target divided by its observed historical volatility, subject to a maximum of 100%.

- The sum of allocations to the respective Asset Portfolio and cash will not exceed 100% for any Sub-Index. Because the underlying index will not use leverage it may not be possible to achieve the Volatility Target of 5% during periods of very low volatility.

- The level of the index tracks the average daily returns of the Sub-Indices, which are calculated on an excess return basis. Specifically, the level of each Sub-Index is determined by the weighted return of the Asset Portfolio for such Sub-Index reduced by the return on an equivalent cash investment receiving the Federal Funds rate.

- A servicing cost of 0.50% per annum, calculated on a daily basis, is deducted when calculating the index level.

Index Components

The potential Index Components that can be included in the Sub-Indices, and therefore the underlying index, at any time and the maximum asset weightings on each Rebalancing Date for each market sector and for each Index Component within a given market sector are specified in the table below.

Sector And Maximum Weight	Asset Class	index components	MaxIMUM Asset Weight
Short-Term Treasuries 100%	Short-Term Treasuries	Morgan Stanley Two Year Treasury Index	100%
Foreign Equity 70%	Developed Market Equities	iShares MSCI EAFE Index Fund	35%
		Vanguard FTSE Emerging Markets ETF	35%

	Emerging Market Equities		
	Japan Equities	iShares MSCI Japan ETF	35%
	US Large Cap Equities	SPDR S&P 500 ETF Trust	50%
US Equity 50%	US Low Volatility Equities	PowerShares S&P 500 Low Volatility Portfolio	10%
Bonds 75%	Senior Loan	PowerShares Senior Loan Portfolio	10%
	20+ Year Treasuries	iShares Barclays 20+ Year Treasury	