MORGAN STANLEY
Form 424B2
January 09, 2019

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	*Maximum Aggregate Offering Price*	*Amount of Registration Fee*
Enhanced Trigger Jump Securities due 2025	$2,978,000	$360.93

January 2019

Pricing Supplement No. 1,433

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

Dated January 7, 2019

Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

Structured Investments

Opportunities in International Equities

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF due January 14, 2025

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

The Enhanced Trigger Jump Securities, which we refer to as the securities, are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The securities will pay no interest, do not guarantee any return of principal at maturity and have the terms described in the accompanying product supplement for Jump Securities, index supplement and prospectus, as supplemented and modified by this document. If the final level of **each** underlying **is greater than or equal to** 70% of its respective initial level, which we refer to as the respective downside threshold value, you will receive for each security that you hold at maturity a minimum of $1,060 per security in addition to the stated principal amount. If the worst performing underlying appreciates by more than 106% over the term of the securities, you will receive for each security that you hold at maturity the stated principal amount plus an amount based on the percentage increase of such worst performing underlying. However, if the final level of **any** underlying **is less than** its respective downside threshold value, the payment at maturity will be significantly less than the stated principal amount of the securities by an amount that is proportionate to the percentage decrease in the final level of the worst performing underlying from its initial level. Under these circumstances, the payment at maturity will be less than $700 per security and could be zero.

Accordingly, you could lose your entire initial investment in the securities. Because the payment at maturity on the securities is based on the worst performing of the underlyings, a decline in **any** final level below 70% of its respective initial level will result in a significant loss on your investment, even if the other underlyings have appreciated or have not declined as much. These long-dated securities are for investors who seek an equity-based return and who are willing to risk their principal, risk exposure to the worst performing of three underlyings and forgo current income in exchange for the upside payment feature that applies only if the final level of **each** underlying is greater than or equal to its respective downside threshold value. The securities 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:	$1,000 per security
Stated principal amount:	$1,000 per security
Pricing date:	January 7, 2019
Original issue date:	January 14, 2019 (5 business days after the pricing date)
Maturity date:	January 14, 2025
Aggregate principal amount:	$2,978,000
Interest:	None
Underlyings:	The EURO STOXX 50® Index (the "SX5E Index"), the STOXX® Europe 600 Banks Index (the "SX7P" Index) and the iShares® MSCI Emerging Markets ETF (the "EEM Shares," or the "Fund")
Payment at maturity:	· If the final level of **each** underlying is *greater than or equal to* its respective downside threshold value: $1,000 + the greater of (i) $1,000 x the underlying percent change of the worst performing underlying and (ii) the upside payment · If the final level of **any** underlying is *less than* its respective downside threshold value, meaning the value of **any** underlying has declined by more than 30% from its respective initial level to its respective final level: $1,000 × performance factor of the worst performing underlying *Under these circumstances, the payment at maturity will be significantly less than the stated principal amount of $1,000, and will represent a loss of more than 30%, and possibly all, of your investment.*
Underlying percent change:	With respect to each underlying, (final index value – initial index value) / initial index value
Upside payment:	$1,060 per security (106% of the stated principal amount)
Performance factor:	With respect to each underlying, final level / initial level
Worst performing underlying:	

	The underlying that has declined the most, meaning that it has the lesser performance factor
Initial level:	With respect to the SX5E Index, 3,033.64, which is the closing level of such underlying on the pricing date With respect to the SX7P Index, 136.38, which is the closing level of such underlying on the pricing date With respect to the EEM Shares, $39.78, which is the closing level of such underlying on the pricing date
Downside threshold value:	With respect to the SX5E Index, 2,123.548, which is 70% of the initial level for such underlying With respect to the SX7P Index, 95.466, which is 70% of the initial level for such underlying With respect to the EEM Shares, $27.846, which is 70% of the initial level for such underlying
Final level:	With respect to each underlying, the closing level of such underlying on the valuation date
Closing level:	With respect to the SX5E Index, on any index business day, the index closing value of such underlying on such day With respect to the SX7P Index, on any index business day, the index closing value of such underlying on such day With respect to the EEM Shares, on any trading day, the closing price of one EEM Share on such day times the adjustment factor on such day
Valuation date:	January 7, 2025, subject to postponement for non-index business days and non-trading days, as applicable, and certain market disruption events
Adjustment factor:	With respect to the EEM Shares, 1.0, subject to adjustment in the event of certain events affecting the EEM Shares
CUSIP / ISIN:	61768DXZ3 / US61768DXZ31
Listing:	The securities 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:	$970.10 per security. See “Investment Summary” on page 2.

Commissions and issue price:	**Price to public**	**Agent’s commissions[1]**	**Proceeds to us[2]**
Per security	$1,000	$0	$1,000
Total	$2,978,000	$0	$2,978,000

(1) Selected dealers and their financial advisors will receive a structuring fee of $5 per security from the agent or its affiliates. MS & Co., the agent, will not receive a sales commission in connection with the securities. 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 Jump Securities.

(2) See "Use of proceeds and hedging" on page 24.

The securities involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 8.

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

The securities 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, index supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see "Additional Terms of the Securities" and "Additional Information About the Securities" at the end of this document.

References to "we," "us" and "our" refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

Product Supplement for Jump Securities dated November 16, 2017 **Index Supplement dated November 16, 2017** **Prospectus dated November 16, 2017**

Morgan Stanley Finance LLC

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF due January 14, 2025

Principal at Risk Securities

Investment Summary

Principal at Risk Securities

The Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF due January 14, 2025 (the "securities") can be used:

§ As an alternative to direct exposure to the underlyings that provides a minimum positive return of 106% if the final level of **each** underlying is greater than or equal to its respective downside threshold value and offers uncapped 1-to-1 participation in the appreciation of the worst performing underlying if the appreciation of such underlying is greater than 106%;

§ To enhance returns and potentially outperform the worst performing of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF in a moderately bullish or moderately bearish scenario;

§ To obtain limited protection against the loss of principal in the event of a decline of the underlyings as of the valuation date, but only if the final level **of each underlying is greater than or equal to its respective downside threshold value**.

If the final level of **any** underlying is less than its downside threshold value, the securities are exposed on a 1-to-1 basis to the percentage decline of the final level of the worst performing underlying from its respective initial level. **Accordingly, investors may lose their entire initial investment in the securities.**

Maturity:	6 years
Upside payment:	$1,060 per security (106% of the stated principal amount)
Downside threshold value:	For each underlying, 70% of the respective initial level
Minimum payment at maturity:	None. Investors may lose their entire initial investment in the securities.
Interest:	None

The original issue price of each security is $1,000. This price includes costs associated with issuing, selling, structuring and hedging the securities, which are borne by you, and, consequently, the estimated value of the securities on the pricing date is less than $1,000. We estimate that the value of each security on the pricing date is $970.10.

What goes into the estimated value on the pricing date?

In valuing the securities on the pricing date, we take into account that the securities comprise both a debt component and a performance-based component linked to the underlyings. The estimated value of the securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlyings, instruments based on the underlyings, 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 securities?

In determining the economic terms of the securities, including the upside payment and the downside threshold values, 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 securities would be more favorable to you.

Morgan Stanley Finance LLC

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF due January 14, 2025

Principal at Risk Securities

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

The price at which MS & Co. purchases the securities in the secondary market, absent changes in market conditions, including those related to the underlyings, 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 securities 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 securities in the secondary market, absent changes in market conditions, including those related to the underlyings, 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 securities, and, if it once chooses to make a market, may cease doing so at any time.

Morgan Stanley Finance LLC

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF due January 14, 2025

Principal at Risk Securities

Key Investment Rationale

The securities do not pay interest but provide a minimum positive return of 106% if the final level of each of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF is greater than or equal to its respective downside threshold value, and offer an uncapped 1-to-1 participation in the appreciation of the worst performing underlying if the appreciation of such underlying is greater than 106%. However, if, as of the valuation date, the value of **any** underlying is *less* than its respective downside threshold value, the payment due at maturity will be less than $700 per security and could be zero.

Upside Scenario	*If the final level of* ***each*** *underlying is* ***greater than or equal to its respective downside threshold value,*** the payment at maturity for each security will be equal to $1,000 *plus* the *greater* of (i) $1,000 times the underlying percent change of the worst performing underlying and (ii) the upside payment of $1,060.
Downside Scenario	*If the final level of* ***any*** *underlying is* ***less than its respective downside threshold value***, you will lose 1% for every 1% decline in the value of the worst performing underlying from its initial level, without any buffer (e.g., a 50% depreciation in the worst performing underlying from the respective initial level to the respective final level will result in a payment at maturity of $500 per security).

Because the payment at maturity of the securities is based on the worst performing of the underlyings, a decline in any underlying below its respective downside threshold value will result in a loss of a significant portion or all of your investment, even if the other underlyings have appreciated or have not declined as much.

Morgan Stanley Finance LLC

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Principal at Risk Securities

Hypothetical Examples

The following hypothetical examples illustrate how to calculate the payment at maturity on the securities. The following examples are for illustrative purposes only. The payment at maturity on the securities is subject to our credit risk. The below examples are based on the following terms. The actual initial levels and downside threshold values are set forth on the cover of this document.

Stated Principal Amount:	$1,000 per security
Hypothetical Initial Level:	With respect to the SX5E Index: 3,000 With respect to the SX7P Index: 131 With respect to the EEM Shares: $35
Hypothetical Downside Threshold Value:	With respect to the SX5E Index: 2,100, which is 70% of its hypothetical initial level With respect to the SX7P Index: 91.70, which is 70% of its hypothetical initial level With respect to the EEM Shares: $24.50, which is 70% of its hypothetical initial level
Upside Payment:	$1,060 (106% of the stated principal amount)
Interest:	None

EXAMPLE 1: Each underlying appreciates substantially, and investors therefore receive the stated principal amount *plus* a return reflecting the percent change of the worst performing underlying.

Final level	SX5E Index: 6,300 SX7P Index: 288.20 EEM Shares: $73.50
Percent change	SX5E Index: (6,300 – 3,000) / 3,000 = 110% SX7P Index: (288.20 – 131) / 131 = 120%

		EEM Shares: ($73.50 - $35) / $35 = 110%
Performance factor		SX5E Index: 6,300 / 3,000 = 210% SX7P Index: 288.20 / 131 = 220% EEM Shares: $73.50 / $35 = 210%
Payment at maturity	=	$1,000 + ($1,000 x the index percent change of the worst performing underlying index)
	=	$1,000 + $1,100
	=	$2,100

In example 1, the final level for the SX5E Index has increased from its initial level by 110%, the final level for the SX7P Index has increased from its initial level by 120% and the final level for the EEM Shares has increased from its initial level by 110%. Because the final level of each underlying is above its respective downside threshold value, and the percent change of the worst performing underlying is greater than the minimum positive return of 106%, investors receive at maturity the stated principal amount *plus* 1-to-1 participation in the performance of the worst performing underlying. Investors receive $2,100 per security at maturity.

Morgan Stanley Finance LLC

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF due January 14, 2025

Principal at Risk Securities

EXAMPLE 2: **The final level of each underlying is at or above its respective downside threshold value, but the worst performing underlying has not appreciated by more than 106%, and investors therefore receive the stated principal amount *plus* the upside payment.**

Final level		SX5E Index: 2,550 SX7P Index: 124.45 EEM Shares: $38.50
Percent chagne		SX5E Index: (2,550 – 3,000) / 3,000 = -15% SX7P Index: (124.45 – 131) / 131 = -5% EEM Shares: ($38.50 - $35) / $35 = 10%
Performance factor		SX5E Index: 2,550 / 3,000 = 85% SX7P Index: 124.45 / 131 = 95% EEM Shares: $31.50 / $35 = 90%
Payment at maturity	=	$1,000 + upside payment
	=	$1,000 + $1,060
	=	$2,060

In example 2, the final level for the SX5E Index has decreased from its initial level by 15%, the final level for the SX7P Index has decreased from its initial level by 5% and the final level for the EEM Shares has increased from its initial level by 10%. Because the final level of each underlying is above its respective downside threshold value, investors receive at maturity the stated principal amount *plus* the upside payment of $1,060. Although two of the underlyings have depreciated, investors receive $2,060 per security at maturity.

EXAMPLE 3: **The final level of one of the underlyings is less than its respective downside threshold value. Investors are therefore exposed to the full decline in the worst performing underlying from its initial level.**

Final level	SX5E Index: 3,600 SX7P Index: 111.35 EEM Shares: $22.75
Performance factor	SX5E Index: 3,600 / 3,000 = 120% SX7P Index: 111.35 / 131 = 85% EEM Shares: $22.75 / $35 = 65%
Payment at maturity =	$1,000 × performance factor of the worst performing underlying
=	$1,000 × 65%
=	$650

In example 3, the final level for the SX5E Index has increased from its initial level by 20%, the final level of the SX7P Index has decreased from its initial level by 15% and the final level for the EEM Shares has decreased from its initial level by 35%. Because one of the underlyings has declined below its respective downside threshold value, investors do not receive the upside payment and instead are exposed to the full negative performance of the EEM Shares, which is the worst performing underlying in this example. Under these circumstances, investors lose 1% of the stated principal amount for every 1% decline in the value of the worst performing underlying from its initial level. In this example, investors receive a payment at maturity equal to $650 per security, resulting in a loss of 35%.

EXAMPLE 4: **The final level of each underlying is less than its respective downside threshold value. Investors are therefore exposed to the full decline in the worst performing underlying from its initial level.**

Final level	SX5E Index: 600 SX7P Index: 65.50 EEM Shares: $14

Morgan Stanley Finance LLC

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF due January 14, 2025

Principal at Risk Securities

		SX5E Index: 600 / 3,000 = 20%
Performance factor		SX7P Index: 65.50 / 131 = 50%
		EEM Shares: $14 / $35 = 40%
Payment at maturity	=	$1,000 × performance factor of the worst performing underlying
	=	$1,000 × 20%
	=	$200

In example 4, the final level for the SX5E Index has decreased from its initial level by 80%, the final level for the SX7P Index has decreased from its initial level by 50% and the final level for the EEM Shares has decreased from its initial level by 60%. Because one or more underlyings have declined below their respective downside threshold values, investors do not receive the upside payment and instead are exposed to the full negative performance of the SX5E Index, which is the worst performing underlying in this example. Under these circumstances, investors lose 1% of the stated principal amount for every 1% decline in the value of the worst performing underlying from its initial level. In this example, investors receive a payment at maturity equal to $200 per security, resulting in a loss of 80%.

If the final level of any of the underlyings is less than its respective downside threshold value, you will receive an amount in cash that is significantly less than the $1,000 stated principal amount of each security by an amount proportionate to the full decline in the level of the worst performing underlying from its initial level over the term of the securities, and you will lose a significant portion or all of your investment.

Morgan Stanley Finance LLC

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF due January 14, 2025

Principal at Risk Securities

Risk Factors

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

§ **The securities do not pay interest or guarantee the return of any principal.** The terms of the securities differ from those of ordinary debt securities in that the securities do not pay interest or guarantee the payment of any principal at maturity. At maturity, you will receive for each $1,000 stated principal amount of securities that you hold an amount in cash based upon the final level of each underlying. If the final level of **any** underlying is less than 70% of its respective initial level, you will not receive the upside payment and you will instead receive at maturity an amount in cash that is significantly less than the $1,000 stated principal amount of each security by an amount proportionate to the full decline in the final level of the worst performing underlying from its initial level over the term of the securities, and you will lose a significant portion or all of your investment. **There is no minimum payment at maturity on the securities, and, accordingly, you could lose your entire investment.**

§ **You are exposed to the price risk of all three underlyings.** Your return on the securities is not linked to a basket consisting of all three underlyings. Rather, it will be based upon the independent performance of each underlying. Unlike an instrument with a return linked to a basket of underlying assets, in which risk is mitigated and diversified among all the components of the basket, you will be exposed to the risks related to all three underlyings. Poor performance by any underlying over the term of the securities will negatively affect your return and will not be offset or mitigated by any positive performance by the other underlyings. If the final level of any underlying declines to below 70% of its respective initial level, you will be fully exposed to the negative performance of the worst performing underlying at maturity, even if the other underlyings have appreciated or have not declined as much. **Accordingly, your investment is subject to the price risk of all three underlyings.**

§ **Because the securities are linked to the performance of the worst performing underlying, you are exposed to greater risk of sustaining a significant loss on your investment than if the securities were linked to just one underlying.** The risk that you will suffer a significant loss on your investment is greater if you invest in the securities as opposed to substantially similar securities that are linked to the performance of just one underlying. With three underlyings, it is more likely that the final level of any underlying will decline to below its respective downside threshold value than if the securities were linked to only one underlying. Therefore, it is more likely that you will suffer a significant loss on your investment.

§ **The amount payable on the securities is not linked to the values of the underlyings at any time other than the valuation date.** The final levels will be the closing levels on the valuation date, subject to postponement for non-index business days and non-trading days, as applicable, and certain market disruption events. Even if the value of the worst performing underlying appreciates prior to the valuation date but then drops by the valuation date, the payment at maturity may be significantly less than it would have been had the payment at maturity been linked to the value of the worst performing underlying prior to such drop. Although the actual value of the worst performing underlying on the stated maturity date or at other times during the term of the securities may be higher than its respective final level, the payment at maturity will be based solely on the closing level of the worst performing underlying on the valuation date.

§ **The securities will not be listed on any securities exchange and secondary trading may be limited**. The securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the securities. Morgan Stanley & Co. LLC, which we refer to as MS & Co., may, but is not obligated to, make a market in the securities 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 securities, 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 securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily. Since other broker-

Morgan Stanley Finance LLC

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the EURO STOXX 50® Index, the STOXX® Europe 600 Banks Index and the iShares® MSCI Emerging Markets ETF due January 14, 2025

Principal at Risk Securities

dealers may not participate significantly in the secondary market for the securities, the price at which you may be able to trade your securities 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 securities, it is likely that there would be no secondary market for the securities. Accordingly, you should be willing to hold your securities to maturity.

§ **The market price of the securities may be influenced by many unpredictable factors**. Several factors, many of which are beyond our control, will influence the value of the securities in the secondary market and the price at which MS & Co. may be willing to purchase or sell the securities in the secondary market, including:

§ the values of the underlyings at any time (including in relation to their initial levels),

§ the volatility (frequency and magnitude of changes in value) of the underlyings and of the stocks composing the SX5E Index, the SX7P Index and the share underlying index,

§ dividend rates on the securities underlying the SX5E Index, the SX7P Index and the share underlying index,

§ interest and yield rates in the market,

§ geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the component stocks of the underlyings or securities markets generally and which may affect the value of the underlyings,

§ the time remaining until the maturity of the securities,

§ the composition of the underlyings and changes in the constituent stocks of the SX5E Index, the SX7P Index and the share underlying index,

§ the occurrence of certain events affecting the EEM Shares that may or may not require an adjustment to the adjustment factor, and

§ any actual or anticipated changes in our credit ratings or credit spreads.

Generally, the longer the time remaining to maturity, the more the market price of the securities will be affected by the other factors described above. Some or all of these factors will influence the price you will receive if you sell your securities prior to maturity. In particular, you may have to sell your securities at a substantial discount from the stated principal amount if at the time of sale the value of any underlying is near, at or below its respective downside threshold value.

You cannot predict the future performance of the underlyings based on their historical performance. If the final level of any underlying is less than 70% of its respective initial level, you will be exposed on a 1-to-1 basis to the full decline in the final level of the worst performing underlying from its respective initial level. There can be no assurance that the final level of each underlying will be greater than or equal to 70% of its respective initial level so that you will receive at maturity an amount that is greater than the $1,000 stated principal amount for each security you hold, or that you will not lose a significant portion or all of your investment.

§ **The securities 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 securities.** You are dependent on our ability to pay all amounts due on the securities at maturity and therefore you are subject to our credit risk. If we default on our obligations under the securities, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the securities 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 securities.

§ **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 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 securities in the original issue price reduce the economic terms of the securities, cause the estimated value of the securities 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., are willing to purchase the securities 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 securities in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the securities less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the securities 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 securities in the secondary market, absent changes in market conditions, including those related to the underlyings, 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 securities 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 securities than those generated by others, including other dealers in the market, if they attempted to value the securities. 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 securities 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 securities may be influenced by many unpredictable factors” above.

§ **There are risks associated with investments in securities linked to the value of foreign equity securities.** The securities are linked to the value of foreign equity securities. Investments in securities linked to the value of foreign equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross-shareholdings in companies in certain countries. Also, there is generally less publicly available information about foreign companies than about U.S. companies that are subject to the reporting requirements of the United States Securities and Exchange Commission, and foreign companies are subject to accounting, auditing and financial reporting standards and requirements different from those applicable to U.S. reporting companies. 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. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. Moreover, the economies in such countries may differ favorably or unfavorably from the economy in the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources, self-sufficiency and balance of payment positions.

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Principal at Risk Securities

§ **Investing in the securities exposes investors to risks associated with investments in securities with a concentration in the banking sector.** The stocks included in the STOXX® Europe 600 Banks Index are stocks of companies whose primary business is directly associated with the banking sector. As a result, the value of the securities may be subject to greater volatility and may be more adversely affected by a single economic, political or regulatory occurrence affecting this industry than a different investment linked to securities of a more broadly diversified group of issuers or issuers in a less volatile industry. The performance of bank stocks may be affected by governmental regulation that may, among other things, limit the amount and types of loans and other financial commitments that banks can make, the interest rates and fees they can charge and the amount of capital they must maintain. Profitability is largely dependent on the availability and cost of capital funds, and can fluctuate significantly when interest rates change. Credit losses resulting from financial difficulties of borrowers can negatively impact the banking sector. Banks may also be subject to severe price competition. These or other factors or the absence of such factors could cause the value of some or all of the component stocks included in the SX7P Index to decline during the term of the securities.

§ **There are risks associated with investments in securities linked to the value of foreign (and especially emerging markets) equity securities.** The price of the EEM Shares tracks the performance of the MSCI Emerging Markets Index℠ (the "share underlying index"), which measures the value of foreign (and especially emerging markets) equity securities. Investments in securities linked to the value of foreign equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross-shareholdings in companies in certain countries. Also, there is generally less publicly available information about foreign companies than about U.S. companies that are subject to the reporting requirements of the Securities and Exchange Commission, and foreign companies are subject to accounting, auditing and financial reporting standards and requirements different from those applicable to U.S. reporting companies. 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, the stocks included in the MSCI Emerging Markets Index℠ and that are generally tracked by the EEM Shares have been issued by companies in various emerging markets countries, which pose further risks in addition to the risks associated with investing in foreign equity markets generally. Countries with emerging markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and may have less protection of property rights than more developed countries. The economies of countries with emerging markets may be based on only a few industries, may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme and volatile debt burdens or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. Moreover, the economies in such countries may differ unfavorably from the economy in the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources, self-sufficiency and balance of payment positions between countries.

§ **The securities are subject to currency exchange risk**. Because the price of the EEM Shares tracks the performance of the MSCI Emerging Markets Index℠, holders of the securities will be exposed to currency exchange rate risk with respect to each of the currencies in which such component 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. An investor's net exposure will depend on the extent to which the currencies of the component securities strengthen or weaken against the U.S. dollar and the relative weight of each security. If, taking into account such weighting, the dollar strengthens against the currencies of the component securities represented in the EEM Shares, the price of the EEM Shares will be adversely affected and the payment at maturity on the securities may be reduced.

Of particular importance to potentially currency exchange risk are:

- existing and expected rates of inflation;
- existing and expected interest rate levels;

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Principal at Risk Securities

- o the balance of payments; and
- o the extent of governmental surpluses or deficits in the countries represented in the MSCI Emerging Markets Index℠ and the United States.

All of these factors are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of various countries represented in the MSCI Emerging Markets Index℠ and the United States and other countries important to international trade and finance.

- § **Adjustments to the SX5E Index and the SX7P Index could adversely affect the value of the securities.** The publisher of the SX5E Index and the SX7P Index may add, delete or substitute the stocks underlying such index or make other methodological changes that could change the value of the SX5E Index or the SX7P Index. Any of these actions could adversely affect the value of the securities. The publisher of the SX5E Index and the SX7P Index may also discontinue or suspend calculation or publication of the SX5E Index or the SX7P 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 underlying. MS & Co. could have an economic interest that is different than that of investors in the securities insofar as, for example, MS & Co. is permitted to consider indices that are calculated and published by MS & Co. or any of its affiliates. If MS & Co. determines that there is no appropriate successor index, the payout on the securities at maturity will be an amount based on the closing prices on the valuation date of the stocks underlying the SX5E Index or the SX7P Index, as applicable, at the time of such discontinuance, without rebalancing or substitution, computed by the calculation agent in accordance with the formula for calculating the SX5E Index or the SX7P Index, as applicable, last in effect prior to such discontinuance (depending also on the performance of the other underlyings).

- § **Adjustments to the EEM Shares or the share underlying index could adversely affect the value of the securities.** The investment adviser to the iShares® MSCI Emerging Markets ETF, BlackRock Fund Advisors (the "Investment Adviser"), seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI Emerging Markets Index℠. Pursuant to its investment strategy or otherwise, the Investment Adviser may add, delete or substitute the stocks composing iShares® MSCI Emerging Markets ETF. Any of these actions could adversely affect the price of the EEM Shares and, consequently, the value of the securities. MSCI Inc. ("MSCI") is responsible for calculating and maintaining the MSCI Emerging Markets Index℠. MSCI may add, delete or substitute the stocks constituting the MSCI Emerging Markets Index℠ or make other methodological changes that could change the level of the MSCI Emerging Markets Index℠. MSCI may discontinue or suspend calculation or publication of the MSCI Emerging Markets Index℠ at any time. In these circumstances, the calculation agent will have the sole discretion to substitute a successor index that is comparable to the discontinued MSCI Emerging Markets Index℠ and is permitted to consider indices that are calculated and published by the calculation agent or any of its affiliates. Any of these actions could adversely affect the price of the EEM Shares and, consequently, the value of the securities.

§ **The antidilution adjustments the calculation agent is required to make do not cover every event that could affect the EEM Shares**. MS & Co., as calculation agent, will adjust the adjustment factor for certain events affecting the EEM Shares. However, the calculation agent will not make an adjustment for every event that could affect the EEM Shares. If an event occurs that does not require the calculation agent to adjust the adjustment factor, the market price of the securities may be materially and adversely affected.

§ **The performance and market price of the EEM Shares, particularly during periods of market volatility, may not correlate with the performance of the share underlying index, the performance of the component securities of the share underlying index or the net asset value per share of the EEM Shares**. The EEM Shares do not fully replicate the share underlying index and may hold securities that are different than those included in the share underlying index. In addition, the performance of the EEM Shares will reflect additional transaction costs and fees that are not included in the calculation of the share underlying index. All of these factors may lead to a lack of correlation between the performance of EEM Shares and the share underlying index. In addition, corporate actions (such as mergers and spin-offs) with respect to the equity securities underlying the EEM Shares may impact the variance between the performances of EEM Shares and the share underlying index. Finally, because the shares of the EEM Shares are traded on an exchange and are subject to market supply and

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Principal at Risk Securities

investor demand, the market price of one share of the EEM Shares may differ from the net asset value per share of the EEM Shares.

In particular, during periods of market volatility, or unusual trading activity, trading in the securities underlying the EEM Shares may be disrupted or limited, or such securities may be unavailable in the secondary market. Under these circumstances, the liquidity of the EEM Shares may be adversely affected, market participants may be unable to calculate accurately the net asset value per share of the EEM Shares, and their ability to create and redeem shares of the EEM Shares may be disrupted. Under these circumstances, the market price of shares of the EEM Shares may vary substantially from the net asset value per share of the EEM Shares or the level of the share underlying index.

For all of the foregoing reasons, the performance of the EEM Shares may not correlate with the performance of the share underlying index, the performance of the component securities of the share underlying index or the net asset value per share of the EEM Shares. Any of these events could materially and adversely affect the price of the shares of the EEM Shares and, therefore, the value of the securities. Additionally, if market volatility or these events were to occur on the valuation date, the calculation agent would maintain discretion to determine whether such market volatility or events have caused a market disruption event to occur, and such determination may affect the payment at maturity of the securities. If the calculation agent determines that no market disruption event has taken place, the payment at maturity would be based on the published closing price per share of the EEM Shares on the valuation date, even if the EEM Shares' shares are underperforming the share underlying index or the component securities of the share underlying index and/or trading below the net asset value per share of the EEM Shares.

§ **Investing in the securities is not equivalent to investing in the underlyings or the stocks composing the SX5E Index, the SX7P Index or the share underlying index**. Investing in the securities is not equivalent to investing in any underlying or the component stocks of the SX5E Index, the SX7P Index or the share underlying index. Investors in the securities will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute the SX5E Index, the SX7P Index or the share underlying index.

§ **The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the securities.** As calculation agent, MS & Co. has determined the initial levels and the downside threshold values and will determine the final levels, the underlying percent changes and the performance factors, if applicable, the payment that you will receive at maturity, if any, and whether to make any adjustments to the adjustment factor. Moreover, certain determinations made by MS & Co., in its capacity as calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the index closing value or the closing price, as applicable, of any underlying in the event of a market disruption event or discontinuance of the SX5E Index, the SX7P Index or the share underlying index. These potentially subjective determinations may adversely affect the payout to you at maturity, if any. For further information regarding these types of determinations, see “Description of Securities—Postponement of Valuation Date(s),” “—Discontinuance of Any Underlying Index or Basket Index; Al