

MORGAN STANLEY  
 Form 424B2  
 March 04, 2019

***CALCULATION OF REGISTRATION FEE***

| <i>Title of Each Class of Securities Offered</i>            | <i>Maximum Aggregate Offering Price</i> | <i>Amount of Registration Fee</i> |
|---|---|-----------------------------------|
| Dual Directional Buffered Participation Securities due 2021 | \$1,000,000                             | \$121.20                          |

February 2019

Pricing Supplement No. 1,577  
 Registration Statement Nos. 333-221595; 333-221595-01  
 Dated February 28, 2019  
 Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

**STRUCTURED INVESTMENTS**

Opportunities in U.S. Equities

Dual Directional Buffered PLUS Based on the Value of the Worst Performing of the S&P 500<sup>®</sup> Index and the Russell 2000<sup>®</sup> Index due September 2, 2021

Buffered Performance Leveraged Upside Securities<sup>SM</sup>

**Fully and Unconditionally Guaranteed by Morgan Stanley**

Principal at Risk Securities

The Dual Directional Buffered PLUS, or “Buffered PLUS,” are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The Buffered PLUS will pay no interest, provide a minimum payment at maturity of only 20% of the stated principal amount and have the terms described in the accompanying product supplement for PLUS, index supplement and prospectus, as supplemented or modified by this document. The payment at maturity on the Buffered PLUS will be based on the value of the worst performing of the S&P 500<sup>®</sup> Index and the Russell 2000<sup>®</sup> Index. At maturity, if the final index value of **each** underlying index is **greater than** its respective initial index value, investors will receive the stated principal amount of their investment *plus* leveraged upside performance of the worst performing underlying index, subject to the maximum payment at maturity. If the final index value of **either** underlying index is **less than or equal** to its respective initial index value, but the final index value of **each** underlying index is **greater than or equal to** 80% of its respective initial index value, meaning that **neither** underlying index has decreased from its initial index value by an amount *greater than* the buffer amount of 20%, investors will receive the stated principal amount of their investment *plus* an unleveraged positive return based on the absolute value of the performance of the worst performing underlying index, which will be inherently limited to a maximum return of 20%. However, if the final index value of **either** underlying index is **less**

**than 80%** of its respective initial index value, meaning that **either** underlying index has decreased from its respective initial index value by an amount *greater than* the buffer amount of 20%, the absolute return feature will no longer be available and instead investors will lose 1% for every 1% decline in the worst performing underlying index beyond the specified buffer amount, subject to the minimum payment at maturity of 20% of the stated principal amount. Investors may lose up to 80% of the stated principal amount of the Buffered PLUS. Because the payment at maturity of the Buffered PLUS is based on the worst performing of the underlying indices, a decline in **either** underlying index beyond the buffer amount will result in a loss, and potentially a significant loss, of your investment even if the other underlying index has appreciated or has not declined as much. The Buffered PLUS are for investors who seek an equity index-based return and who are willing to risk their principal, risk exposure to the worst performing of two underlying indices and forgo current income and upside above the maximum payment at maturity in exchange for the leverage, buffer and absolute return features that in each case apply to a limited range of performance of the worst performing underlying index. The Buffered PLUS are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

The Buffered PLUS differ from the PLUS described in the accompanying product supplement for PLUS in that the Buffered PLUS offer the potential for a positive return at maturity if the worst performing underlying index depreciates by no more than 20%.

**All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These Buffered PLUS 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   |
| Maturity date:              | September 2, 2021  |
| Underlying indices:         | S&P 500® Index (the "SPX Index") and the RTY 2000 Index (the "RTY Index")  |
| Aggregate principal amount: | \$1,000,000  |
| Payment at maturity:        | If the final index value of <b>each underlying index</b> is <i>greater than</i> its respective initial index value,<br>$\$1,000 + (\$1,000 \times \text{leverage factor} \times \text{index percent change of the worst performing underlying index})$ |

*In no event will the payment at maturity exceed the maximum payment at maturity.*

If the final index value of **either underlying index** is *less than or equal to* its respective initial index value but the final index value of **each underlying index** is *greater than or equal to* 80% of its respective initial index value, meaning that **neither** underlying index has decreased from its initial index value by an amount *greater than* the buffer amount of 20%,

$\$1,000 + (\$1,000 \times \text{absolute index return of the worst performing underlying index})$

If the final index value of **either underlying index** is *less than* 80% of its respective initial index value, meaning that

**either** underlying index has decreased from its respective initial index value by an amount *greater than* the buffer amount of 20%,

(\$1,000 × index performance factor of the worst performing underlying index) + \$200

*Under these circumstances, the payment at maturity will be less than the stated principal amount of \$1,000. However, under no circumstances will the Buffered PLUS pay less than \$200 per Buffered PLUS at maturity.*

|                                    |  |
|------------------------------------|--|
| Index percent change:              | With respect to each underlying index, (final index value – initial index value) / initial index value   |
| Worst performing underlying index: | The underlying index with the lesser index percentage change   |
| Index performance factor:          | With respect to each underlying index, final index value / initial index value   |
| Absolute index return:             | The absolute value of the index percent change. For example, a -5% index percent change will result in a +5% absolute index return.<br><br>With respect to the SPX Index, 2,784.49, which is the index closing value of such index on the pricing date |
| Initial index value:               | With respect to the RTY Index, 1,575.549, which is the index closing value of such index on the pricing date   |
| Final index value:                 | With respect to each underlying index, the index closing value of such index on the valuation date   |
| Valuation date:                    | August 30, 2021, subject to adjustment for non-index business days and certain market disruption events  |
| Minimum payment at maturity:       | \$200 per Buffered PLUS (20% of the stated principal amount)   |
| Leverage factor:                   | 150%   |
| Maximum payment at maturity:       | \$1,230 per Buffered PLUS (123% of the stated principal amount)  |
| Buffer amount:                     | 20%  |
| Stated principal amount:           | \$1,000 per Buffered PLUS  |
| Issue price:                       | \$1,000 per Buffered PLUS  |
| Pricing date:                      | February 28, 2019  |
| Original issue date:               | March 5, 2019 (3 business days after the pricing date)   |
| CUSIP / ISIN:                      | 61768DN92 / US61768DN922   |
| Listing:                           | The Buffered PLUS will not be listed on any securities exchange.   |
| Agent:                             | Morgan Stanley & Co. LLC (“MS & Co.”), a wholly owned subsidiary of Morgan Stanley and an affiliate of MSFL. See “Supplemental information regarding plan of distribution;   |

conflicts of interest.”

Estimated value on the pricing date: \$984.70 per Buffered PLUS. See “Investment Summary” on page 2.

Commissions and issue price: Price to public<sup>(1)</sup> Agent’s commission<sup>(2)</sup> Proceeds to us<sup>(3)</sup>

Per Buffered PLUS \$1,000 \$7.50 \$992.50

Total \$1,000,000 \$7,500 \$992,500

(1) *The Buffered PLUS will be sold only to investors purchasing the Buffered PLUS in fee-based advisory accounts.*

*MS & Co. expects to sell all of the Buffered PLUS that it purchases from us to an unaffiliated dealer at a price of \$992.50 per Buffered PLUS, for further sale to certain fee-based advisory accounts at the price to public of \$1,000 (2) per Buffered PLUS. MS & Co. will not receive a sales commission with respect to the Buffered PLUS. 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 PLUS.*

(3) *See “Use of proceeds and hedging” on page 19.*

The Buffered PLUS involve risks not associated with an investment in ordinary debt securities. See “Risk Factors” beginning on page 7.

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 Buffered PLUS 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 Buffered PLUS” and “Additional Information About the Buffered PLUS” 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 PLUS dated November 16, 2017](#)

[Index Supplement dated November 16, 2017](#)

[Prospectus dated November 16, 2017](#)

Morgan Stanley Finance LLC

Dual Directional Buffered PLUS Based on the Value of the Worst Performing of the S&P 500<sup>®</sup> Index and the Russell 2000<sup>®</sup> Index due September 2, 2021

Buffered Performance Leveraged Upside Securities<sup>SM</sup>

Principal at Risk Securities

Investment Summary

Buffered Performance Leveraged Upside Securities

Principal at Risk Securities

The Dual Directional Buffered PLUS Based on the Value of the Worst Performing of the S&P 500<sup>®</sup> Index and the Russell 2000<sup>®</sup> Index due September 2, 2021 (the “Buffered PLUS”) can be used:

§ To gain exposure to the worst performing of two U.S. equity indices

§ To potentially outperform the worst performing of the S&P 500<sup>®</sup> Index and the Russell 2000<sup>®</sup> Index, subject to the maximum payment at maturity, by taking advantage of the leverage factor

§ To obtain an unleveraged positive return for a limited range of negative performance of the worst performing underlying index

If the final index value of **either** underlying index is **less than** 80% of its respective initial index value, investors will be negatively exposed to the decline in the worst performing underlying index beyond the buffer amount and will lose some or a substantial portion of their investment.

|                              |   |
|------------------------------|---|
| Maturity:                    | Approximately 2.5 years   |
| Leverage factor:             | 150%  |
| Maximum payment at maturity: | \$1,230 per Buffered PLUS (123% of the stated principal amount)   |
| Minimum payment at maturity: | \$200 per Buffered PLUS (20% of the stated principal amount). Investors may lose up to 80% of the stated principal amount of the Buffered PLUS. |
| Buffer amount:               | 20%, with 1-to-1 downside exposure to the worst performing underlying index below the buffer  |
| Coupon:                      | None  |

Listing: The Buffered PLUS will not be listed on any securities exchange

The original issue price of each Buffered PLUS is \$1,000. This price includes costs associated with issuing, selling, structuring and hedging the Buffered PLUS, which are borne by you, and, consequently, the estimated value of the Buffered PLUS on the pricing date is less than \$1,000. We estimate that the value of each Buffered PLUS on the pricing date is \$984.70.

*What goes into the estimated value on the pricing date?*

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

In determining the economic terms of the Buffered PLUS, including the leverage factor, the buffer amount, the maximum payment at maturity and the minimum payment at maturity, 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 Buffered PLUS 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 Buffered PLUS?*

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

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Morgan Stanley Finance LLC

Dual Directional Buffered PLUS Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due September 2, 2021

Buffered Performance Leveraged Upside Securities<sup>SM</sup>

Principal at Risk Securities

### Key Investment Rationale

The Buffered PLUS offer the potential for a positive return at maturity based on the absolute value of a limited range of percentage changes of the worst performing underlying index. At maturity, if the final index value of **each** underlying index is **greater than** its respective initial index value, investors will receive the stated principal amount of their investment *plus* leveraged upside performance of the worst performing underlying index, subject to the maximum payment at maturity. If the final index value of **either** underlying index is **less than or equal to** its respective initial index value but the final index value of **each** underlying index is **greater than or equal to 80%** of its respective initial index value, investors will receive the stated principal amount of their investment *plus* an unleveraged positive return based on the absolute value of the performance of the worst performing underlying index. However, if the final index value of **either** underlying index is **less than 80%** of its respective initial index value, the absolute return feature will no longer be available and instead investors will lose 1% for every 1% decline in the worst performing underlying index beyond the specified buffer amount, subject to the minimum payment at maturity. **Investors may lose up to 80% of the stated principal amount of the Buffered PLUS. All payments on the Buffered PLUS are subject to our credit risk.**

|   |  |
|---|--|
| Leveraged Performance Up to a Cap                     | The Buffered PLUS offer investors an opportunity to receive 150% of the positive return of the worst performing of the underlying indices, subject to the maximum payment at maturity, if <b>both</b> underlying indices have appreciated in value, or an unleveraged return reflecting the absolute value of the performance of the worst performing of the underlying indices if <b>one or both</b> underlying indices have declined but <b>neither</b> underlying index has declined by an amount <b>greater than</b> the buffer amount of 20%. |
| <b>Absolute Return Feature</b>                        | The Buffered PLUS enable investors to obtain an unleveraged positive return if the final index value of <b>either</b> underlying index is <b>less than or equal to</b> its respective initial index value <b>but</b> the final index value of <b>each</b> underlying index is <b>greater than or equal to 80%</b> of its respective initial index value.   |
| Upside Scenario if Both Underlying Indices Appreciate | <b>Both</b> underlying indices increase in value, and, at maturity, the Buffered PLUS redeem for the stated principal amount of \$1,000 <i>plus</i> 150% of the index percent change of the worst performing underlying index, subject to the maximum payment at maturity of \$1,230 per Buffered PLUS (123% of the stated principal amount).  |
| <b>Absolute Return Scenario</b>                       | The final index value of <b>either</b> underlying index is <b>less than or equal to</b> its respective initial index value <b>but</b> the final index value of <b>each</b> underlying index is <b>greater than or equal to 80%</b> of its respective initial index value. In this case, you receive a 1% positive return on the Buffered PLUS for each 1% negative return on the worst performing underlying index. For example, if  |



the final index value of the worst performing underlying index is 10% less than its respective initial index value, the Buffered PLUS will provide a total positive return of 10% at maturity. The maximum return you may receive in this scenario is a positive 20% return at maturity.

Downside  
Scenario

The final index value of **either** underlying index is **less than** 80% of its respective initial index value. In this case, the Buffered PLUS redeem for less than the stated principal amount by an amount proportionate to the percentage decrease of the worst performing underlying index over the term of the Buffered PLUS, plus the buffer amount of 20%. For example, if the final index value of the worst performing underlying index is 70% less than its initial index value, the Buffered PLUS will be redeemed at maturity for a loss of 50% of principal at \$500, or 50% of the stated principal amount. **The minimum payment at maturity is \$200 per Buffered PLUS.**

Because the payment at maturity of the Buffered PLUS is based on the worst performing of the underlying indices, a decline in **either** underlying index to less than 80% of its respective initial index value will result in a loss, and potentially a significant loss, of your investment, even if the other underlying index has appreciated or has not declined as much.

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Buffered Performance Leveraged Upside Securities<sup>SM</sup>

Principal at Risk Securities

Hypothetical Examples

The following hypothetical examples illustrate how to calculate the payment at maturity on the Buffered PLUS. The following examples are for illustrative purposes only. The actual initial index value for each underlying index is set forth on the cover of this document. Any payment at maturity on the Buffered PLUS is subject to our credit risk. The below examples are based on the following terms:

|                                   |   |
|-----------------------------------|---|
| Stated principal amount:          | \$1,000 per Buffered PLUS                                       |
| Leverage factor:                  | 150%  |
|                                   | With respect to the SPX Index: 2,000                            |
| Hypothetical initial index value: |   |
|                                   | With respect to the RTY Index: 1,100                            |
| Maximum payment at maturity:      | \$1,230 per Buffered PLUS (123% of the stated principal amount) |
| Minimum payment at maturity:      | \$200 per Buffered PLUS (20% of the stated principal amount)    |
| Buffer amount:                    | 20%   |

**EXAMPLE 1: The final index value of each underlying index is greater than its respective initial index value.**

|                      |  |
|----------------------|--|
| Final index value    | SPX Index:<br>2,200  |
|                      | RTY Index: 1,540   |
| Index percent change | SPX Index: $(2,200 - 2,000) / 2,000 = 10\%$  |
|                      | RTY Index: $(1,540 - 1,100) / 1,100 = 40\%$  |
| Payment at maturity  | $= \$1,000 + (\$1,000 \times \text{leverage factor} \times \text{index percent change of the worst performing underlying index}), \text{ subject to the maximum payment at maturity}$<br>$= \$1,000 + (\$1,000 \times 150\% \times 10\%), \text{ subject to the maximum payment at maturity}$<br>$= \$1,150$ |

In example 1, the final index values of both the SPX Index and RTY Index are greater than their initial index values. The SPX Index has appreciated by 10% while the RTY Index has appreciated by 40%. Therefore, investors receive at

maturity the stated principal amount *plus* 150% of the appreciation of the worst performing underlying index, which is the SPX Index in this example, subject to the maximum payment at maturity. Investors receive \$1,150 per Buffered PLUS at maturity.

**EXAMPLE 2: The final index value of each underlying index is greater than its respective initial index value.**

|                      |  |
|----------------------|--|
| Final index value    | SPX Index:<br>3,000  |
|                      | RTY Index: 1,540   |
| Index percent change | SPX Index: $(3,000 - 2,000) / 2,000 = 50\%$<br>RTY Index: $(1,540 - 1,100) / 1,100 = 40\%$   |
| Payment at maturity  | = \$1,000 + (\$1,000 × leverage factor × index percent change of the worst performing underlying index), subject to the maximum payment at maturity<br>= \$1,000 + (\$1,000 × 150% × 40%), subject to the maximum payment at maturity<br>= \$1,230 |

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Buffered Performance Leveraged Upside Securities<sup>SM</sup>

Principal at Risk Securities

In example 2, the final index values of both the SPX Index and RTY Index are greater than their initial index values. The SPX Index has appreciated by 50% while the RTY Index has appreciated by 40%. Therefore, investors receive at maturity the stated principal amount *plus* 150% of the appreciation of the worst performing underlying index, which is the RTY Index in this example, subject to the maximum payment at maturity. Because the payment at maturity cannot exceed the maximum payment at maturity, investors receive \$1,230 per Buffered PLUS at maturity.

**EXAMPLE 3: The final index value of one underlying index is greater than its respective initial index value while the final index value of the other underlying index is less than its respective initial index value, but neither underlying index has decreased from its initial index value by an amount greater than the buffer amount of 20%.**

|                      |  |
|----------------------|--|
| Final index value    | SPX Index:<br>2,800  |
|                      | RTY Index: 935   |
|                      | SPX Index: $(2,800 - 2,000) / 2,000 = 40\%$  |
| Index percent change | RTY Index: $(935 - 1,100) / 1,100 = -15\%$   |
| Payment at maturity  | = \$1,000 + (\$1,000 × absolute index return of the worst performing underlying index) |
|                      | = \$1,000 + (\$1,000 × 15%)  |
|                      | = \$1,150  |

In example 3, the final index value of the SPX Index is greater than its respective initial index value, while the final index value of the RTY Index is less than its respective initial index value. The SPX Index has appreciated by 40%, while the RTY index has declined by 15%, but neither underlying index has decreased from its initial index value by an amount greater than the buffer amount of 20%. Therefore, investors receive at maturity the stated principal amount *plus* 100% of the absolute value of the performance of the worst performing underlying index, which is the RTY Index in this example. Investors receive \$1,150 per Buffered PLUS at maturity. In this example, investors receive a positive return even though one of the underlying indices has declined in value by 15%, due to the absolute return feature of the Buffered PLUS and because neither underlying index has declined to below 80% of its initial index value.

**EXAMPLE 4: The final index value of one underlying index is greater than its respective initial index value while the final index value of the other underlying index is less than 80% of its respective initial index value.**

|                          |   |
|--------------------------|---|
| Final index value        | SPX Index:<br>2,200   |
|                          | RTY Index: 550  |
| Index percent change     | SPX Index: $(2,200 - 2,000) / 2,000 = 10\%$   |
|                          | RTY Index: $(550 - 1,100) / 1,100 = -50\%$  |
| Index performance factor | SPX Index: $2,200 / 2,000 = 110\%$  |
|                          | RTY Index: $550 / 1,100 = 50\%$   |
| Payment at maturity      | $= (\$1,000 \times \text{index performance factor of the worst performing underlying index}) + \$200$<br>$= (\$1,000 \times 50\%) + \$200$<br>$= \$700$ |

In example 4, the final index value of the SPX Index is greater than its respective initial index value, while the final index value of the RTY Index is less than 80% of its respective initial index value. While the SPX Index has appreciated by 10%, the RTY index has declined by 50%. Therefore, investors are exposed to the negative performance of the RTY Index, which is the worst performing underlying index in this example, beyond the buffer amount of 20%, and receive a payment at maturity of \$700 per Buffered PLUS. In this example, investors lose the benefit of the absolute return feature and are exposed to the negative performance of the worst performing underlying index even though the other underlying index has appreciated in value by 10%, because the final index value of each index is not greater than or equal to 80% of its respective initial index value.

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Buffered Performance Leveraged Upside Securities<sup>SM</sup>

Principal at Risk Securities

**EXAMPLE 5: The final index value of each underlying index is less than its respective initial index value, but neither underlying index has decreased from its initial index value by an amount greater than the buffer amount of 20%.**

|                      |  |
|----------------------|--|
| Final index value    | SPX Index:<br>1,700  |
|                      | RTY Index: 880   |
| Index percent change | SPX Index: $(1,700 - 2,000) / 2,000 = -15\%$   |
|                      | RTY Index: $(880 - 1,100) / 1,100 = -20\%$   |
| Payment at maturity  | = \$1,000 + (\$1,000 × absolute index return of the worst performing underlying index) |
|                      | = \$1,000 + (\$1,000 × 20%)  |
|                      | = \$1,200  |

In example 5, the final index value of each underlying index is less than its respective initial index value, but neither underlying index has decreased from its initial index value by an amount greater than the buffer amount of 20%. The SPX index has declined by 15% while the RTY Index has declined by 20%. Therefore, investors receive at maturity the stated principal amount *plus* 100% of the absolute value of the performance of the worst performing underlying index, which is the RTY Index in this example. Investors receive \$1,200 per Buffered PLUS at maturity.

**EXAMPLE 6: The final index value of each underlying index is less than 80% of its respective initial index value.**

|                          |  |
|--------------------------|--|
| Final index value        | SPX Index:<br>600                          |
|                          | RTY Index: 440                             |
| Index percent change     | SPX Index: $(600 - 2,000) / 2,000 = -70\%$ |
|                          | RTY Index: $(440 - 1,100) / 1,100 = -60\%$ |
| Index performance factor | SPX Index: $600 / 2,000 = 30\%$            |
|                          | RTY Index: $440 / 1,100 = 40\%$            |

$$\begin{aligned}\text{Payment at maturity} &= (\$1,000 \times \text{index performance factor of the worst performing underlying index}) + \$200 \\ &= (\$1,000 \times 30\%) + \$200 \\ &= \$500\end{aligned}$$

In example 6, the final index values of both the SPX Index and the RTY Index are less than their respective initial index values by an amount greater than the buffer amount of 20%. The SPX index has declined by 70% while the RTY Index has declined by 60%. Therefore, investors are exposed to the negative performance of the SPX Index, which is the worst performing underlying index in this example, beyond the buffer amount of 20%, and receive a payment at maturity of \$500 per Buffered PLUS.

**Because the payment at maturity of the Buffered PLUS is based on the worst performing of the underlying indices, a decline in either underlying index by an amount greater than the buffer amount of 20% will result in a loss, and potentially a significant loss, of your investment, even if the other underlying index has appreciated or has not declined as much.**

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Buffered Performance Leveraged Upside Securities<sup>SM</sup>

Principal at Risk Securities

Risk Factors

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

**The Buffered PLUS do not pay interest and provide a minimum payment at maturity of only 20% of the stated principal amount.** The terms of the Buffered PLUS differ from those of ordinary debt securities in that the Buffered PLUS do not pay interest and provide a minimum payment at maturity of only 20% of the stated principal amount of the Buffered PLUS. If the final index value of **either** underlying index is **less than 80%** of its initial index value, the absolute return feature will no longer be available and you will instead receive for each Buffered PLUS that you hold a payment at maturity that is less than the stated principal amount of each Buffered PLUS by an amount proportionate to the decline in the value of the worst performing underlying index from its initial index value, plus \$200 per Buffered PLUS. **Accordingly, investors may lose up to 80% of the stated principal amount of the Buffered PLUS.**

**The appreciation potential of the Buffered PLUS is limited by the maximum payment at maturity.** The appreciation potential of the Buffered PLUS is limited by the maximum payment at maturity of \$1,230 per Buffered PLUS, or 123% of the stated principal amount. Although the leverage factor provides 150% exposure to any increase in the final index value of the worst performing underlying index over its initial index value, because the payment at maturity will be limited to 123% of the stated principal amount for the Buffered PLUS, any increase in the final index value of the worst performing underlying index over its initial index value by more than approximately 15.33% of its initial index value will not further increase the return on the Buffered PLUS.

**You are exposed to the price risk of both underlying indices.** Your return on the Buffered PLUS is not linked to a basket consisting of both underlying indices. Rather, it will be based upon the independent performance of each underlying index. 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 both underlying indices. Poor performance by either underlying index 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 underlying index. If either underlying index declines to below 80% of its respective initial index value as of the valuation date, you will lose some or a substantial portion of your investment, even if the other underlying index has appreciated or has not declined as much. Accordingly, your investment is subject to the price risk of both underlying indices.



**Because the Buffered PLUS are linked to the performance of the worst performing underlying index, you are exposed to greater risk of sustaining a loss on your investment than if the Buffered PLUS were linked to just one underlying index.** The risk that you will suffer a loss on your investment is greater if you invest in the Buffered § PLUS as opposed to substantially similar securities that are linked to the performance of just one underlying index. With two underlying indices, it is more likely that either underlying index will decline to below 80% of its initial index value as of the valuation date than if the Buffered PLUS were linked to only one underlying index. Therefore it is more likely that you will suffer a loss on your investment.

**The market price of the Buffered PLUS will be influenced by many unpredictable factors.** Several factors will influence the value of the Buffered PLUS in the secondary market and the price at which MS & Co. may be willing to purchase or sell the Buffered PLUS in the secondary market, including the value, volatility and dividend yield of the underlying indices, interest and yield rates in the market, time remaining until the Buffered PLUS mature, § geopolitical conditions and economic, financial, political, regulatory or judicial events and any actual or anticipated changes in our credit ratings or credit spreads. The levels of the underlying indices may be, and have recently been, volatile, and we can give you no assurance that the volatility will lessen. See “S&P 500® Index Overview” and “Russell 2000® Index Overview” below. You may receive less, and possibly significantly less, than the stated principal amount per Buffered PLUS if you try to sell your Buffered PLUS prior to maturity.

**The Buffered PLUS 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 Buffered PLUS.** You are dependent on our ability § to pay all amounts due on the Buffered PLUS at maturity and therefore you are subject to our credit risk. If we default on its obligations under the

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Buffered PLUS, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the Buffered PLUS 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 Buffered PLUS.

**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 Buffered PLUS are linked to the Russell 2000® Index and are subject to risks associated with small-capitalization companies.** As the Russell 2000® Index is one of the underlying indices, and the Russell 2000® Index consists of stocks issued by companies with relatively small market capitalization, the Buffered PLUS are linked to the value of small-capitalization companies. These companies often have greater stock price volatility, lower trading volume and less liquidity than large-capitalization companies and therefore the Russell 2000® Index may be more volatile than indices that consist of stocks issued by large-capitalization companies. Stock prices of § small-capitalization companies are also more vulnerable than those of large-capitalization companies to adverse business and economic developments, and the stocks of small-capitalization companies may be thinly traded. In addition, small capitalization companies are typically less well-established and less stable financially than large-capitalization companies and may depend on a small number of key personnel, making them more vulnerable to loss of personnel. Such companies tend to have smaller revenues, less diverse product lines, smaller shares of their product or service markets, fewer financial resources and less competitive strengths than large-capitalization companies and are more susceptible to adverse developments related to their products.

§ **The amount payable on the Buffered PLUS is not linked to the values of the underlying indices at any time other than the valuation date.** The final index value of each underlying index will be based on the index closing value of such index on the valuation date, subject to postponement for non-index business days and certain market disruption events. Even if both underlying indices appreciate prior to the valuation date but the value of **either** underlying index drops by the valuation date to less than 80% of its initial index value, the payment at maturity will be less than it would have been had the payment at maturity been linked to the values of the underlying indices prior to such drop. Although the actual values of the underlying indices on the stated maturity date or at other times during the term of the Buffered PLUS may be higher than their respective final index values, the payment at maturity will

be based solely on the index closing values on the valuation date.

**Investing in the Buffered PLUS is not equivalent to investing in either underlying index.** Investing in the Buffered PLUS is not equivalent to investing in either underlying index or the component stocks of either underlying § index. As an investor in the Buffered PLUS, you will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute either underlying index.

**Adjustments to the underlying indices could adversely affect the value of the Buffered PLUS.** The publisher of either underlying index may add, delete or substitute the stocks constituting such underlying index or make other methodological changes that could change the value of such underlying index. The publisher of either underlying § index may discontinue or suspend calculation or publication of such underlying 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 underlying index and will be permitted to consider indices that are calculated and published by the calculation agent or any of its affiliates.

**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 Buffered PLUS in the original § issue price reduce the economic terms of the Buffered PLUS, cause the estimated value of the Buffered PLUS to be less than the original issue price and will adversely affect secondary market prices.** Assuming no change in market conditions or any other

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relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the Buffered PLUS 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 Buffered PLUS in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the Buffered PLUS less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the Buffered PLUS 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 Buffered PLUS in the secondary market, absent changes in market conditions, including those related to the underlying indices, 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 Buffered PLUS 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 Buffered PLUS than those generated by others, including other dealers in the market, if they attempted to value the § Buffered PLUS. 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 Buffered PLUS in the secondary market (if any exists) at any time. The value of your Buffered PLUS 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 Buffered PLUS will be influenced by many unpredictable factors” above.

§ **The Buffered PLUS will not be listed on any securities exchange and secondary trading may be limited.** The Buffered PLUS will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the Buffered PLUS. MS & Co. may, but is not obligated to, make a market in the Buffered PLUS 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 Buffered

PLUS, 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 Buffered PLUS. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Buffered PLUS easily. Since other broker-dealers may not participate significantly in the secondary market for the Buffered PLUS, the price at which you may be able to trade your Buffered PLUS 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 Buffered PLUS, it is likely that there would be no secondary market for the Buffered PLUS. Accordingly, you should be willing to hold your Buffered PLUS to maturity.

**Hedging and trading activity by our affiliates could potentially adversely affect the value of the Buffered PLUS.** 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 Buffered PLUS (and possibly to other instruments linked to the underlying indices or their component stocks), including trading in the stocks that constitute the underlying indices as well as in other instruments related to the underlying indices. As a result, these entities may be unwinding or adjusting hedge positions during the term of the Buffered PLUS, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the valuation date approaches. Some of our affiliates also trade the stocks that constitute the underlying indices and other financial instruments related to the underlying indices 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 affected the initial index value of either underlying index, and, therefore, could have increased the value at or above which such underlying index must close on the valuation date so that investors do not suffer a loss on their initial investment in the Buffered PLUS (depending also on the performance of the other underlying index). Additionally, such hedging or trading activities during the term of the Buffered PLUS, including on the valuation date, could adversely affect the closing value of either underlying index on the valuation date, and, accordingly, the amount of cash an investor will receive at maturity (depending also on the performance of the other underlying index).

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**The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the Buffered PLUS.** As calculation agent, MS & Co. has determined the initial index values, will determine the final index values, including whether any underlying index has decreased to below 80% of its respective initial index value, and will calculate the amount of cash you receive at maturity. 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 final index value in the event of a market disruption event or discontinuance of an underlying index. These potentially subjective determinations may adversely affect the payout to you at maturity. For further information regarding these types of determinations, see “Description of PLUS—Postponement of Valuation Date(s),” “—Alternate Exchange Calculation in case of an Event of Default” and “—Calculation Agent and Calculations” and related definitions in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the Buffered PLUS on the pricing date.

**The U.S. federal income tax consequences of an investment in the Buffered PLUS are uncertain.** Please read the discussion under “Additional Information—Tax considerations” in this document and the discussion under “United States Federal Taxation” in the accompanying product supplement for PLUS (together, the “Tax Disclosure Sections”) concerning the U.S. federal income tax consequences of an investment in the Buffered PLUS. If the Internal Revenue Service (the “IRS”) were successful in asserting an alternative treatment, the timing and character of income on the Buffered PLUS might differ significantly from the tax treatment described in the Tax Disclosure Sections. For example, under one possible treatment, the IRS could seek to recharacterize the Buffered PLUS as debt instruments. In that event, U.S. Holders would be required to accrue into income original issue discount on the Buffered PLUS every year at a “comparable yield” determined at the time of issuance and recognize all income and gain in respect of the Buffered PLUS as ordinary income. Additionally, as discussed under “United States Federal Taxation—FATCA” in the accompanying product supplement for PLUS, the withholding rules commonly referred to as “FATCA” would apply to the Buffered PLUS if they were recharacterized as debt instruments. However, recently proposed regulations (the preamble to which specifies that taxpayers are permitted to rely on them pending finalization) eliminate the withholding requirement on payments of gross proceeds of a taxable disposition. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the Buffered PLUS, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features. We do not plan to request a ruling from the IRS regarding the tax treatment of the Buffered PLUS, and the IRS or a court may not agree with the tax treatment described in the Tax Disclosure Sections.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should

be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Buffered PLUS, possibly with retroactive effect. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Buffered PLUS, including possible alternative treatments, the issues presented by this notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

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S&P 500<sup>®</sup> Index Overview

The S&P 500<sup>®</sup> Index, which is calculated, maintained and published by S&P Dow Jones Indices LLC (“S&P”), consists of stocks of 500 component companies selected to provide a performance benchmark for the U.S. equity markets. The calculation of the S&P 500<sup>®</sup> Index is based on the relative value of the float adjusted aggregate market capitalization of the 500 component companies as of a particular time as compared to the aggregate average market capitalization of 500 similar companies during the base period of the years 1941 through 1943. For additional information about the S&P 500<sup>®</sup> Index, see the information set forth under “S&P 500<sup>®</sup> Index” in the accompanying index supplement.

Information as of market close on February 28, 2019:

|                              |          |
|------------------------------|----------|
| Bloomberg Ticker Symbol:     | SPX      |
| Current Index Value:         | 2,784.49 |
| 52 Weeks Ago:                | 2,713.83 |
| 52 Week High (on 9/20/2018): | 2,930.75 |
| 52 Week Low (on 12/24/2018): | 2,351.10 |

The following graph sets forth the daily closing values of the SPX Index for the period from January 1, 2014 through February 28, 2019. The related table sets forth the published high and low closing values, as well as end-of-quarter closing values, of the SPX Index for each quarter in the same period. The closing value of the SPX Index on February 28, 2019 was 2,784.49. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The SPX index has at times experienced periods of high volatility, and you should not take the historical values of the SPX index as an indication of its future performance.

SPX Index Daily Closing Values  
January 1, 2014 to February 28, 2019



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| S&P 500® Index                            | High     | Low      | Period End |
|---|----------|----------|------------|
| <b>2014</b>                               |          |          |            |
| First Quarter                             | 1,878.04 | 1,741.89 | 1,872.34   |
| Second Quarter                            | 1,962.87 | 1,815.69 | 1,960.23   |
| Third Quarter                             | 2,011.36 | 1,909.57 | 1,972.29   |
| Fourth Quarter                            | 2,090.57 | 1,862.49 | 2,058.90   |
| <b>2015</b>                               |          |          |            |
| First Quarter                             | 2,117.39 | 1,992.67 | 2,067.89   |
| Second Quarter                            | 2,130.82 | 2,057.64 | 2,063.11   |
| Third Quarter                             | 2,128.28 | 1,867.61 | 1,920.03   |
| Fourth Quarter                            | 2,109.79 | 1,923.82 | 2,043.94   |
| <b>2016</b>                               |          |          |            |
| First Quarter                             | 2,063.95 | 1,829.08 | 2,059.74   |
| Second Quarter                            | 2,119.12 | 2,000.54 | 2,098.86   |
| Third Quarter                             | 2,190.15 | 2,088.55 | 2,168.27   |
| Fourth Quarter                            | 2,271.72 | 2,085.18 | 2,238.83   |
| <b>2017</b>                               |          |          |            |
| First Quarter                             | 2,395.96 | 2,257.83 | 2,362.72   |
| Second Quarter                            | 2,453.46 | 2,328.95 | 2,423.41   |
| Third Quarter                             | 2,519.36 | 2,409.75 | 2,519.36   |
| Fourth Quarter                            | 2,690.16 | 2,529.12 | 2,673.61   |
| <b>2018</b>                               |          |          |            |
| First Quarter                             | 2,872.87 | 2,581.00 | 2,640.87   |
| Second Quarter                            | 2,786.85 | 2,581.88 | 2,718.37   |
| Third Quarter                             | 2,930.75 | 2,713.22 | 2,913.98   |
| Fourth Quarter                            | 2,925.51 | 2,351.10 | 2,506.85   |
| <b>2019</b>                               |          |          |            |
| First Quarter (through February 28, 2019) | 2,796.11 | 2,447.89 | 2,784.49   |

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