MORGAN STANLEY
Form 424B2
March 18, 2019

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	*Maximum Aggregate Offering Price*	*Amount of Registration Fee*
Trigger Jump Securities due 2020	$1,924,000	$233.19

March 2019

Pricing Supplement No. 1,716

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

Dated March 14, 2019

Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. and International Equities

Enhanced Trigger Jump Securities Based on the Value of the Worst Performing of the EURO STOXX Banks® Index, the SPDR® S&P® Oil & Gas Exploration & Production ETF and the iShares® MSCI Emerging Markets ETF due March 26, 2020

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** 62% of its respective initial level, which we refer to as the respective downside threshold value, you will receive the stated principal amount for each security that you hold at maturity plus the upside payment of $100 per security. 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 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 $620 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 62% 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. Investors will not participate in any appreciation of any underlying. The 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 and returns above the fixed upside payment 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:	March 14, 2019
Original issue date:	March 19, 2019 (3 business days after the pricing date)
Maturity date:	March 26, 2020
Aggregate principal amount:	$1,924,000
Interest:	None
Underlyings:	The EURO STOXX Banks® Index (the "SX7E Index"), the SPDR® S&P® Oil & Gas Exploration & Production ETF (the "XOP Shares") and the iShares® MSCI Emerging Markets ETF (the "EEM Shares")
Payment at maturity:	If the final level of **each** underlying is **greater than or equal to** its respective downside threshold value: $1,000 + the upside payment If the final level of **any** underlying is **less than** its respective downside threshold value, meaning the level of any underlying has declined by more than 38% 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 38%, and possibly all, of your investment.*
Upside payment:	$100 per security (10% 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 lowest performance factor
Initial level:	With respect to the SX7E Index, 95.71, which is the closing level of such underlying on the pricing date

	With respect to the XOP Shares, $30.10, which is the closing level of such underlying on the pricing date With respect to the EEM Shares, $42.46, which is the closing level of such underlying on the pricing date
Downside threshold value:	With respect to the SX7E Index, 59.340, which is approximately 62% of the initial level for such underlying With respect to the XOP Shares, $18.662, which is 62% of the initial level for such underlying With respect to the EEM Shares, $26.325, which is approximately 62% of the initial level for such underlying
Final level:	With respect to each underlying, the respective closing level of such underlying on the valuation date
Closing level:	With respect to the SX7E Index, on any index business day, the index closing value of such underlying on such day. With respect to each of the XOP Shares and EEM Shares, on any trading day, the closing price of one share of such underlying on such day times the adjustment factor for such underlying on such day
Valuation date:	March 23, 2020, subject to postponement for non-index business days and non-trading days, as applicable and certain market disruption events
Adjustment factor:	With respect to each of the XOP Shares and the EEM Shares, 1.0, subject to adjustment in the event of certain events affecting such underlying.
CUSIP / ISIN:	61768D2N4 / US61768D2N46
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:	$978.30 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	$7.60	$992.40
Total	$1,924,000	$14,622.40	$1,909,377.60

(1) Selected dealers and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of $7.60 for each security they sell. See “Supplemental information regarding plan of distribution; conflicts of interest.” For additional information, see “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement for Jump Securities.

(2) See “Use of proceeds and hedging” on page 25.

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 Banks® Index, the SPDR® S&P® Oil & Gas Exploration & Production ETF and the iShares® MSCI Emerging Markets ETF due March 26, 2020

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 Banks® Index, the SPDR® S&P® Oil & Gas Exploration & Production ETF and the iShares® MSCI Emerging Markets ETF due March 26, 2020 (the "securities") can be used:

§ As an alternative to direct exposure to the underlyings that provides a fixed return of 10% if the final level of **each** underlying is **greater than or equal** to its respective downside threshold value;

§ To potentially outperform the worst performing of the EURO STOXX Banks® Index, the SPDR® S&P® Oil & Gas Exploration & Production ETF 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:	Approximately 53 weeks
Upside payment:	$100 per security (10% of the stated principal amount), payable only if the final level of each underlying is greater than or equal to its respective downside threshold value.
Downside threshold value:	For each underlying, 62% of the respective initial level
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 $978.30.

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.

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.

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Principal at Risk Securities

Key Investment Rationale

The securities provide a return based on the performance of the worst performing of the EURO STOXX Banks® Index, the SPDR® S&P® Oil & Gas Exploration & Production ETF and the iShares® MSCI Emerging Markets ETF. If the final level of each underlying is greater than or equal to its respective downside threshold value, you will receive the stated principal amount for each security that you hold at maturity plus the upside payment of $100 per security. However, if, as of the valuation date, the level of **any** underlying is *less* than its respective downside threshold value, the payment due at maturity will be less than $620 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 upside payment of $100. You will not participate in any appreciation of any underlying.
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.

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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
	With respect to the SX7E Index: 100
Hypothetical Initial Level:	With respect to the XOP Shares: $30
	With respect to the EEM Shares: $40
	With respect to the SX7E Index: 62, which is 62% of its hypothetical initial level
Hypothetical Downside Threshold Value:	With respect to the XOP Shares: $18.60, which is 62% of its hypothetical initial level
	With respect to the EEM Shares: $24.80, which is 62% of its hypothetical initial level
Upside Payment:	$100 (10% of the stated principal amount)
Interest:	None

EXAMPLE 1: Each underlying appreciates substantially, and investors therefore receive the stated principal amount *plus* the upside payment.

Final level	SX7E Index: 200 XOP Shares: $52.50 EEM Shares: $84
	SX7E Index: 200 / 100 = 200%
Performance factor	XOP Shares: $52.50 / $30 = 175%
	EEM Shares: $84 / $40 = 210%
Payment at maturity	=$1,000 + upside payment =$1,000 + $100 =$1,100

In example 1, the final level for the SX7E Index has increased from its initial level by 100%, the final level for the XOP Shares has increased from its initial level by 75% and the final level for the EEM Shares has increased from its initial level by 110%. Because the final level of each underlying is at or above its respective downside threshold value, investors receive at maturity the stated principal amount *plus* the upside payment of $100. Investors receive $1,100 per security at maturity and do not participate in the appreciation of any underlying. Although each underlying has appreciated substantially, the return on the securities is limited to the stated principal amount plus the fixed upside payment of $100.

EXAMPLE 2: The final level of each underlying is at or above its respective downside threshold value, and investors therefore receive the stated principal amount *plus* the upside payment.

Final level	SX7E Index: 115 XOP Shares: $33 EEM Shares: $36
	SX7E Index: 115 / 100 = 115%
Performance factor	XOP Shares: $33 / $30 = 110%
	EEM Shares: $36 / $40 = 90%

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Principal at Risk Securities

Payment at maturity	= $1,000 + upside payment
	= $1,000 + $100
	= $1,100

In example 2, the final level for the SX7E Index has increased from its initial level by 15%, the final level for the XOP Shares has increased from its initial level by 10% and the final level for the EEM Shares has decreased from its initial level by 10%. Because the final level of each underlying is at or above its respective downside threshold value, investors receive at maturity the stated principal amount plus the upside payment of $100. Investors receive $1,100 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	SX7E Index: 120
	XOP Shares: $15
	EEM Shares: $36
	SX7E Index: 120 / 100 = 120%
Performance factor	XOP Shares: $15 / $30 = 50%
	EEM Shares: $36 / $40 = 90%
Payment at maturity	= $1,000 × performance factor of the worst performing underlying
	= $1,000 x 50%
	= $500

In example 3, the final level for the SX7E Index has increased from its initial level by 20%, the final level for the XOP Shares has decreased from its initial index value by 50% and the final level for the EEM Shares has decreased from its initial level by 10%. Because one of the underlyings has declined below its respective downside threshold value, investors lose the benefit of the upside payment and instead are exposed to the full negative performance of the XOP 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 $500 per security, resulting in a loss of 50%.

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	SX7E Index: 20 XOP Shares: $12 EEM Shares: $14
Performance factor	SX7E Index: 20 / 100 = 20% XOP Shares: $12 / $30 = 40% EEM Shares: $14 / $40 = 35%
Payment at maturity	=$1,000 × performance factor of the worst performing underlying
	=$1,000 x 20%
	=$200

In example 4, the final level for the SX7E Index has decreased from its initial level by 80%, the final level for the XOP Shares has decreased from its initial level by 60% and the final level for the EEM Shares has decreased from its initial level by 65%. Because one or more underlyings have declined below their respective downside threshold values, investors lose the benefit of the upside payment and instead are exposed to the full negative performance of the SX7E 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%.

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Principal at Risk Securities

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 level over the term of the securities, and you will lose a significant portion or all of your investment.

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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 62% of its respective initial level, you will lose the benefit of the upside payment and, you will 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. Under these circumstances, 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 each underlying.** Your return on the securities is not linked to a basket consisting of each of the 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 each underlying. 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 62% 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 each underlying.**

§ **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.

- **Appreciation potential is fixed and limited.** Where the final level of each underlying is greater than or equal to its respective downside threshold value, the appreciation potential of the securities is limited to the fixed upside payment of $100 per security (10% of the stated principal amount), even if all three underlyings have appreciated substantially.

- **The amount payable on the securities is not linked to the levels 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, non-trading days and certain market disruption events. Even if the level 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 level of the worst performing underlying prior to such drop. Although the actual level 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 final 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

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Principal at Risk Securities

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-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:

o the values of the underlyings at any time (including in relation to their initial levels and downside threshold values),

o the volatility (frequency and magnitude of changes in value) of each underlying and of the stocks composing the SX7E Index, the S&P® Oil & Gas Exploration & Production Select Industry Index® and the MSCI Emerging Markets Index℠,

o dividend rates on the securities underlying the SX7E Index, the S&P® Oil & Gas Exploration & Production Select Industry Index® and the MSCI Emerging Markets Index℠,

o interest and yield rates in the market,

o 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 levels of the underlyings,

o the time remaining until the maturity of the securities,

o the composition of the underlyings and changes in the constituent stocks of the SX7E Index, the S&P® Oil & Gas Exploration & Production Select Industry Index® and the MSCI Emerging Markets Index℠,

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

- o any actual or anticipated changes in our credit ratings or credit spreads.

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 62% 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 its respective downside threshold value 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 securities 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, such as the securities, linked to the value of foreign (and especially emerging markets) equity securities.** The SX7E Index is linked to the value of foreign equity securities. The EEM Shares track the performance of the MSCI Emerging Markets Index℠, which is linked to 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. 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.

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.

§ **Investing in the securities exposes investors to risks associated with investments in securities with a concentration in the oil and gas exploration and production industry**. The stocks included in the S&P® Oil & Gas Exploration & Production Select Industry Index® and that are generally tracked by the XOP Shares are stocks of companies whose primary business is associated with the exploration and production of oil and gas. 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 oil and gas industry is significantly affected by a number of factors that influence worldwide economic conditions and oil and gas prices, such as natural disasters, supply disruptions, geopolitical events and other factors that may offset or magnify each other, including:

o worldwide and domestic supplies of, and demand for, crude oil and natural gas;

o the cost of exploring for, developing, producing, refining and marketing crude oil and natural gas;

o consumer confidence;

o changes in weather patterns and climatic changes;

- o the ability of the members of Organization of Petroleum Exporting Countries (OPEC) and other producing nations to agree to and maintain production levels;
- o the worldwide military and political environment, uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or further acts of terrorism in the United States, or elsewhere;
- o the price and availability of alternative and competing fuels;
- o domestic and foreign governmental regulations and taxes;
- o employment levels and job growth; and
- o general economic conditions worldwide.

These or other factors or the absence of such factors could cause a downturn in the oil and natural gas industries generally or regionally and could cause the value of some or all of the component stocks included in the S&P® Oil & Gas Exploration & Production Select Industry Index® to decline during the term of the securities.

§ **The price of the EEM Shares is subject to currency exchange risk.** Because the price of the EEM Shares is related to the U.S. dollar value of stocks underlying the MSCI Emerging Markets Index℠, holders of the securities will be exposed to currency exchange rate risk with respect to 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 currency. If, taking into account such weighting, the dollar strengthens against the currencies of the component securities represented in the MSCI Emerging Markets Index℠, the price of the EEM Shares will be adversely affected and the payment at maturity on the securities may be reduced.

§ **Investing in the securities is not equivalent to investing in the underlyings or the stocks composing the SX7E Index, the S&P® Oil & Gas Exploration & Production Select Industry Index® or the MSCI Emerging Markets Index℠.** Investing in the securities is not equivalent to investing in any of the underlyings or the stocks that constitute the SX7E Index, the S&P® Oil & Gas Exploration & Production Select Industry Index® or the MSCI Emerging Markets 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 the underlyings or the stocks that constitute the SX7E Index, the S&P® Oil & Gas Exploration & Production Select Industry Index® or the MSCI Emerging Markets Index℠.

§ **Adjustments to the SX7E Index could adversely affect the value of the securities.** The publisher of the SX7E Index can add, delete or substitute the stocks underlying the SX7E Index, and can make other methodological changes for certain events relating to the underlying stocks, such as stock dividends, stock splits, spin-offs, rights offerings and extraordinary dividends, that could change the value of the SX7E Index. Any of these actions could adversely affect the value of the securities. The publisher of the SX7E Index may also discontinue or suspend calculation or publication of the SX7E 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 SX7E Index. 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 based on the closing prices on the relevant date of the stocks underlying the SX7E Index at the time of such discontinuance, without rebalancing or substitution, computed by the calculation agent in accordance with the formula for calculating the SX7E Index last in effect prior to the discontinuance of the SX7E Index (depending also on the performance of the other underlyings).

§ **Adjustments to the XOP Shares or the EEM Shares or the indices tracked by such underlyings could adversely affect the value of the securities.** The investment advisor to each of the XOP Shares and the EEM Shares, (SSGA Funds Management Inc. for the XOP Shares and BlackRock Fund Advisors for the EEM Shares), seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the relevant share underlying index. Pursuant to its investment strategy or otherwise, the investment advisor may add, delete or substitute the stocks composing the respective underlying. Any of these actions could adversely affect the price of the respective underlying and, consequently, the value of the securities. The publisher of the S&P® Oil & Gas Exploration & Production Select Industry Index® and the MSCI Emerging Markets Index℠ is responsible for calculating and maintaining the share underlying indices. It may add, delete or substitute the securities constituting the share underlying indices or make other methodological changes that could change the value of the share underlying indices, and, consequently, the price of the underlyings and the value of the securities. The publisher of the share underlying indices may discontinue or suspend calculation or publication of a share 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 share underlying index and will be permitted to consider indices that are calculated and published by the calculation agent or any of its affiliates.

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