MORGAN STANLEY
Form FWP
April 16, 2019

Preliminary Terms	*Preliminary Terms No. 1,848*
To prospectus dated November 16, 2017, prospectus supplement	*Registration Statement Nos. 333-221595; 333-221595-01*
dated November 16, 2017 and index supplement dated November 16, 2017	*Dated April 16, 2019; Rule 433*

Structured Investments

Morgan Stanley Finance LLC
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Buffered Notes Linked to the iShares® China Large-Cap ETF due May 5, 2020

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

General

- The securities are designed for investors who seek unleveraged exposure to the potential appreciation of the iShares® China Large-Cap ETF at maturity, up to a Maximum Total Return on the securities of 10.00%. Investors should be willing to forgo interest and dividend payments and upside returns above the Maximum Total Return, and, if the Underlying Shares decline by more than 20.55%, be willing to lose some or all of their principal.
- Unsecured obligations of Morgan Stanley Finance LLC ("MSFL"), fully and unconditionally guaranteed by Morgan Stanley, maturing May 5, 2020†
- Minimum purchase of $10,000. Minimum denominations of $1,000 and integral multiples thereof.
- The securities are expected to price on or about April 18, 2019 and are expected to settle on or about April 24, 2019.
- **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.**

Terms

Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Underlying Shares:	Shares of the iShares® China Large-Cap ETF (the "Fund")
Payment at Maturity:	If the Ending Share Price is greater than the Initial Share Price, you will receive a cash payment that provides you with a return per $1,000 principal amount security equal to the Underlying Share Return, subject to a Maximum Total Return on the securities of 10.00%. For example, if the Underlying Share Return is greater than or equal to 10.00%, you will receive the Maximum Total Return on the securities of 10.00%, which entitles you to the maximum payment at maturity of $1,100.00 for every $1,000 principal amount security that you hold. Accordingly, if the Underlying Share Return is positive, your payment per $1,000 principal amount security will be calculated as follows, subject to the Maximum Total Return:

	\$1,000 + (\$1,000 x Underlying Share Return) If the Ending Share Price is equal to the Initial Share Price, or declines from the Initial Share Price by 20.55% or less, you will receive the principal amount of your securities at maturity. Your investment will be fully exposed, on a leveraged basis, to any decline of the Underlying Shares from the Initial Share Price by more than 20.55%. If the Ending Share Price declines from the Initial Share Price by more than 20.55%, you will lose 1.2587% of the principal amount of your securities for every 1% that the Underlying Shares decline below 79.45% of the Initial Share Price, and your payment per \$1,000 principal amount security will be calculated as follows: \$1,000 + [\$1,000 x (Underlying Share Return + 20.55%) x Downside Factor] *You will lose some or all of your investment at maturity if the Ending Share Price declines from the Initial Share Price by more than 20.55%.*
Maximum Total Return	10.00%
Buffer Amount:	20.55%
Downside Factor:	1.2587
Underlying Share Return:	The performance of the Underlying Shares from the Initial Share Price to the Ending Share Price, calculated as follows: $\frac{\text{Ending Share Price – Initial Share Price}}{\text{Initial Share Price}}$ The Underlying Share Return may be positive, zero or negative.
Initial Share Price:	The Underlying Share Closing Price on the Pricing Date.
Ending Share Price:	The arithmetic average of the Underlying Share Closing Prices on each of the five Averaging Dates.
Underlying Share Closing Price:	On any trading day, the Share Closing Price for the Underlying Shares times the Adjustment Factor on such day.
Adjustment Factor	1.0, subject to adjustment in the event of certain events affecting the Underlying Shares. See "Additional Terms Specific to the Securities–Antidilution Adjustments" below.
Averaging Dates†	April 24, 2020, April 27, 2020, April 28, 2020, April 29, 2020 and April 30, 2020.
Maturity Date†	May 5, 2020
Pricing Date:	April 18, 2019
Issue Date:	April 24, 2019
Listing:	The securities will not be listed on any securities exchange.
Estimated value on the Pricing Date:	Approximately \$984.30 per security, or within \$10.00 of that estimate. See "Additional Terms Specific To The Securities" on page 2.
CUSIP / ISIN:	61768D6N0 / US61768D6N00

† Subject to postponement in the event of a market disruption event as described under "Additional Terms Specific to the Securities–Market Disruption Events" below.

Investing in the Buffered Notes involves a number of risks. See "Selected Risk Considerations" beginning on page 6 of these preliminary terms.

Morgan Stanley and MSFL have filed a registration statement (including a prospectus, as supplemented by a prospectus supplement and an index supplement) with the Securities and Exchange Commission, or SEC, for

the offering to which these preliminary terms relate. Before you invest, you should read the prospectus in that registration statement, the prospectus supplement, the index supplement and any other documents relating to this offering that Morgan Stanley and MSFL have filed with the SEC for more complete information about Morgan Stanley, MSFL, and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at.www.sec.gov. Alternatively, Morgan Stanley, MSFL, any agent or any dealer participating in this offering will arrange to send you the prospectus, the prospectus supplement, the index supplement and these preliminary terms if you so request by calling toll-free 1-800-584-6837.

You may revoke your offer to purchase the securities at any time prior to the time at which we accept such offer on the date the securities are priced. We reserve the right to change the terms of, or reject any offer to purchase the securities prior to their issuance. In the event of any changes to the terms of the securities, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes in which case we may reject your offer to purchase.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or the adequacy of these preliminary terms or the accompanying prospectus supplement, index supplement and prospectus. Any representation to the contrary is a criminal offense.

	Price to Public(1)	Fees and Commissions(1)(2)	Proceeds to Issuer(3)
Per security	$1,000	$10.00	$990.00
Total	$	$	$

(1) J.P. Morgan Securities LLC and JPMorgan Chase Bank, N.A. will act as placement agents for the securities. The placement agents will forgo fees for sales to certain fiduciary accounts. The total fees represent the amount that the placement agents receive from sales to accounts other than such fiduciary accounts. The placement agents will receive a fee from the Issuer or one of its affiliates that will not exceed $10.00 per $1,000 principal amount of securities.

(2) Please see "Supplemental Plan of Distribution; Conflicts of Interest" in these preliminary terms for information about fees and commissions.

(3) See "Use of Proceeds and Hedging" on page 16.

The agent for this offering, Morgan Stanley & Co. LLC ("MS & Co."), is an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See "Supplemental Plan of Distribution; Conflicts of Interest" below.

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.

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

Morgan Stanley

April 16, 2019

Additional Terms Specific to the Securities

You should read these preliminary terms together with the prospectus dated November 16, 2017, as supplemented by the prospectus supplement dated November 16, 2017 and the index supplement dated November 16, 2017. These Buffered Notes are an issuance of our Series A notes and their terms are further described in the prospectus supplement. **These preliminary terms, together with the documents listed below, contain the terms of the securities and supersede all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours.** We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the securities.

You may access these documents on the SEC website at.www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

· Prospectus Supplement dated November 16, 2017:

https://www.sec.gov/Archives/edgar/data/895421/000095010317011241/dp82788_424b2-seriesa.htm

· Index Supplement dated November 16, 2017:

https://www.sec.gov/Archives/edgar/data/895421/000095010317011283/dp82797_424b2-indexsupp.htm

· Prospectus dated November 16, 2017:

https://www.sec.gov/Archives/edgar/data/895421/000095010317011237/dp82798_424b2-base.htm

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 will be less than $1,000. We estimate that the value of each security on the Pricing Date will be approximately $984.30, or within $10.00 of that estimate. Our estimate of the value of the securities as determined on the Pricing Date will be set forth in the final pricing supplement.

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 Underlying Shares. The estimated value of the securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the Underlying Shares, instruments based on the Underlying Shares, 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 Maximum Total Return, the Buffer Amount and the Downside Factor, 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 Underlying Shares, 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 Underlying Shares, 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.

What is the Total Return on the Securities at Maturity Assuming a Range of Performance for the Underlying Shares?

The following table and graph illustrate the hypothetical total return at maturity on the securities. The "total return" as used in these preliminary terms is the number, expressed as a percentage, that results from comparing the payment at maturity per $1,000 principal amount security to $1,000. The hypothetical total returns set forth below reflect the Maximum Total Return of 10.00%, the Buffer Amount of 20.55% and the Downside Factor of 1.2587, and assume an Initial Share Price of $45.00. The actual Initial Share Price is set forth on the cover page of this document. The hypothetical total returns set forth below are for illustrative purposes only and may not be the actual total returns applicable to a purchaser of the securities. The numbers in the table below may be rounded for ease of analysis.

Ending Share Price	Underlying Share Return	Payment on Securities (per $1,000)	Total Return on Securities
$81.00	80.00%	$1,100.00	10.000%
$67.50	50.00%	$1,100.00	10.000%
$63.00	40.00%	$1,100.00	10.000%
$58.50	30.00%	$1,100.00	10.000%
$54.00	20.00%	$1,100.00	10.000%
$49.50	10.00%	$1,100.00	10.000%
$47.25	5.00%	$1,050.00	5.000%
$45.45	1.00%	$1,010.00	1.000%
$45.00	**0.00%**	**$1,000.00**	**0.000%**
$42.75	-5.00%	**$1,000.00**	**0.000%**
$40.50	-10.00%	**$1,000.00**	**0.000%**
$38.25	-15.00%	**$1,000.00**	**0.000%**
$36.00	-20.00%	**$1,000.00**	**0.000%**
$35.75	-20.55%	**$1,000.00**	**0.000%**
$35.55	-21.00%	$994.34	-0.566%
$31.50	-30.00%	$881.05	-11.895%
$27.00	-40.00%	$755.18	-24.482%
$22.50	-50.00%	$629.31	-37.069%
$0.00	-100.00%	$0.00	-100.000%

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Hypothetical Examples of Amounts Payable at Maturity

The following examples illustrate how the total returns set forth in the table and graph above are calculated.

Example 1: The price of the Underlying Shares increases from an Initial Share Price of $45.00 to an Ending Share Price of $63.00. Because the Underlying Share Return of 40% exceeds the Maximum Total Return of 10.00%, the investor receives a payment at maturity of $1,100.00 per $1,000 principal amount security, the maximum payment on the securities.

Example 2: The price of the Underlying Shares increases from an Initial Share Price of $45.00 to an Ending Share Price of $47.25. Because the Ending Share Price of $47.25 is greater than the Initial Share Price of $45.00 and the Underlying Share Return of 5% does not exceed the Maximum Total Return of 10.00%, the investor receives a payment at maturity of $1,050.00 per $1,000 principal amount security, calculated as follows:

$1,000 + ($1,000 x 5%) = $1,050.00

Example 3: The price of the Underlying Shares decreases from an Initial Share Price of $45.00 to an Ending Share Price of $40.50. Because the Ending Share Price of $40.50 is less than the Initial Share Price of $45.00 by not more than the Buffer Amount of 20.55%, the investor will receive a payment at maturity of $1,000 per $1,000 principal amount security.

Example 4: The price of the Underlying Shares decreases from an Initial Share Price of $45.00 to an Ending Share Price of $22.50. Because the Ending Share Price of $22.50 is less than the Initial Share Price of $45.00 by more than the Buffer Amount of 20.55%, the Underlying Share Return is negative and the investor will receive a payment at maturity of $629.31 per $1,000 principal amount security, calculated as follows:

$1,000 + [$1,000 x (-50% + 20.55%) x 1.2587] = $629.31

Selected Purchase Considerations

- **CAPPED APPRECIATION POTENTIAL; NO GUARANTEED RETURN OF ANY PRINCIPAL** – The securities provide unleveraged exposure to the potential appreciation of the Underlying Shares, up to the Maximum Total Return on the securities of 10.00%, resulting in a maximum Payment at Maturity of $1,100.00 for every $1,000 principal amount security. However, investors will be fully exposed, on a leveraged basis, to any decline in the Underlying Shares from the Initial Share Price by more than the Buffer Amount of 20.55%. Because the securities are our senior unsecured obligations, payment of any amount at maturity is subject to our ability to pay our obligations as they become due.

- **SECURITIES LINKED TO THE ISHARES® CHINA LARGE-CAP ETF** — The iShares® China Large-Cap ETF is managed by iShares®, Inc. (“iShares”), a registered investment company that consists of numerous separate investment portfolios, including the iShares® China Large-Cap ETF. The iShares® China Large-Cap ETF is an exchange-traded fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the FTSE China 50 Index (the “Share Underlying Index”). See “Information about the Underlying Shares” on page 17 of these preliminary terms.

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Selected Risk Considerations

An investment in the securities involves significant risks. Investing in the securities is not equivalent to investing directly in the Underlying Shares or its components. Some of these risks are explained in more detail in the prospectus.

- **YOUR INVESTMENT IN THE SECURITIES MAY RESULT IN A LOSS** – The securities do not guarantee any return of principal. The return on the securities at maturity is linked to the performance of the Underlying Shares and will depend on whether, and the extent to which, the Underlying Share Return is positive or negative. Your investment will be exposed on a leveraged basis of 1.2587% to each 1% decline in the Ending Share Price beyond the 20.55% Buffer Amount as compared to the Initial Share Price. There is no minimum payment at maturity on the securities, and, accordingly, you could lose your entire initial investment in the securities.

- **YOUR MAXIMUM GAIN ON THE SECURITIES IS LIMITED TO THE MAXIMUM TOTAL RETURN** – If the Ending Share Price is greater than the Initial Share Price, for each $1,000 principal amount security, you will receive at maturity $1,000 plus an additional amount that will not exceed the Maximum Total Return of 10.00% of the stated principal amount, regardless of any further appreciation in the Underlying Shares, which may be significant.

- **THE SECURITIES DO NOT PAY INTEREST –** Unlike ordinary debt securities, the securities do not pay interest and do not guarantee any return of principal at maturity.

- **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.

- **THERE ARE RISKS ASSOCIATED WITH INVESTMENTS IN SECURITIES LINKED TO THE VALUE OF FOREIGN (AND ESPECIALLY EMERGING MARKETS) EQUITY SECURITIES.** The Underlying Shares track the performance of the Share Underlying 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. In addition, the stocks included in the Share Underlying Index and that are generally tracked by the Underlying Shares have been issued by companies in various emerging markets countries, which pose further risks in addition to the risks associated with investing in foreign equity markets generally. Countries with emerging markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and may have less protection of property rights than more developed countries. The economies of countries with emerging markets may be based on only a few industries, may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme and volatile debt burdens or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. Moreover, the economies in such countries may differ unfavorably from the economy in the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources, self-sufficiency and balance of payment positions between countries.

- **THE PRICE OF THE UNDERLYING SHARES IS SUBJECT TO CURRENCY EXCHANGE RISK.** Because the price of the Underlying Shares is related to the U.S. dollar value of the stocks included in the Share Underlying

Index, holders of the securities will be exposed to currency exchange rate risk with respect to each of the currencies in which such component securities trade. Exchange rate movements for a particular currency are volatile and are the result of numerous factors including the supply of, and the demand for, those currencies, as well as relevant government policy, intervention or actions, but are also influenced significantly from time to time by political or economic developments, and by macroeconomic factors and speculative actions related to the relevant region. An investor's net exposure will depend on the extent to which the currencies of the component securities strengthen or weaken against the U.S. dollar and the relative weight of each currency. If, taking into account such weighting, the dollar strengthens against the currencies of the component securities represented in the Share Underlying Index, the price of the Underlying Shares will be adversely affected and the payment at maturity on the securities may be reduced.

Of particular importance to potential currency exchange risk are:

- existing and expected rates of inflation;
- existing and expected interest rate levels;
- the balance of payments; and
- the extent of governmental surpluses or deficits in the countries represented in the Share Underlying Index and the United States.

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

- **MANY ECONOMIC AND MARKET FACTORS WILL IMPACT THE VALUE OF THE SECURITIES –** In addition to the price of the Underlying Shares on any day, the value of the securities will be affected by a number of economic and market factors that may either offset or magnify each other, including:

- the trading price, volatility (frequency and magnitude of changes in value) and dividends of the Underlying Shares and of the stocks composing the iShares® China Large-Cap ETF;
- the time remaining until the securities mature;
- interest and yield rates in the market;

- geopolitical conditions and economic, financial, political, regulatory or judicial events that affect securities markets generally or the component stocks of the Share Underlying Index and which may affect the price of the Underlying Shares on the Averaging Dates;

- the occurrence of certain events affecting the Underlying Shares that may or may not require an adjustment to the adjustment factor;

- the composition of the Share Underlying Index and changes in the constituent stocks of the Share Underlying Index; and

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

Some or all of these factors will influence the price that you will receive if you sell your securities prior to maturity. For example, you may have to sell your securities at a substantial discount from the principal amount of $1,000 per security if, at the time of sale, the price of the Underlying Shares is below the Initial Share Price.

You can review a graph setting forth the historical performance of the Underlying Shares in the section of these preliminary terms called "Historical Information."

You cannot predict the future performance of the Underlying Shares based on its historical performance. We cannot guarantee that the Ending Share Price will be greater than the Initial Share Price so that you will receive a payment at maturity in excess of $1,000, or that you will not lose some or all of your investment.

- **INVESTING IN THE SECURITIES IS NOT EQUIVALENT TO INVESTING IN THE UNDERLYING SHARES OR THE STOCKS COMPOSING THE SHARE UNDERLYING INDEX.** Investing in the securities is not equivalent to investing in the Underlying Shares, the Share Underlying Index or the stocks that constitute the Share Underlying Index. Investors in the securities will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to the Underlying Shares or the stocks that constitute the Share Underlying Index.

- **ADJUSTMENTS TO THE UNDERLYING SHARES OR TO THE SHARE UNDERLYING INDEX COULD ADVERSELY AFFECT THE VALUE OF THE SECURITIES.** As the investment adviser to the iShares® China Large-Cap ETF, BlackRock Fund Advisors (the "Investment Advisor"), seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the Share Underlying Index. Pursuant to its investment strategy or otherwise, the Investment Advisor may add, delete or substitute the stocks composing the iShares® China Large-Cap ETF. Any of these actions could adversely affect the price of the Underlying Shares and, consequently, the value of the securities. FTSE International Limited ("FTSE Russell") is responsible for calculating and maintaining the Share Underlying Index. FTSE

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Russell can add, delete or substitute the stocks underlying the Share Underlying Index that could affect the value of the Share Underlying Index and, consequently, the price of the Underlying Shares and the value of the securities.

- **THE PERFORMANCE AND MARKET PRICE OF THE FUND, PARTICULARLY DURING PERIODS OF MARKET VOLATILITY, MAY NOT CORRELATE WITH THE PERFORMANCE OF THE SHARE UNDERLYING INDEX, THE PERFORMANCE OF THE COMPONENT SECURITIES OF THE SHARE UNDERLYING INDEX OR THE NET ASSET VALUE PER SHARE OF THE FUND –** The Fund does not fully replicate the Share Underlying Index and may hold securities that are different than those included in the Share Underlying Index. In addition, the performance of the Fund will reflect additional transaction costs and fees that are not included in the calculation of the Share Underlying Index. All of these factors may lead to a lack of correlation between the performance of the Fund and the Share Underlying Index. In addition, corporate actions (such as mergers and spin-offs) with respect to the equity securities underlying the Fund may impact the variance between the performances of the Fund and the Share Underlying Index. Finally, because the shares of the Fund are traded on an exchange and are subject to market supply and investor demand, the market price of one share of the Fund may differ from the net asset value per share of the Fund.

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

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

- **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., may be 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 Underlying Shares, 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,

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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 these preliminary terms will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also “Many economic and market factors will impact the value of the securities” above.

- **LACK OF LIQUIDITY** – 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 (“MS & Co.”) may, but is not obligated to, make a market in the securities and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the securities, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily. Since other broker-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.

- **POTENTIAL CONFLICTS** – We and our affiliates play a variety of roles in connection with the issuance of the securities, including acting as calculation agent and hedging our obligations under the securities. In performing these duties, the economic interests of the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the securities.

As calculation agent, MS & Co. may make certain determinations that 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 certain adjustments to the adjustment factor. These potentially subjective determinations may adversely affect the payout to you at maturity, if any. For further information regarding these types of determinations, see “Additional Terms of the Securities—Adjustment Factor,” —Antidilution Adjustments,” “—Market Disruption Events.” “—Postponement Averaging Dates,” “—Alternate Exchange Calculation in Case of an Event of Default,” “—Discontinuance of the Underlying Shares and/or Share Underlying Index; Alteration of Method of Calculation” and related definitions below.

Additionally, some of our affiliates also trade the Underlying Shares and other financial instruments related to the Underlying Shares 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 potentially affect the price of the Underlying Shares. We will not have any obligation to consider your interests as a holder of the securities in taking any corporate action that might affect the price of the Underlying Shares and the value of the securities. In addition, MS & Co. has determined the estimated value of the securities on the Pricing Date.

- **HEDGING AND TRADING ACTIVITY BY OUR AFFILIATES COULD POTENTIALLY ADVERSELY AFFECT THE VALUE OF THE SECURITIES**– One or more of our affiliates and/or third-party dealers expect to carry out hedging activities related to the securities (and to other instruments linked to the Underlying Shares or the Share Underlying Index), including trading in the Underlying Shares. As a result, these entities may be unwinding or adjusting hedge positions during the term of the securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the Averaging Dates approach. Some of our affiliates also trade the Underlying Shares and other financial instruments related to the Underlying Shares 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 potentially increase the Initial Share Price, and, therefore, could increase the price at or above which the Underlying Shares must close on the Averaging Dates so that investors do not suffer a loss on their initial investment in the securities.

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

- **THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE SECURITIES ARE UNCERTAIN –** Please note that the discussions in this pricing supplement concerning the U.S. federal income tax consequences of an investment in the securities supersede the discussions contained in the accompanying prospectus supplement.

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Subject to the discussion under “United States Federal Taxation” in this pricing supplement, although there is uncertainty regarding the U.S. federal income tax consequences of an investment in the securities due to the lack of governing authority, in the opinion of our counsel, Davis Polk & Wardwell LLP (“our counsel”), under current law, and based on current market conditions, it is more likely than not that a security will be treated as a single financial contract that is an “open transaction” for U.S. federal income tax purposes. However, our counsel’s opinion is based on market conditions as of the date of this preliminary pricing supplement and is subject to confirmation on the pricing date.

Because the securities are linked to shares of an exchange-traded fund, although the matter is not clear, there is a substantial risk that an investment in the securities will be treated as a “constructive ownership transaction.” If this treatment applies, all or a portion of any long-term capital gain of a U.S. Holder in respect of the securities could be recharacterized as ordinary income (in which case an interest charge would be imposed). U.S. investors should read the section entitled “United States Federal Taxation — Tax Consequences to U.S. Holders — Tax Treatment of the Securities — Potential Application of the Constructive Ownership Rule” in this pricing supplement.

If the Internal Revenue Service (the “IRS”) were successful in asserting an alternative treatment for the securities, the timing and character of income on the securities might differ significantly from the tax treatment described herein. There is a risk that the IRS may seek to treat all or a portion of the gain on the securities as ordinary income. For example, there is a substantial risk that the IRS could seek to recharacterize the securities as debt instruments. In that event, U.S. Holders (as defined below) would be required to accrue into income original issue discount on the securities every year at a “comparable yield” determined at the time of issuance and recognize all income and gain in respect of the securities as ordinary income. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the securities, 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 securities, and the IRS or a court may not agree with the tax treatment described in this pricing supplement.

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. Holders (as defined below) 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 securities, possibly with retroactive effect.

Both U.S. and Non-U.S. Holders should read carefully the discussion under “United States Federal Taxation” in this pricing supplement and consult their tax advisers regarding all aspects of the U.S. federal tax consequences

of an investment in the securities as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

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Additional Terms of the Securities

Terms used but not defined in these preliminary terms are defined in the prospectus supplement, in the index supplement or in the prospectus.

Share Underlying Index. FTSE China 50 Index

Share Underlying Index Publisher. FTSE International Limited ("FTSE Russell") or any successor thereof

Adjustment Factor. The Adjustment Factor with respect to the Underlying Shares is initially set at 1.0, and is subject to adjustment in the event of certain corporate events affecting the Underlying Shares. See "—Antidilution Adjustments" below.

Antidilution Adjustments. The Adjustment Factor will be adjusted as follows:

If the Underlying Shares are subject to a stock split or reverse stock split, then once such split has become effective, the Adjustment Factor will be adjusted to equal the product of the then-current Adjustment Factor and the number of shares issued in such stock split or reverse stock split with respect to one Underlying Share.

No adjustment to the Adjustment Factor will be required unless such adjustment would require a change of at least 0.1% in the Adjustment Factor then in effect. The Adjustment Factor resulting from any of the adjustments specified above will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward. Adjustments to the Adjustment Factor will be made up to the close of business on the final Averaging Date.

No adjustments to the Adjustment Factor or method of calculating the Adjustment Factor will be required other than those specified above. The adjustments specified above do not cover all events that could affect the Share Closing Price of the Underlying Shares.

The Calculation Agent will be solely responsible for the determination and calculation of any adjustments to the Adjustment Factor or method of calculating the Adjustment Factor and of any related determinations, and its determinations and calculations with respect thereto will be conclusive in the absence of manifest error.

The Calculation Agent will provide information as to any adjustments to the Adjustment Factor upon written request by any investor in the securities.

Calculation Agent. The Calculation Agent for the securities will be MS & Co. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you, the Trustee and us.

All calculations with respect to the Payment at Maturity, if any, will be made by the Calculation Agent and will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (e.g., .876545 would be rounded to .87655); all dollar amounts related to determination of the amount of cash payable, if any, per Stated Principal Amount of the securities will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of the securities, if any, will be rounded to the nearest cent, with one-half cent rounded upward.

Because the calculation agent is our affiliate, the economic interests of the calculation agent and its affiliates may be adverse to your interests as an investor in the securities, including with respect to certain determinations and judgments that the calculation agent must make in determining the payment that you will receive, if any, at maturity or whether a market disruption event has occurred. See “Market Disruption Event” and “Discontinuance of the Underlying Shares and/or Share Underlying Index; Alteration of Method of Calculation” below. MS & Co. is obligated to carry out its duties and functions as calculation agent in good faith and using its reasonable judgment.

Market Disruption Events. Market Disruption Event means, with respect to the Underlying Shares (or any other security for which a trading price or closing price must be determined):

(i) the occurrence or existence of:

(a) a suspension, absence or material limitation of trading of the Underlying Shares on the primary market for the Underlying Shares for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session in such market; or a breakdown or failure in the price and trade reporting systems of the primary market for the Underlying Shares as a result of which the reported trading prices for the Underlying Shares during the last one-half hour preceding the close of the principal trading session in such market are materially inaccurate; or the suspension, absence or material limitation of trading on the primary market for trading in futures or options contracts related to the Underlying Shares, if available, during the one-half hour period preceding the close of the principal trading session in the applicable market; or

(b) a suspension, absence or material limitation of trading of securities then constituting 20 percent or more of the value of the Share Underlying Index on the Relevant Exchanges for such securities for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such Relevant Exchanges; or

(c) the suspension, material limitation or absence of trading on any major U.S. securities market for trading in futures or options contracts related to the Share Underlying Index or the Underlying Shares for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such market,

in each case as determined by the Calculation Agent in its sole discretion; and

(ii) a determination by the Calculation Agent in its sole discretion that any event described in clause (i) above materially interfered with our ability or the ability of any of our affiliates to unwind or adjust all or a material portion of the hedge position with respect to the securities.

For the purpose of determining whether a Market Disruption Event exists at any time, if trading in a security included in the Share Underlying Index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the value of the Share Underlying Index, shall be based on a comparison of (x) the portion of the value of such index attributable to that security relative to (y) the overall value of such index, in each case immediately before that suspension or limitation.

For purposes of determining whether a Market Disruption Event has occurred: (1) a limitation on the hours or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Relevant Exchange or market, (2) a decision to permanently discontinue trading in the Underlying Shares or in futures or options contract related to the Share Underlying Index or the Underlying Shares will not constitute a Market Disruption Event, (3) a suspension of trading in futures or options contracts on the Share Underlying Index or on the Underlying Shares by the primary securities market trading in such contracts by reason of (a) a price change exceeding limits set by such securities exchange or market, (b) an imbalance of orders relating to such contracts or (c) a disparity in bid and ask quotes relating to such contracts will constitute a suspension, absence or material limitation of trading in futures or options contracts related to the Share Underlying Index or the Underlying Shares, and (4) a "suspension, absence or material limitation of trading" on any Relevant Exchange or on the primary market on which futures or options contracts related to the Share Underlying Index or the Underlying Shares are traded will not include any time when such securities market is itself closed for trading under ordinary circumstances.

Relevant Exchange. Relevant Exchange means the primary exchange(s) or market(s) of trading for any security (or any combination thereof) then included in the Share Underlying Index or any successor index.

Postponement of Maturity Date: If the scheduled Maturity Date is not a Business Day, then the Maturity Date will be the next succeeding Business Day immediately following the scheduled Maturity Date. If the final Averaging Date is postponed so that it falls less than three scheduled Business Days prior to the scheduled Maturity Date, the Maturity Date will be the third scheduled Business Day following the final Averaging Date as postponed. See "–Postponement of Averaging Dates" below.

Postponement of Averaging Dates: If a Market Disruption Event with respect to the Underlying Shares occurs on any scheduled Averaging Date or if any such scheduled Averaging Date is not a Trading Day, the Share Closing Price for such scheduled Averaging Date will be determined on the immediately succeeding Trading Day on which no Market Disruption Event will have occurred. Each succeeding Averaging Date shall then be the next Trading Day following the preceding Averaging Date as postponed. The Share Closing Price for any scheduled Averaging Date will not be determined on a date later than the fifth scheduled Trading Day after such scheduled Averaging Date, and if such date is not a Trading Day, or if there is a Market Disruption Event on such date, the Calculation Agent will determine the Share Closing Price of the Underlying Shares on such date as the mean of the bid prices for the Underlying Shares for such date obtained from as many recognized dealers in such Underlying Shares, but not exceeding three, as will make such bid prices available to the Calculation Agent. Bids of MS & Co. or any of its affiliates may be included in the calculation of such mean, but only to the extent that any such bid is the highest of the bids obtained. If no bid prices are provided from any third party dealers, the Share Closing Price will be determined by the Calculation Agent in its sole and absolute discretion (acting in good faith) taking into account any information that it deems relevant.

Trading Day: A day, as determined by the Calculation Agent, on which trading is generally conducted on the New York Stock Exchange, Nasdaq, the Chicago Mercantile Exchange and the Chicago Board of Options Exchange and in the over-the-counter market for equity securities in the United States.

Share Closing Price. Subject to the provisions set out under "Discontinuance of the Underlying Shares and/or Share Underlying Index; Alteration of Method of Calculation" below, the Share Closing Price for the Underlying Shares (or one unit of any other security for which a Share Closing Price must be determined) on any Trading Day will be determined by the Calculation Agent and will mean:

(i) if the Underlying Shares (or any such other security) are listed on a national securities exchange (other than The Nasdaq Stock Market LLC ("Nasdaq")), the last reported sale price, regular way, of the principal trading session on such day on the principal national securities exchange registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), on which the Underlying Shares (or any such other security) are listed,

(ii) if the Underlying Shares (or any such other security) are securities of Nasdaq, the official closing price published by Nasdaq on such day, or

(iii) if the Underlying Shares (or any such other security) are not listed on any national securities exchange but are included in the OTC Bulletin Board Service (the "OTC Bulletin Board") operated by the Financial Industry Regulatory Authority, Inc. ("FINRA"), the last reported sale price of the principal trading session on the OTC Bulletin Board on such day.