

MORGAN STANLEY
Form FWP
April 25, 2019

Free Writing Prospectus No. 1,876

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

Dated April 25, 2019

Filed Pursuant to Rule 433

Morgan Stanley Finance LLC Capped GEARS

Linked to a Basket of International Indices due April 30, 2021

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

Investment Description

These Capped GEARS (the “Securities”) are unsecured and unsubordinated debt securities issued by Morgan Stanley Finance LLC (“MSFL”) and fully and unconditionally guaranteed by Morgan Stanley with returns linked to the performance of a weighted basket of international indices (the “Basket”), consisting of the Nikkei 225 Index, the EURO STOXX 50[®] Index, the Hang Seng Index, the MSCI Emerging Markets IndexSM, the S&P/ASX 200 Index, the FTSE[®] 100 Index and the Swiss Market Index, each of which we refer to as an “Underlier” and together as the “Underliers.” The Securities provide enhanced returns relative to the Underliers’ actual positive performance up to a Maximum Gain, but

expose investors fully to the Basket’s negative performance at maturity. If the Basket Return is greater than zero, MSFL will pay the Principal Amount at maturity plus a return equal to the product of (i) the Principal Amount multiplied by (ii) the Basket Return multiplied by (iii) the Upside Gearing of 3.0, up to the Maximum Gain, which will be set on the Trade Date and is expected to be at least 41.50%. If the Basket Return is zero, MSFL will pay the full Principal Amount at maturity. However, if the Basket Return is negative, MSFL will pay less than the full Principal Amount at maturity, resulting in a loss of principal to investors that is proportionate to the full negative Basket Return. The Securities are for investors who seek an equity basket-based return and who are willing to risk a loss on their principal, forgo current income and upside returns above the Maximum Gain in exchange for the Upside Gearing feature, as applicable at maturity. **Investing in the Securities involves significant risks. You will not receive interest or dividend payments during the term of the Securities. You may lose up to your entire investment in the Securities.**

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.

Features

qEnhanced Growth Potential Up to a Cap: If the Basket Return is greater than zero, the Upside Gearing feature will provide leveraged exposure to any positive Basket Return, up to the Maximum Gain, and MSFL will pay the Principal Amount at maturity plus pay a return equal to the Basket Return multiplied by the Upside Gearing, up to

the Maximum Gain. If the Basket Return is less than zero, investors will be fully exposed to the negative Basket Return at maturity.

Full Downside Market Exposure: If the Basket Return is negative, investors will be exposed to the full downside performance of the Basket and MSFL will pay less than the full Principal Amount at maturity, resulting in a loss of principal to investors that is proportionate to the negative Basket Return. Accordingly, you may lose some or all of your Principal Amount. Any payment on the Securities is subject to our creditworthiness.

Key Dates*

Trade Date	April 25, 2019
Settlement Date	April 30, 2019
Final Valuation Date**	April 26, 2021
Maturity Date**	April 30, 2021

*Expected.

**Subject to postponement in the event of a Market Disruption Event or for non-Index Business Days. See “Postponement of Final Valuation Date and Maturity Date” under “Additional Terms of the Securities.”

The Securities are significantly riskier than conventional debt INSTRUMENTS. the terms of the securities may not obligate us TO REPAY any of the PRINCIPAL AMOUNT OF THE SECURITIES. the Securities CAN have downside MARKET risk SIMILAR TO the UnDERLIERS, WHICH CAN RESULT IN A LOSS OF SOME Or all OF YOUR INVESTMENT at maturity. This MARKET risk is in addition to the CREDIT risk INHERENT IN PURCHASING our DEBT OBLIGATIONS. You should not PURCHASE the Securities if you do not understand or are not comfortable with the significant risks INVOLVED in INVESTING IN the Securities. THE SECURITIES WILL NOT BE LISTED ON ANY SECURITIES EXCHANGE.

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED UNDER “KEY RISKS” BEGINNING ON PAGE 5 OF THIS FREE WRITING PROSPECTUS BEFORE PURCHASING ANY SECURITIES. EVENTS RELATING TO ANY OF THOSE RISKS, OR OTHER RISKS AND UNCERTAINTIES, COULD ADVERSELY AFFECT THE MARKET VALUE OF, AND THE RETURN ON, YOUR SECURITIES.

Security Offering

We are offering Capped GEARS Linked to a Basket of International Indices. The return on the Securities is limited by, and will be subject to, the predetermined Maximum Gain. The Securities are offered at a minimum investment of 100 Securities at the Price to Public listed below. The indicative Maximum Gain for the Securities is listed below. The actual Maximum Gain and Initial Levels will be determined on the Trade Date.

Basket	Basket Weighting	Initial Level	Upside Gearing	Maximum Gain	Initial Basket Level	CUSIP	ISIN
Nikkei 225 Index (Bloomberg ticker: NKY)	27.50%						
EURO STOXX 50® Index (Bloomberg ticker: SX5E)	22.50%						
Hang Seng Index (Bloomberg ticker:)	15%		3.0	At least 41.50%, which corresponds to a maximum Payment at Maturity of \$14.15 per Security	100	61768Y224	US61768Y2248

HSI)
 MSCI Emerging
 Markets IndexSM 15%
 (Bloomberg ticker:
 MXEF)
 S&P/ASX 200
 Index (Bloomberg 10%
 ticker: AS51)
 FTSE[®] 100 Index
 (Bloomberg ticker: 5%
 UKX)
 Swiss Market
 Index (Bloomberg 5%
 ticker: SMI)

See “Additional Information about Morgan Stanley, MSFL and the Securities” on page 2. The Securities will have the terms set forth in the accompanying prospectus, prospectus supplement and index supplement and this free writing prospectus.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these Securities or passed upon the adequacy or accuracy of this free writing prospectus or the accompanying prospectus supplement, index supplement and prospectus. 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.

Estimated value on the Trade Date	Approximately \$9.702 per Security, or within \$0.10 of that estimate. See “Additional Information about Morgan Stanley, MSFL and the Securities” on page 2.		
	Price to Public	Underwriting Discount ⁽¹⁾	Proceeds to Us ⁽²⁾
Per Security	\$10.00	\$0.20	\$9.80
Total	\$	\$	\$

UBS Financial Services Inc., acting as dealer, will receive from Morgan Stanley & Co. LLC, the agent, a fixed (1) sales commission of \$0.20 for each Security it sells. For more information, please see “Supplemental Plan of Distribution; Conflicts of Interest” on page 36 of this free writing prospectus.

(2) See “Use of Proceeds and Hedging” on page 35.

The agent for this offering, Morgan Stanley & Co. LLC, is our affiliate and a wholly owned subsidiary of Morgan Stanley. See “Supplemental Plan of Distribution; Conflicts of Interest” on page 36 of this free writing prospectus.

Morgan Stanley UBS Financial Services Inc.

Additional Information about Morgan Stanley, MSFL and the Securities

Morgan Stanley and MSFL have filed a registration statement (including a prospectus, as supplemented by a prospectus supplement and an index supplement) with the SEC for the offering to which this communication relates. 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 for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, Morgan Stanley, MSFL, any underwriter or any dealer participating in this offering will arrange to send you the prospectus, the prospectus supplement and the index supplement if you so request by calling toll-free 1-(800)-584-6837.

You may access the accompanying prospectus supplement, index supplement and prospectus on the SEC website at www.sec.gov as follows:

t Prospectus supplement dated November 16, 2017:
https://www.sec.gov/Archives/edgar/data/895421/000095010317011241/dp82788_424b2-seriesa.htm

t Index supplement dated November 16, 2017:
https://www.sec.gov/Archives/edgar/data/895421/000095010317011283/dp82797_424b2-indexsupp.htm

t Prospectus dated November 16, 2017:
https://www.sec.gov/Archives/edgar/data/895421/000095010317011237/dp82798_424b2-base.htm

References to “MSFL” refer only to MSFL, references to “Morgan Stanley” refer only to Morgan Stanley and references to “we,” “our” and “us” refer to MSFL and Morgan Stanley collectively. In this document, the “Securities” refers to the Capped GEARS that are offered hereby. Also, references to the accompanying “prospectus”, “prospectus supplement” and “index supplement” mean the prospectus filed by MSFL and Morgan Stanley dated November 16, 2017, the prospectus supplement filed by MSFL and Morgan Stanley dated November 16, 2017 and the index supplement filed by MSFL and Morgan Stanley dated November 16, 2017, respectively.

You should rely only on the information incorporated by reference or provided in this free writing prospectus or the accompanying prospectus supplement, index supplement and prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this free writing prospectus or the accompanying prospectus supplement, index supplement and prospectus is accurate as of any date other than the date on the front of this document.

The Issue Price of each Security is \$10. 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 Trade Date will be less than \$10. We estimate that the value of each Security on the Trade Date will be approximately \$9.702, or within \$0.10 of that estimate. Our estimate of the value of the Securities as determined on the Trade Date will be set forth in the final pricing supplement.

What goes into the estimated value on the Trade Date?

In valuing the Securities on the Trade Date, we take into account that the Securities comprise both a debt component and a performance-based component linked to the Underliers. The estimated value of the Securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the Underliers, instruments based on the Underliers, 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 Gearing and the Maximum Gain, 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 Trade 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 Underliers, may vary from, and be lower than, the estimated value on the Trade 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 7 months following the Settlement 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 Underliers, 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. currently intends, 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.

Investor Suitability

The Securities may be suitable for you if:

.. You fully understand the risks inherent in an investment in the Securities, including the risk of loss of your entire initial investment in the Securities.

.. You can tolerate the loss of some or all of your investment, and are willing to make an investment that has similar downside market risk as the Underliers included in the Basket.

.. You understand and accept the risks associated with the Underliers.

.. You are willing to hold the Securities to maturity, as set forth on the cover of this free writing prospectus, and accept that there may be little or no secondary market for the Securities.

.. You believe the Basket will appreciate over the term of the Securities and that the appreciation is unlikely to exceed the Maximum Gain of at least 41.50% (the actual Maximum Gain will be determined on the Trade Date and will not be less than 41.50%).

.. You understand and accept that your potential return is limited by the Maximum Gain, and you would be willing to invest in the Securities if the Maximum Gain were set equal to the minimum Maximum Gain indicated on the cover.

.. You can tolerate fluctuations of the price of the Securities prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Basket.

.. You do not seek current income from your investment and are willing to forgo dividends paid on the stocks included in the Underliers.

.. You are willing to assume our credit risk, and understand that if we default on our obligations you may not receive any amounts due to you including any repayment of principal.

The Securities may not be suitable for you if:

.. You do not fully understand the risks inherent in an investment in the Securities, including the risk of loss of your entire initial investment in the Securities.

..You cannot tolerate the loss of some or all of your investment, or you are not willing to make an investment that has similar downside market risk as the Underliers included in the Basket.

.. You require an investment designed to provide a full return of principal at maturity.

.. You do not understand and accept the risks associated with the Underliers.

..You are unable or unwilling to hold the Securities to maturity, as set forth on the cover of this free writing prospectus, or you seek an investment for which there will be an active secondary market.

..You believe that the level of the Basket will decline during the term of the Securities, or you believe the Basket will appreciate over the term of the Securities by a percentage that exceeds the Maximum Gain.

.. You seek an investment that has unlimited return potential without a cap on appreciation.

..You would be unwilling to invest in the Securities if the Maximum Gain were set equal to the minimum Maximum Gain indicated on the cover (the actual Maximum Gain will be determined on the Trade Date).

..You prefer the lower risk, and, therefore, accept the potentially lower returns, of conventional debt securities with comparable maturities issued by us or another issuer with a similar credit rating.

..You seek current income from your investment or prefer to receive the dividends paid on the stocks included in the Underliers.

..You are not willing or are unable to assume the credit risk associated with us for any payment on the Securities, including any repayment of principal.

The investor suitability considerations identified above are not exhaustive. Whether or not the Securities are a suitable investment for you will depend on your individual circumstances, and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisors have carefully considered the suitability of an investment in the Securities in light of your particular circumstances. You should also review “Key Risks” on page 5 of this free writing prospectus and “Risk Factors” beginning on page 7 of the accompanying prospectus for risks related to an investment in the Securities. For additional information about the Underliers, see the information set forth under “The Nikkei 225 Index,” “The EURO STOXX[®] 50 Index,” “The Hang Seng Index,” “The MSCI Emerging Markets Index,” “The S&P/ASX 200 Index,” “The FTSE 100 Index and “The Swiss Market Index” on pages 17, 19, 21, 23, 25, 27 and 29, respectively.

Terms

Issuer Morgan Stanley Finance LLC

Guarantor Morgan Stanley

Issue Price (per Security) \$10.00 per Security

Principal Amount \$10.00 per Security

Term 2 years

Basket The Securities are linked to a weighted basket of indices, each of which we refer to as an "Underlier," as follows:

Nikkei 225 Index	27.50%
EURO STOXX 50® Index	22.50%
Hang Seng Index	15%
MSCI Emerging Markets Index SM	15%
S&P/ASX 200 Index	10%
FTSE® 100 Index	5%
Swiss Market Index	5%

Upside Gearing 3.0

If the Basket Return is greater than zero, MSFL will pay you an amount equal to the lesser of:

$$\$10 + [\$10 \times (\text{Basket Return} \times \text{Upside Gearing})]$$

and

$$\$10 + (\$10 \times \text{Maximum Gain}).$$

Payment at Maturity (per Security)

If the Basket Return is zero, MSFL will pay you a cash payment of:

\$10 per Security

If the Basket Return is negative, MSFL will pay you an amount calculated as follows:

$$\$10 + (\$10 \times \text{Basket Return})$$

In this case, you will lose some or all of the principal amount of the Securities in an amount proportionate to the negative Basket Return.

Basket Return Final Basket Level – Initial Basket Level

Initial Basket Level

Maximum Gain

At least 41.50%, which corresponds to a maximum Payment at Maturity of \$14.15 per Security. The actual Maximum Gain will be determined on the Trade Date.

Initial Basket Level 100

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On the Final Valuation Date, the Final Basket Level is calculated as:

$$\text{Final Basket Level} = 100 \times [1 + (\text{NKY Return} \times 27.50\%) + (\text{SX5E Return} \times 22.50\%) + (\text{HSI Return} \times 15\%) + (\text{MXEF Return} \times 15\%) + (\text{AS51 Return} \times 10\%) + (\text{UKX Return} \times 5\%) + (\text{SMI Return} \times 5\%)]$$

Each of the returns set forth in the formula above refers to the return of the relevant Underlier, which represents the percentage change from the Initial Level for that Underlier to the Final Level for that Underlier.

Trade Date	April 25, 2019
Settlement Date	April 30, 2019
Final Valuation Date	April 26, 2021*
Maturity Date	April 30, 2021*
Initial Level	With respect to each Underlier, the Closing Level of such Underlier on the Trade Date.
Final Level	With respect to each Underlier, the Closing Level of such Underlier on the Final Valuation Date.
CUSIP / ISIN	61768Y224 / US61768Y2248
Calculation Agent	Morgan Stanley & Co. LLC

*Subject to postponement in the event of a Market Disruption Event or for non-Index Business Days. See 'Postponement of Final Valuation Date and Maturity Date' under the "Additional Terms of the Securities."

Investment Timeline

The Initial Levels are observed and the Initial Basket Level is set to 100.

Trade Date
The Maximum Gain is set.

Maturity Date
The Final Basket Level and Basket Return are determined on the Final Valuation Date.

If the Basket Return is greater than zero, MSFL will pay you a cash payment per Security equal to the lesser of:

$\$10 + [\$10 \times (\text{Basket Return} \times \text{Upside Gearing})]$

and

$\$10 + (\$10 \times \text{Maximum Gain})$

If the Basket Return is zero, MSFL will pay you a cash payment of \$10 per \$10 Security.

If the Basket Return is negative on the Final Valuation Date, MSFL will pay you a cash payment at maturity equal to:

$\$10 + (\$10 \times \text{Basket Return})$

Under these circumstances, you will lose some or all of the principal amount of the Securities in an amount proportionate to the negative Basket Return.

INVESTING IN THE SECURITIES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE SOME OR ALL OF YOUR PRINCIPAL AMOUNT. ANY PAYMENT ON THE SECURITIES IS SUBJECT TO OUR CREDITWORTHINESS. IF WE WERE TO DEFAULT ON OUR PAYMENT OBLIGATIONS, YOU MAY NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE SECURITIES AND YOU COULD LOSE YOUR ENTIRE INVESTMENT.

Key Risks

An investment in the Securities involves significant risks. Some of the risks that apply to the Securities are summarized here, but we urge you to also read the “Risk Factors” section of the accompanying prospectus. You should also consult your investment, legal, tax, accounting and other advisers before you invest in the Securities.

Your investment in the Securities may result in a loss of up to your entire initial investment in the Securities – The terms of the Securities differ from those of ordinary debt securities in that we will not pay interest or guarantee the payment of any of the Principal Amount at maturity. If the Basket Return is negative, you will be fully exposed to the negative Basket Return and MSFL will pay you less than your principal amount at maturity, resulting in a loss of principal that is proportionate to the decline in the Basket from the Initial Basket Level to the Final Basket Level. **Accordingly, you could lose the entire principal amount of the Securities.**

The Upside Gearing applies only if you hold the Securities to maturity – You should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, the price you receive will likely not reflect the full economic value of the Upside Gearing or the Securities themselves, and the return you realize may be less than 3.0 times the return of the Basket at the time of sale even if such return is positive and does not exceed the Maximum Gain. You can receive the full benefit of the Upside Gearing and earn up to the potential Maximum Gain only if you hold your Securities to maturity.

The appreciation potential is limited – The appreciation potential of the Securities is limited by the Maximum Gain of at least 41.50% (which corresponds to a maximum Payment at Maturity of \$14.15 per Security). The actual Maximum Gain and maximum Payment at Maturity will be determined on the Trade Date. Therefore, although the Upside Gearing enhances positive Basket Returns, you will not benefit from any positive Basket Return that, when multiplied by the Upside Gearing, exceeds the Maximum Gain. As a result, any increase in the Final Basket Level over the Initial Basket Level by more than approximately 13.83% (to be determined on the Trade Date) of the Initial Basket Level will not further increase the return on the Securities.

The Securities are subject to our credit risk, and any actual or anticipated changes to our credit ratings or our 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 our 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 Securities do not pay interest – MSFL will not pay any interest with respect to the Securities over the term of the Securities.

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 (if at all), including:

o the value of the Underliers at any time,

o the volatility (frequency and magnitude of changes in value) of each of the Underliers,

o dividend rates on the securities included in the Underliers,

o interest and yield rates in the market,

o geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the Underliers or stock markets generally and which may affect the Final Levels,

o the time remaining until the Securities mature, and

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

Some or all of these factors will influence the terms of the Securities at the time of issuance and the price that you will receive if you are able to sell your Securities prior to maturity, as the Securities are comprised of both a debt component and a performance-based component linked to the Underliers, and these are the types of factors that also generally affect the values of debt securities and derivatives linked to the Underliers. For example, you may have to sell your Securities at a

substantial discount from the principal amount of \$10 per Security if the values of the Underliers at the time of sale are at, below or moderately above their Initial Levels or if market interest rates rise. You cannot predict the future performance of the Underliers based on their historical performance. If the Basket Return is negative, you will receive at maturity an amount that is less than the \$10 Principal Amount of each Security by an amount proportionate to the negative Basket Return. Accordingly, you could lose up to your entire initial investment in the Securities. There can be no assurance that there will be any positive Basket Return so that you will receive at maturity an amount that is greater than the \$10 Principal Amount for each Security you hold, or that you will not lose some or all of your investment.

Changes in the values of one or more of the Underliers may offset changes in the values of the others –

Movements in the values of the Underliers may not correlate with each other. At a time when the values of one or more Underliers increase, the values of the other Underliers may not increase as much, or may even decline.

Therefore, in calculating the Basket Return, increases in the values of one or more Underliers may be moderated, or wholly offset, by lesser increases or declines in the values of the other Underliers. If the Final Basket Level is less than the Initial Basket Level, you will receive at maturity an amount that is less than the amount of your original investment in the Securities.

The Underliers are not equally weighted – The Securities are linked to a basket of six Underliers, and the Underliers have significantly differed weights in determining the level of the Basket. The same percentage change in two of the Underliers could therefore have different effects on the Final Basket Level because of the unequal weighting. For example, if the weighting of one Underlier is greater than the weighting of another Underlier, a 5% decrease in the level of the Underlier with the greater weighting will have a greater impact on the Final Basket Level than a 5% increase in the level of the Underlier with the lesser weighting.

The amount payable on the Securities is not linked to the levels of the Underliers at any time other than the Final Valuation Date –

The Final Basket Level will be based on the Closing Levels of the Underliers on the Final Valuation Date, subject to postponement for non-Index Business Days and certain Market Disruption Events. Even if some or all of the Underliers appreciate prior to the Final Valuation Date but then drop by the Final Valuation Date, the Payment at Maturity may be significantly less than it would have been had the Payment at Maturity been linked to the levels of the Underliers prior to such drop. Although the actual levels of the Underliers on the stated Maturity Date or at other times during the term of the Securities may be higher than their Final Levels, the Payment at Maturity will be based solely on the Closing Levels of the Underliers on the Final Valuation Date as compared to their Initial Levels.

The Securities are subject to risks associated with investments in securities linked to the value of foreign equity (and especially emerging markets) securities –

The Securities are linked to the value of foreign equity securities. Investments in securities linked to the value of foreign equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross-shareholdings in companies in certain countries. Although the equity securities included in the Underliers are traded in foreign currencies, the value of your Securities (as measured in U.S. dollars) will not be adjusted for any exchange rate fluctuations. Also, there is generally less publicly available information about foreign companies than about U.S. companies that are subject to the reporting requirements of the United States Securities and Exchange Commission, and foreign companies are subject to accounting, auditing and financial reporting standards and requirements different from those applicable to U.S. reporting companies. The prices of securities

issued in foreign markets may be affected by political, economic, financial and social factors in those countries, or global regions, including changes in government, economic and fiscal policies and currency exchange laws. In addition, the stocks included in the MSCI Emerging Markets IndexSM 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 favorably or unfavorably from the economy in the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources, self-sufficiency and balance of payment positions.

The level of the MSCI Emerging Markets IndexSM is subject to currency exchange rate risk – Because the level of the MSCI Emerging Markets IndexSM is related to the U.S. dollar value of stocks underlying the MSCI Emerging Markets IndexSM, holders of the Securities will be exposed to currency exchange rate risk with respect to the currencies in which the component securities trade. Exchange rate movements for a particular currency are volatile and are the result of numerous factors specific to that country including the supply of, and the demand for, those currencies, as well as 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 each region. Further, currencies of emerging economies are often subject to more frequent and larger central bank interventions than the currencies of developed countries and are also more likely to be affected by drastic changes in monetary or exchange rate policies of the relevant country. The net exposure will depend on the extent to which the currencies of the component countries 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 of the MSCI Emerging Markets IndexSM, the level of the MSCI Emerging Markets IndexSM will be adversely affected and the Payment at Maturity on the Securities may be reduced.

Of particular importance to potential currency exchange risk are:

- o existing and expected rates of inflation;
- o existing and expected interest rate levels;
- o the balance of payments; and

the extent of governmental surpluses or deficits in the countries represented in the MSCI Emerging Markets IndexSM and the United States.

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

Investing in the Securities is not equivalent to investing in the Underliers or the stocks composing the Underliers – Investing in the Securities is not equivalent to investing in the Underliers or the stocks that constitute the Underliers. 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 stocks that constitute the Underliers. Investors in the Securities also will not participate in any appreciation of the Basket that, when multiplied by the Upside Gearing, exceeds the Maximum Gain, which could be significant. Additionally, the Underliers are not “total return” indices, which, in addition to reflecting the market prices of the stocks that constitute the Underliers, would also reflect dividends paid on such stocks. The return on the Securities will not include such a total return feature.

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 Issue Price reduce the economic terms of the Securities, cause the estimated value of the Securities to be less than the 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 Issue Price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the 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 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 7 months following the Settlement 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 Underliers, 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 Trade 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 free writing prospectus 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.

Adjustments to any of the Underliers could adversely affect the value of the Securities – The Underlier Publisher for each Underlier is responsible for calculating and maintaining such Underlier. The applicable Underlier Publisher may add, delete or substitute the stocks constituting such Underlier or make other methodological changes required by certain corporate events relating to the stocks constituting such Underlier, such as stock dividends, stock splits, spin-offs, rights offerings and extraordinary dividends, that could change the value of the Underlier. The Underlier Publisher may discontinue or suspend calculation or publication of any of the Underliers at any time. In these circumstances, the Calculation Agent will have the sole discretion to substitute a Successor Underlier that is comparable to the discontinued Underlier, and is permitted to consider indices that are calculated and published by the Calculation Agent or any of its affiliates. Any of these actions could adversely affect the value of any of the Underliers and, consequently, the value of the Securities.

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. MS & Co. currently intends, 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.

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, including trading in the constituent stocks of the Underliers, in futures or options contracts on the Underliers or the constituent stocks of the Underliers, as well as in other instruments related to the Underliers. 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 Final Valuation Date approaches. MS & Co. and some of our other affiliates also trade the constituent stocks of the Underliers, in futures or options contracts on the constituent stocks of the Underliers, as well as in other instruments related to the Underliers, 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 Trade Date could potentially increase the Initial Levels of the Underliers, and, therefore, could increase the levels at or above which the Underliers must close on the Final Valuation Date so that investors do not suffer a loss on their initial investment in the Securities. Additionally, such hedging or trading activities during the term of the Securities, including on the Final Valuation Date, could adversely affect the Closing Levels of the Underliers on the Final Valuation Date, and, accordingly, the amount of cash payable at maturity, if any.

Potential conflict of interest – As Calculation Agent, MS & Co. will determine the Initial Levels, the Final Levels, the Final Basket Level, the Basket Return and whether any Market Disruption Event has occurred, and will calculate the amount payable at maturity, if any. Moreover, certain determinations made by MS & Co., in its capacity as Calculation Agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of Market Disruption Events and the selection of a Successor Underlier or calculation of the Final Basket Level in the event of a discontinuance of an Underlier or a Market Disruption Event. 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—Postponement of Final Valuation Date and Maturity Date,” “—Discontinuance of an Underlier; Alteration of Method of Calculation” and “—Calculation Agent and Calculations” below. In addition, MS & Co. has determined the estimated value of the Securities on the Trade Date.

Potentially inconsistent research, opinions or recommendations by Morgan Stanley, UBS or our or their respective affiliates – Morgan Stanley, UBS and our or their respective affiliates may publish research from time to time on financial markets and other matters that may influence the value of the Securities, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research, opinions or recommendations expressed by Morgan Stanley, UBS or our or their respective affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the Securities and the Underliers to which the Securities are linked.

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Uncertain Tax Treatment – Please note that the discussions in this free writing prospectus concerning the U.S. federal income tax consequences of an investment in the Securities supersede the discussions contained in the accompanying prospectus supplement.

Subject to the discussion under “What Are the Tax Consequences of the Securities” in this free writing prospectus, 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, each Security should be treated as a single financial contract that is an “open transaction” for U.S. federal income tax purposes. However, because our counsel’s opinion is based in part on market conditions as of the date of this free writing prospectus, it is subject to confirmation on the Trade Date.

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. For example, under one possible treatment, 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. 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 free writing prospectus.

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 “What Are the Tax Consequences of the Securities” in this free writing prospectus 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.

Scenario Analysis and Examples at Maturity

The below scenario analysis and examples are provided for illustrative purposes only and are hypothetical. They do not purport to be representative of every possible scenario concerning increases or decreases in the level of the Basket relative to the Initial Basket Level. We cannot predict the Final Basket Level on the Final Valuation Date. You should not take the scenario analysis and these examples as an indication or assurance of the expected performance of the Basket. The numbers appearing in the examples below have been rounded for ease of analysis. The following scenario analysis and examples illustrate the payment at maturity for a \$10.00 security on a hypothetical offering of the Securities, based on the following terms:

Investment term:	2 years
Initial Basket Level:	100
Hypothetical Maximum Gain:	41.50%, which corresponds to a maximum Payment at Maturity of \$14.15 per Security
	The actual Maximum Gain will be determined on the Trade Date.
Upside Gearing:	3

Example 1— The level of the Basket *increases* to a Final Basket Level of 105. The Basket Return is greater than zero and expressed as a formula:

$$\text{Basket Return} = (105 - 100) / 100 = 5.00\%$$

Because the Basket Return is greater than zero, the Payment at Maturity for each \$10.00 Principal Amount of Securities is calculated as the lesser of:

(A) $\$10.00 + (\$10.00 \times \text{Basket Return} \times \text{Upside Gearing})$, and

(B) $\$10.00 + (\$10.00 \times \text{Maximum Gain})$

= the lesser of (A) $\$10.00 + (\$10.00 \times 5\% \times 3.0)$ and (B) $\$10.00 + (\$10.00 \times 41.50\%)$

= the lesser of (A) $\$10.00 + (\$10.00 \times 15\%)$ and (B) $\$10.00 + (\$10.00 \times 41.50\%)$

$$= \$10.00 + (\$10.00 \times 15\%)$$

$$= \$10.00 + \$1.50$$

$$= \$11.50$$

Because the Basket Return of 5.00% multiplied by the Upside Gearing is less than the hypothetical Maximum Gain of 41.50%, the Payment at Maturity is equal to \$11.50 per \$10.00 Principal Amount of Securities, resulting in a total return on the Securities of 15.00%.

Example 2— The level of the Basket *increases* to a Final Basket Level of 150. The Basket Return is greater than zero and expressed as a formula:

$$\text{Basket Return} = (150 - 100) / 100 = 50.00\%$$

Because the Basket Return is greater than zero, the Payment at Maturity for each \$10.00 Principal Amount of Securities is calculated as the lesser of:

(A) $\$10.00 + (\$10.00 \times \text{Basket Return} \times \text{Upside Gearing})$, and

(B) $\$10.00 + (\$10.00 \times \text{Maximum Gain})$

$$= \text{the lesser of (A) } \$10.00 + (\$10.00 \times 50\% \times 3.0) \text{ and (B) } \$10.00 + (\$10.00 \times 41.50\%)$$

$$= \text{the lesser of (A) } \$10.00 + (\$10.00 \times 150\%) \text{ and (B) } \$10.00 + (\$10.00 \times 41.50\%)$$

$$= \$10.00 + (\$10.00 \times 41.50\%)$$

$$= \$10.00 + \$4.15$$

$$= \$14.15$$

Because the Basket Return of 50% multiplied by the Upside Gearing is greater than the hypothetical Maximum Gain of 41.50%, the Payment at Maturity is equal to \$14.15 per \$10.00 Principal Amount of Securities, the hypothetical maximum Payment at Maturity on the Securities. This represents the hypothetical maximum amount payable over the 2-year term of the Securities.

Example 3— The Final Basket Level is equal to the Initial Basket Level of 100. The Basket Return is zero and expressed as a formula:

$$\text{Basket Return} = (100 - 100) / 100 = 0.00\%$$

$$\text{Payment at Maturity} = \$10.00$$

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Because the Basket Return is zero, the Payment at Maturity per Security is equal to the original \$10.00 Principal Amount per Security, resulting in a zero percent return on the Securities.

Example 4— The level of the Basket *decreases* to a Final Basket Level of 40. The Basket Return is negative and expressed as a formula:

$$\text{Basket Return} = (40 - 100) / 100 = -60.00\%$$

$$\text{Payment at Maturity} = \$10 + (\$10 \times -60.00\%) = \$4.00$$

Because the Basket Return is negative, at maturity MSFL will pay less than the Principal Amount, resulting in a loss of principal that is proportionate to the negative Basket Return. Therefore, the Payment at Maturity is equal to \$4.00 per \$10.00 Principal Amount of Securities, resulting in a total loss on the Securities of 60.00%.

If the Final Basket Level is below the Initial Basket Level on the Final Valuation Date, the Securities will be fully exposed to any decline in the Basket, and you will lose some or all of your Principal Amount at maturity.

Scenario Analysis – Hypothetical Payment at Maturity for each \$10.00 Principal Amount of Securities.