MORGAN STANLEY
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July 02, 2018

July 2018

Morgan Stanley Finance LLC	Preliminary Pricing Supplement No. 727 Registration Statement Nos. 333-221595; 333-221595-01 Dated June 29, 2018 Filed pursuant to Rule 424(b)(2)

Structured Investments

Opportunities in U.S. Equities

Contingent Income Securities due July 29, 2033

Payments on the Securities Based on the Worst Performing of the Russell 2000® Index and the S&P 500® Index

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

The securities offered are unsecured obligations of Morgan Stanley Finance LLC ("MSFL") and are fully and unconditionally guaranteed by Morgan Stanley. The securities have the terms described in the accompanying prospectus supplement, index supplement and prospectus, as supplemented or modified by this document. The securities do not guarantee the repayment of principal and do not provide for the regular payment of interest after the first 5 years. For the first 5 years, the securities will pay a fixed quarterly coupon at the rate specified below. Thereafter, the securities will pay a contingent quarterly coupon **but only if** the index closing value of **each of the Russell 2000® Index and the S&P 500® Index** on the related observation date is **at or above 50% of its respective initial index value**, which we refer to as the coupon barrier level. If the index closing value **of either underlying index** is less than the coupon barrier level for such index on any observation date after the first 5 years, we will pay no interest for the related interest period. At maturity, if the final index value of **each** underlying index is greater than or equal to 50% of the respective initial index value, which we refer to as the downside threshold level, the payment at maturity will be the stated principal amount, and the related contingent quarterly coupon. If, however, the final index value of **either** underlying index is less than its downside threshold level, investors will be exposed to the decline in the worst performing underlying index on a 1-to-1 basis and will receive a payment at maturity that is less than 50% of the stated principal amount of the securities and could be zero. **Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment based on the performance of either index and also the risk of not receiving any contingent quarterly coupons after the first 5 years.** Because payments on the securities are based on the worst performing of the underlying indices, a decline beyond the respective coupon barrier level and/or respective downside threshold level, as applicable, of **either** underlying index will result in few or no contingent quarterly coupons after the first 5 years and/or a significant loss of your investment, as applicable, even if the other underlying index has appreciated or has not declined as much. Investors will not participate in any appreciation in either underlying index. These long-dated securities are for investors who are willing to risk their principal and seek an opportunity to earn interest at a potentially above-market rate in exchange for the risk of receiving no quarterly interest after the first 5 years if **either underlying index** closes below the coupon barrier level for such index on the observation dates. The securities are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These securities are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

SUMMARY TERMS

Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Underlying indices:	Russell 2000® Index (the "RTY Index") and S&P 500® Index (the "SPX Index")
Aggregate principal amount:	$
Stated principal amount:	$1,000 per security
Issue price:	$1,000 per security (see "Commissions and issue price" below)
Pricing date:	July 26, 2018
Original issue date:	July 31, 2018 (3 business days after the pricing date)
Maturity date:	July 29, 2033
Quarterly coupon:	Years 1-5: On all coupon payment dates through July 2023, a fixed coupon at an annual rate of 6.25% (corresponding to approximately $15.625 per quarter per security) is paid quarterly. Years 6-15: Beginning with the October 2023 coupon payment date, a *contingent* coupon at an annual rate of 6.25% (corresponding to approximately $15.625 per quarter per security) is paid quarterly *but only if* the closing value of **each underlying index** is **at or above** its respective coupon barrier level on the related observation date. **If, on any observation date in years 6-15, the closing value of either underlying index is less than the coupon barrier level for such index, we will pay no coupon for the applicable interest period. It is possible that one or both underlying indices will remain below the respective coupon barrier level(s) for extended periods of time or even throughout years 6-15 so that you will receive few or no contingent quarterly coupons during that period.**
Payment at maturity:	If the final index value of **each** underlying index is **greater than or equal to** its respective downside threshold level: the stated principal amount, and the contingent quarterly coupon with respect to the final observation date. If the final index value of **either** underlying index is **less than** its respective downside threshold level: (i) the stated principal amount *multiplied by* (ii) the index performance factor of the worst performing underlying index. Under these circumstances, the payment at maturity will be less than 50% of the stated principal amount of the securities and could be zero.

Terms continued on the following page

Agent:	Morgan Stanley & Co. LLC ("MS & Co."), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See "Supplemental information regarding plan of distribution; conflicts of interest."
Estimated value on the pricing date:	Approximately $904.20 per security, or within $40.00 of that estimate. See "Investment Overview" beginning on page 4.

Commissions and issue price:	**Price to public[(1)]**	**Agent's commissions[(2)]**	**Proceeds to us[(3)]**
Per security	$1,000	$	$
Total	$	$	$

(1) The price to public for investors purchasing the securities in fee-based advisory accounts will be $970 per security.
(2) Selected dealers and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of $ for each security they sell; provided that dealers selling to investors purchasing the securities in fee-based advisory accounts will receive a sales commission of $ per security. See "Supplemental information regarding plan of distribution; conflicts of interest." For additional information, see "Plan of Distribution (Conflicts of Interest)" in the accompanying prospectus supplement.
(3) See "Use of proceeds and hedging" on page 27.

The securities involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 11.

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

The securities are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related prospectus supplement, index supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see "Additional Information About the Securities" at the end of this document.

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

Prospectus Supplement dated November 16, 2017 **Index Supplement dated November 16, 2017** **Prospectus dated November 16, 2017**

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Terms continued from previous page:

Coupon barrier level:	With respect to the RTY Index: , which is 50% of the initial index value for such index With respect to the SPX Index: , which is 50% of the initial index value for such index
Downside threshold level:	With respect to the RTY Index: , which is 50% of the initial index value for such index With respect to the SPX Index: , which is 50% of the initial index value for such index
Initial index value:	With respect to the RTY Index: , which is the index closing value of such index on the pricing date With respect to the SPX Index: , which is the index closing value of such index on the pricing date
Final index value:	With respect to each index, the respective index closing value on the final observation date
Worst performing underlying index:	The underlying index with the larger percentage decrease from the respective initial index value to the respective final index value
Index performance factor:	Final index value *divided by* the initial index value
Coupon payment dates:	Quarterly, as set forth under "Observation Dates and Coupon Payment Dates" below. If any such day is not a business day, that contingent quarterly coupon, if any, will be paid on the next succeeding business day and no adjustment will be made to any coupon payment made on that succeeding business day. The contingent quarterly coupon, if any, with respect to the final observation date shall be paid on the maturity date.
Observation dates:	Quarterly, beginning on October 26, 2023, as set forth under "Observation Dates and Coupon Payment Dates" below, subject to postponement for non-index business days and certain market disruption events. We also refer to July 26, 2033 as the final observation date.
CUSIP / ISIN:	61768C5R4 / US61768C5R41
Listing:	The securities will not be listed on any securities exchange.

Observation Dates and Coupon Payment Dates

Observation Dates	**Coupon Payment Dates**
N/A	October 31, 2018
N/A	January 31, 2019
N/A	May 1, 2019
N/A	July 31, 2019
N/A	October 31, 2019
N/A	January 30, 2020
N/A	April 30, 2020
N/A	July 30, 2020
N/A	October 29, 2020
N/A	January 29, 2021

N/A	April 29, 2021
N/A	July 29, 2021
N/A	October 29, 2021
N/A	January 31, 2022
N/A	April 29, 2022
N/A	July 29, 2022
N/A	October 31, 2022
N/A	January 31, 2023
N/A	May 1, 2023
N/A	July 31, 2023
October 26, 2023	October 31, 2023
January 26, 2024	January 31, 2024
April 26, 2024	May 1, 2024
July 26, 2024	July 31, 2024
October 28, 2024	October 31, 2024
January 27, 2025	January 30, 2025
April 28, 2025	May 1, 2025
July 28, 2025	July 31, 2025
October 27, 2025	October 30, 2025
January 26, 2026	January 29, 2026
April 27, 2026	April 30, 2026
July 27, 2026	July 30, 2026
October 26, 2026	October 29, 2026
January 26, 2027	January 29, 2027
Aprl 26, 2027	April 29, 2027
July 26, 2027	July 29, 2027
October 26, 2027	October 29, 2027

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January 26, 2028	January 31, 2028
April 26, 2028	May 1, 2028
July 26, 2028	July 31, 2028
October 26, 2028	October 31, 2028
January 26, 2029	January 31, 2029
April 26, 2029	May 1, 2029
July 26, 2029	July 31, 2029
October 26, 2029	October 31, 2029
January 28, 2030	January 31, 2030
April 26, 2030	May 1, 2030
July 26, 2030	July 31, 2030
October 28, 2030	October 31, 2030
January 27, 2031	January 30, 2031
April 28, 2031	May 1, 2031
July 28, 2031	July 31, 2031
October 27, 2031	October 30, 2031
January 26, 2032	January 29, 2032
April 26, 2032	April 29, 2032
July 26, 2032	July 29, 2032
October 26, 2032	October 29, 2032
January 26, 2033	January 31, 2033
April 26, 2033	April 29, 2033
July 26, 2033 (final observation date)	July 29, 2033 (maturity date)

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Investment Overview

Contingent Income Securities

Principal at Risk Securities

Contingent Income Securities due July 29, 2033 Payments on the Securities Based on the Worst Performing of the Russell 2000® Index and the S&P 500® Index (the "securities") do not guarantee the repayment of principal and do not provide for the regular payment of interest after the first 5 years. For the first 5 years, the securities will pay a fixed quarterly coupon at the rate specified below. Thereafter, the securities will pay a contingent quarterly coupon **but only if** the index closing value of **each of the Russell 2000® Index and the S&P 500® Index** (which we refer to together as the "underlying indices") is **at or above** 50% of its respective initial index value, which we refer to as the coupon barrier level, on the related observation date. If the index closing value **of either underlying index** is less than the coupon barrier level for such index on any observation date after the first 5 years, we will pay no coupon for the related quarterly period. It is possible that the index closing value of one or both underlying indices will remain below the respective coupon barrier level(s) for extended periods of time or even throughout years 6-15 so that you will receive few or no contingent quarterly coupons during that period. We refer to the coupon on the securities after the first 5 years as contingent, because there is no guarantee that you will receive a coupon payment on any coupon payment date during that period. Even if an underlying index were to be at or above the coupon barrier level for such index on some quarterly observation dates, it may fluctuate below the coupon barrier level on others. In addition, even if one underlying index were to be at or above the coupon barrier level for such index on all quarterly observation dates, you will receive a contingent quarterly coupon only with respect to the observation dates on which the other underlying index is also at or above the coupon barrier level for such index, if any. At maturity, if the final index value of **each** underlying index is greater than or equal to 50% of the respective initial index value, which we refer to as the downside threshold level, the payment at maturity will be the stated principal amount, and the related contingent quarterly coupon. If, however, the final index value of **either** underlying index is less than its downside threshold level, investors will be exposed to the decline in the worst performing underlying index on a 1-to-1 basis and will receive a payment at maturity that is less than 50% of the stated principal amount of the securities and could be zero. **Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment based on the performance of either index and also the risk of not receiving any contingent quarterly coupons after the first 5 years.**

Maturity:	Approximately 15 years
Contingent quarterly coupon:	Years 1-5: On all coupon payment dates through July 2023, a fixed coupon at an annual rate of 6.25% (corresponding to approximately $15.625 per quarter per security) is paid quarterly.

Years 6-15: Beginning with the October 2023 coupon payment date, a *contingent* coupon at an annual rate of 6.25% (corresponding to approximately $15.625 per quarter per security) is paid quarterly *but only if* the closing value of **each underlying index** is **at or above** its respective coupon barrier level on the related observation date.

If, on any observation date, the closing value of either underlying index is less than the coupon barrier level for such index, we will pay no coupon for the applicable interest period. It is possible that one or both underlying indices will remain below the respective coupon barrier level(s) for extended periods of time or even throughout years 6-15 so that you will receive few or no contingent quarterly coupons during that period.

Payment at maturity:

If the final index value of **each** underlying index is **greater than or equal to** its respective downside threshold level: the stated principal amount, and the contingent quarterly coupon with respect to the final observation date.

If the final index value of **either** underlying index is **less than** its respective downside threshold level: (i) the stated principal amount *multiplied by* (ii) the index performance factor of the worst performing underlying index. Under these circumstances, the payment at maturity will be less than 50% of the stated principal amount of the securities and could be zero.

We are using this preliminary pricing supplement to solicit from you an offer to purchase the securities. You may revoke your offer to purchase the securities at any time prior to the time at which we accept such offer by notifying the relevant agent. 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 material changes to the terms of the securities, we will notify you.

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Morgan Stanley clients may contact their local Morgan Stanley branch office or our principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number (866) 477-4776). All other clients may contact their local brokerage representative. Third-party distributors may contact Morgan Stanley Structured Investment Sales at (800) 233-1087.

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 $904.20, or within $40.00 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 indices. The estimated value of the securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying indices, instruments based on the underlying indices, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

What determines the economic terms of the securities?

In determining the economic terms of the securities, including the contingent quarterly coupon rate, the coupon barrier levels and the downside threshold levels, 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 indices, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 18 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 indices, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the securities, and, if it once chooses to make a market, may cease doing so at any time.

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Key Investment Rationale

The securities provide for fixed quarterly coupon payments at the rate specified herein for the first 5 years. Thereafter, the securities do not provide for the regular payment of interest and instead will pay a contingent quarterly coupon **but only if** the index closing value of **each underlying index** is **at or above** 50% of its initial index value, which we refer to as the coupon barrier level, on the related observation date. The following scenarios are for illustration purposes only to demonstrate how the payment at maturity and contingent quarterly coupon are calculated, and do not attempt to demonstrate every situation that may occur. Accordingly, the contingent quarterly coupon may be payable with respect to none of, or some but not all of, the quarterly periods during years 6-15, and the payment at maturity may be less than 50% of the stated principal amount and could be zero. Investors will not participate in any appreciation in either underlying index.

Scenario 1: A contingent quarterly coupon is paid for all interest periods, and investors receive principal back at maturity, which is the best-case scenario.	This scenario assumes that during years 6-15, each underlying index closes at or above its respective coupon barrier level on every quarterly observation date. Investors receive the fixed quarterly coupon for the quarterly interest periods during the first 5 years, and investors receive the contingent quarterly coupon for each interest period during years 6-15. At maturity, each underlying index closes above its respective downside threshold level and coupon barrier level, and so investors receive the stated principal amount and the contingent quarterly coupon with respect to the final observation date.
Scenario 2: A contingent quarterly coupon is paid for some, but not all, interest periods, and investors receive principal back at maturity.	This scenario assumes that each underlying index closes at or above its respective coupon barrier level on some quarterly observation dates after the first 5 years, but one or both underlying indices close below the respective coupon barrier level(s) for such index on the others. Investors receive the fixed quarterly coupon for the quarterly interest periods during the first 5 years. Investors receive the contingent quarterly coupon for the quarterly interest periods during years 6-15 for which the index closing value of each underlying index is at or above its respective coupon barrier level on the related observation date, but not for the interest periods for which one or both underlying indices close below the respective coupon barrier level(s) on the related observation date. On the final observation date, each underlying index closes at or above its downside threshold level. At maturity, investors receive the stated principal amount and the contingent quarterly coupon with respect to the final observation date.
Scenario 3 : No contingent quarterly coupon is paid for any interest period during years 6-15, and investors suffer a substantial loss of principal at maturity.	This scenario assumes that one or both underlying indices close below the respective coupon barrier level(s) on every quarterly observation date during years 6-15. Investors receive the fixed quarterly coupon for the quarterly interest periods during the first 5 years. However, since one or both underlying indices close below the respective coupon barrier level(s) on every quarterly observation date during years 6-15, investors do not receive any contingent quarterly coupon during that period. On the final observation date, one or both underlying indices close below the respective downside threshold level(s). At maturity, investors will receive an amount equal to the stated principal amount multiplied by the index performance factor of the worst performing underlying index. Under these circumstances, the payment at maturity will be less than 50% of the stated principal amount and could be zero.

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Underlying Indices Summary

Russell 2000® Index

The Russell 2000® Index is an index calculated, published and disseminated by FTSE Russell, and measures the composite price performance of stocks of 2,000 companies incorporated in the U.S. and its territories. All 2,000 stocks are traded on a major U.S. exchange and are the 2,000 smallest securities that form the Russell 3000® Index. The Russell 3000® Index is composed of the 3,000 largest U.S. companies as determined by market capitalization and represents approximately 98% of the U.S. equity market. The Russell 2000® Index consists of the smallest 2,000 companies included in the Russell 3000® Index and represents a small portion of the total market capitalization of the Russell 3000® Index. The Russell 2000® Index is designed to track the performance of the small capitalization segment of the U.S. equity market.

Information as of market close on June 25, 2018:

Bloomberg Ticker Symbol:	RTY
Current Index Value:	1,657.510
52 Weeks Ago:	1,416.640
52 Week High (on 6/20/2018):	1,706.985
52 Week Low (on 8/21/2017):	1,356.905

For additional information about the Russell 2000® Index, see the information set forth under “Russell 2000® Index” in the accompanying index supplement. Furthermore, for additional historical information, see “Russell 2000® Index Historical Performance” below.

S&P 500® Index

The S&P 500® Index, which is calculated, maintained and published by S&P Dow Jones Indices LLC (“S&P”), consists of stocks of 500 component companies selected to provide a performance benchmark for the U.S. equity markets. The calculation of the S&P 500® Index is based on the relative value of the float adjusted aggregate market capitalization of the 500 component companies as of a particular time as compared to the aggregate average market capitalization of 500 similar companies during the base period of the years 1941 through 1943.

Information as of market close on June 25, 2018:

Bloomberg Ticker Symbol:	SPX
Current Index Value:	2,717.07
52 Weeks Ago:	2,439.07
52 Week High (on 1/26/2018):	2,872.87
52 Week Low (on 7/6/2017):	2,409.75

For additional information about the S&P 500® Index, see the information set forth under "S&P 500® Index" in the accompanying index supplement. Furthermore, for additional historical information, see "S&P 500® Index Historical Performance" below.

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Hypothetical Examples

The following hypothetical examples illustrate how to determine whether a contingent quarterly coupon is paid with respect to an observation date and how to calculate the payment at maturity. The following examples are for illustrative purposes only. For the first 5 years, you will receive a fixed quarterly coupon at a rate of 6.25% per annum regardless of the performance of the underlying indices. Whether you receive a contingent quarterly coupon after the first 5 years will be determined by reference to the index closing value of each underlying index on each quarterly observation date, and the amount you will receive at maturity, if any, will be determined by reference to the final index value of each underlying index on the final observation date. The actual initial index value, coupon barrier level and downside threshold level for each underlying index will be determined on the pricing date. All payments on the securities, if any, are subject to our credit risk. The below examples are based on the following terms:

Contingent Quarterly Coupon:	Years 1-5: On all coupon payment dates through July 2023, a fixed coupon at an annual rate of 6.25% (corresponding to approximately $15.625 per quarter per security) is paid quarterly. Years 6-15: Beginning with the October 2023 coupon payment date, a *contingent* coupon at an annual rate of 6.25% (corresponding to approximately $15.625 per quarter per security) is paid quarterly *but only if* the closing value of **each underlying index** is **at or above** its respective coupon barrier level on the related observation date.* **If, on any observation date in years 6-15, the closing value of either underlying index is less than the coupon barrier level for such index, we will pay no coupon for the applicable interest period. It is possible that one or both underlying indices will remain below the respective coupon barrier level(s) for extended periods of time or even throughout years 6-15 so that you will receive few or no contingent quarterly coupons during that period.**
Payment at Maturity:	If the final index value of **each** underlying index is **greater than or equal to** its respective downside threshold level: the stated principal amount, and the contingent quarterly coupon with respect to the final observation date. If the final index value of **either** underlying index is **less than** its respective downside threshold level: (i) the stated principal amount *multiplied by* (ii) the index performance factor of the worst performing underlying index. Under these circumstances, the payment at maturity will be less than 50% of the stated principal amount of the securities and could be zero.
Stated Principal Amount:	$1,000

Hypothetical Initial Index Value:	With respect to the RTY Index: 1,650 With respect to the SPX Index: 2,800
Hypothetical Coupon Barrier Level:	With respect to the RTY Index: 825, which is 50% of the hypothetical initial index value for such index With respect to the SPX Index: 1,400, which is 50% of the hypothetical initial index value for such index
Hypothetical Downside Threshold Level:	With respect to the RTY Index: 825, which is 50% of the hypothetical initial index value for such index With respect to the SPX Index: 1,400, which is 50% of the hypothetical initial index value for such index

* The actual quarterly coupon will be an amount determined by the calculation agent based on the number of days in the applicable payment period, calculated on a 30/360 basis. The hypothetical quarterly coupon of $15.625 is used in these examples for ease of analysis.

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How to determine whether a contingent quarterly coupon is payable with respect to an observation date during years 6-15:

	Index Closing Value		Contingent Quarterly Coupon
	RTY Index	SPX Index	
Hypothetical Observation Date 1	950 (**at or above** coupon barrier level)	1,700 (**at or above** coupon barrier level)	$15.625
Hypothetical Observation Date 2	1,200 (**at or above** coupon barrier level)	1,000 (**below** coupon barrier level)	$0
Hypothetical Observation Date 3	500 (**below** coupon barrier level)	2,000 (**at or above** coupon barrier level)	$0
Hypothetical Observation Date 4	500 (**below** coupon barrier level)	1,100 (**below** coupon barrier level)	$0

On hypothetical observation date 1, both the RTY Index and SPX Index close at or above their respective coupon barrier levels. Therefore a contingent quarterly coupon of $15.625 is paid on the relevant coupon payment date.

On each of the hypothetical observation dates 2 and 3, one underlying index closes at or above its coupon barrier level but the other underlying index closes below its coupon barrier level. Therefore, no contingent quarterly coupon is paid on the relevant coupon payment date.

On hypothetical observation date 4, each underlying index closes below its respective coupon barrier level and accordingly no contingent quarterly coupon is paid on the relevant coupon payment date.

Beginning after 5 years, you will not receive a contingent quarterly coupon on any coupon payment date if the closing value of either underlying index is below its respective coupon barrier level on the related observation date.

How to calculate the payment at maturity:

Final Index Value	Payment at Maturity

	RTY Index	SPX Index	
Example 1:	2,000 (**at or above** the downside threshold level)	3,000 (**at or above** the downside threshold level)	$1,015.625 (the stated principal amount *plus* the contingent quarterly coupon with respect to the final observation date)
Example 2:	1,150 (**at or above** the downside threshold level)	1,120 (**below** the downside threshold level)	$1,000 x index performance factor of the worst performing underlying = $1,000 x (1,120 / 2,800) = $400
Example 3:	660 (**below** the downside threshold level)	1,800 (**at or above** the downside threshold level)	$1,000 x (660/ 1,650) = $400
Example 4:	412.50 (**below** the downside threshold level)	1,120 (**below** the downside threshold level)	$1,000 x (412.50 / 1,650) = $250
Example 5:	660 (**below** the downside threshold level)	840 (**below** the downside threshold level)	$1,000 x (840 / 2,800) = $300

In example 1, the final index values of both the RTY Index and SPX Index are at or above their downside threshold levels. Therefore, investors receive at maturity the stated principal amount of the securities and the contingent quarterly coupon with respect to the final observation date. Investors do not participate in any appreciation of either underlying index.

In examples 2 and 3, the final index value of one underlying index is at or above its downside threshold level but the final index value of the other underlying index is below its downside threshold level. Therefore, investors are exposed to the downside performance of the worst performing underlying index at maturity and receive at maturity an amount equal to the stated principal amount *times* the index performance factor of the worst performing underlying index.

Similarly, in examples 4 and 5, the final index value of each underlying index is below its respective downside threshold level, and investors receive at maturity an amount equal to the stated principal amount *times* the index performance factor of the worst performing underlying index. In example 4, the RTY Index has declined 75% from its initial index value to its final index value, while the SPX Index has declined 60% from its initial index value to its final index value. Therefore, the payment at maturity equals the stated principal amount *times* the index performance factor of the RTY Index, which is the worst performing underlying index in this example. In example 5, the RTY Index has declined 60% from its initial index value, while the SPX Index has declined 70% from its initial index value to its final index value. Therefore the payment at maturity equals the stated principal amount *times* the index performance factor of the SPX Index, which is the worst performing underlying index in this example.

If the final index value of EITHER underlying index is below its respective downside threshold level, you will be exposed to the downside performance of the worst performing underlying index at maturity, and your payment at maturity will be less than $500 per security and could be zero.

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Risk Factors

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

§ **The securities do not guarantee the return of any principal.** The terms of the securities differ from those of ordinary debt securities in that they do not guarantee the repayment of principal. If the final index value of either underlying index is less than its downside threshold level of 50% of its initial index value, you will be exposed to the decline in the closing value of the worst performing underlying index, as compared to its initial index value, on a 1-to-1 basis, and you will receive for each security that you hold at maturity an amount equal to the stated principal amount *times* the index performance factor of the worst performing underlying index. **In this case, the payment at maturity will be less than 50% of the stated principal amount and could be zero.**

§ **After the first 5 years, the securities do not provide for regular interest payments.** The terms of the securities differ from those of ordinary debt securities in that they do not provide for the regular payment of interest after the first 5 years. For the first 5 years, the securities will pay a fixed quarterly coupon at the rate specified herein. Thereafter, the securities will pay a contingent quarterly coupon only if the index closing value of each underlying index is at or above 50% of its respective initial index value, which we refer to as the coupon barrier level, on the related observation date. If, on the other hand, the index closing value of either underlying index is lower than the coupon barrier level for such index on the relevant observation date for any interest period during years 6-15, we will pay no coupon on the applicable coupon payment date. It is possible that the index closing value of one or both underlying indices will remain below the respective coupon barrier level(s) for extended periods of time or even throughout years 6-15 so that you will receive few or no contingent quarterly coupons during that period. If you do not earn sufficient contingent quarterly coupons over the term of the securities, the overall return on the securities may be less than the amount that would be paid on a conventional debt security of ours of comparable maturity.

§ **You are exposed to the price risk of both underlying indices, with respect to both the contingent quarterly coupons after the first 5 years, if any, and the payment at maturity, if any.** Your return on the securities is not linked to a basket consisting of both underlying indices. Rather, it will be contingent upon the independent performance of each underlying index. Unlike an instrument with a return linked to a basket of underlying assets in which risk is mitigated and diversified among all the components of the basket, you will be exposed to the risks related to both underlying indices. Poor performance by **either** underlying index over the term of the securities may negatively affect your return and will not be offset or mitigated by any positive performance by the other underlying index. To receive any contingent quarterly coupons after the first 5 years, **each** underlying index must close at or above its respective coupon barrier level on the applicable observation date. In addition, if **either** underlying index has declined to below its respective downside threshold level as of the final observation date, you will be **fully exposed** to the decline in the worst performing underlying index over the term of the securities on a 1-to-1 basis, even if the other underlying index has appreciated or not declined as much. Under this scenario, the value of any such payment will be less than 50% of the stated principal amount and could be zero. Accordingly, your investment is subject to the price risk of both underlying indices.

§ **Because the securities are linked to the performance of the worst performing underlying index, you are exposed to greater risks of receiving no contingent quarterly coupons and sustaining a significant loss on your investment than if the securities were linked to just one index.** The risk that you will not receive any contingent quarterly coupons after the first 5 years, or that you will suffer a significant loss on your investment, is greater if you invest in the securities as opposed to substantially similar securities that are linked to the performance of just one underlying index. With two underlying indices, it is more likely that either underlying index will close below its coupon barrier level on any observation date, or its downside threshold level on the final observation date, than if the securities were linked to only one underlying index. Therefore, it is more likely that you will not receive any contingent quarterly coupons and that you will suffer a significant loss on your investment.

§ **The contingent quarterly coupon, if any, is based only on the value of each underlying index on the related quarterly observation date at the end of the related interest period.** Whether the contingent quarterly coupon will be

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paid on any coupon payment date during years 6-15 will be determined at the end of the relevant interest period, based on the closing value of each underlying index on the relevant quarterly observation date. As a result, you will not know whether you will receive the contingent quarterly coupon on any coupon payment date until near the end of the relevant interest period. Moreover, because the contingent quarterly coupon is based solely on the value of each underlying index on quarterly observation dates, if the closing value of either underlying index on any observation date is below the coupon barrier level for such index, you will receive no coupon for the related interest period, even if the level of such underlying index was at or above its respective coupon barrier level on other days during that interest period and even if the closing value of the other underlying index is at or above the coupon barrier level for such index.

§ **Investors will not participate in any appreciation in either underlying index.** Investors will not participate in any appreciation in either underlying index from the initial index value for such index, and the return on the securities will be limited to the fixed quarterly coupons and the contingent quarterly coupons, if any, that are paid with respect to each observation date during years 6-15 on which the index closing value of each underlying index is greater than or equal to its respective coupon barrier level.

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

§ **The market price will 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. We expect that generally the level of interest rates available in the market and the value of each underlying index on any day, including in relation to its respective coupon barrier level and downside threshold level, will affect the value of the securities more than any other factors. Other factors that may influence the value of the securities include:

o the volatility (frequency and magnitude of changes in value) of the underlying indices,

- whether the index closing value of either underlying index has been below its respective coupon barrier level on any observation date,
- geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the component stocks of the underlying indices or securities markets generally and which may affect the value of each underlying index,
- dividend rates on the securities underlying the underlying indices,
- the time remaining until the securities mature,
- interest and yield rates in the market,
- the availability of comparable instruments,
- the composition of the underlying indices and changes in the constituent stocks of such indices, 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. Generally, the longer the time remaining to maturity, the more the market price of the securities will be affected by the other factors described above. In particular, if either underlying index has closed near or below its coupon barrier level, and