

MORGAN STANLEY  
 Form 424B2  
 January 02, 2019

***CALCULATION OF REGISTRATION FEE***

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

December 2018

Pricing Supplement No. 1,239  
 Registration Statement Nos. 333-221595; 333-221595-01  
 Dated December 28, 2018  
 Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

**STRUCTURED INVESTMENTS**

Opportunities in U.S. Equities

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500<sup>®</sup> Index and the Russell 2000<sup>®</sup> Index due December 31, 2020

**Fully and Unconditionally Guaranteed by Morgan Stanley**

Principal at Risk Securities

The Dual Directional Buffered Participation Securities, or “Buffered Securities,” are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The Buffered Securities will pay no interest, provide a minimum payment at maturity of only 20% of the stated principal amount and have the terms described in the accompanying product supplement for participation securities, index supplement and prospectus, as supplemented or modified by this document. The payment at maturity on the Buffered Securities will be based on the value of the worst performing of the S&P 500<sup>®</sup> Index and the Russell 2000<sup>®</sup> Index. At maturity, if the final index value of **each** underlying index is **greater than** its respective initial index value, investors will receive the stated principal amount of their investment *plus* a return reflecting 100% of the upside performance of the worst performing underlying index, subject to the maximum payment at maturity. If the final index value of **either** underlying index is **less than or equal** to its respective initial index value, but the final index value of **each** underlying index is **greater than or equal to** 80% of its respective initial index value, meaning that **neither** underlying index has decreased from its initial index value by an amount *greater than* the buffer amount of 20%, investors will receive the stated principal amount of their investment *plus* a positive return based on the absolute value of the performance of the worst performing underlying index, which will be inherently limited to a maximum return of 20%. However, if the final index value of **either** underlying index is **less than** 80% of its respective initial index value, meaning that **either** underlying index has decreased from its respective initial index value by an amount *greater than* the buffer amount of 20%, the absolute return feature will no longer be available and instead investors will lose 1% for every 1% decline in

the worst performing underlying index beyond the specified buffer amount, subject to the minimum payment at maturity of 20% of the stated principal amount. Investors may lose up to 80% of the stated principal amount of the Buffered Securities. Because the payment at maturity of the Buffered Securities is based on the worst performing of the underlying indices, a decline in **either** underlying index beyond the buffer amount will result in a loss, and potentially a significant loss, of your investment even if the other underlying index has appreciated or has not declined as much. The Buffered Securities are for investors who seek an equity index-based return and who are willing to risk their principal, risk exposure to the worst performing of two underlying indices and forgo current income and upside above the maximum payment at maturity in exchange for the buffer and absolute return features that in each case apply to a limited range of performance of the worst performing underlying index. The Buffered Securities are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

The Buffered Securities differ from the Participation Securities described in the accompanying product supplement for Participation Securities in that the Buffered Securities offer the potential for a positive return at maturity if the worst performing underlying index depreciates by up to 20%.

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

#### FINAL TERMS

Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Maturity date:	December 31, 2020
Underlying indices:	S&P 500 <sup>®</sup> Index (the "SPX Index") and the RTY 200 <sup>®</sup> Index (the "RTY Index")
Aggregate principal amount:	\$1,000,000
Payment at maturity:	<p>If the final index value of <b>each underlying index</b> is <i>greater than</i> its respective initial index value,</p> <p><math>\\$1,000 + (\\$1,000 \times \text{index percent change of the worst performing underlying index})</math></p> <p><i>In no event will the payment at maturity exceed the maximum payment at maturity.</i></p> <p>If the final index value of <b>either underlying index</b> is <i>less than or equal to</i> its respective initial index value but the final index value of <b>each underlying index</b> is <i>greater than or equal to</i> 80% of its respective initial index value, meaning that <b>neither</b> underlying index has decreased from its initial index value by an amount <i>greater than</i> the buffer amount of 20%,</p> <p><math>\\$1,000 + (\\$1,000 \times \text{absolute index return of the worst performing underlying index})</math></p> <p>If the final index value of <b>either underlying index</b> is <i>less than</i> 80% of its respective initial index value, meaning that <b>either</b> underlying index has decreased from its respective initial index value by an amount <i>greater than</i> the buffer amount of 20%,</p>

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$(\$1,000 \times \text{index performance factor of the worst performing underlying index}) + \$200$

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

Index percent change:	With respect to each underlying index, (final index value – initial index value) / initial index value
Worst performing underlying index:	The underlying index with the lesser index percent change
Index performance factor:	With respect to each underlying index, final index value / initial index value
Absolute index return:	The absolute value of the index percent change. For example, a -5% index percent change will result in a +5% absolute index return
Initial index value:	With respect to the SPX Index, 2,485.74, which is the index closing value of such index on the pricing date
Final index value:	With respect to the RTY Index, 1,337.923, which is the index closing value of such index on the pricing date
Valuation date:	With respect to each underlying index, the index closing value of such index on the valuation date
Minimum payment at maturity:	December 28, 2020, subject to adjustment for non-index business days and certain market disruption events
Maximum payment at maturity:	\$200 per Buffered Security (20% of the stated principal amount)
Buffer amount:	\$1,210 per Buffered Security (121% of the stated principal amount)
Stated principal amount:	20%. As a result of the buffer amount of 20%, the value at or above which each underlying index must close on the valuation date so that investors do not lose money on their investment in the Buffered Securities is:
Issue price:	with respect to the SPX Index, 1,988.592, which is 80% of the initial index value of such underlying index, and
Pricing date:	with respect to the RTY Index, 1,070.338, which is approximately 80% of the initial index value of such underlying index.
Original issue date:	\$1,000 per Buffered Security
CUSIP / ISIN:	\$1,000 per Buffered Security
Listing:	December 28, 2018
	January 3, 2019 (3 business days after the pricing date)
	61768DRX5 / US61768DRX56
	The Buffered Securities will not be listed on any securities

exchange.

Agent: Morgan Stanley & Co. LLC (“MS & Co.”), a wholly owned subsidiary of Morgan Stanley and an affiliate of MSFL. See “Supplemental information regarding plan of distribution; conflicts of interest.”

Estimated value on the pricing date: \$976.70 per Buffered Security. See “Investment Summary” on page 2.

Commissions and issue price:	Price to public <sup>(1)</sup>	Agent’s commission <sup>(2)</sup>	Proceeds to us <sup>(3)</sup>
Per Buffered Security	\$1,000	\$5	\$995
Total	\$1,000,000	\$5,000	\$995,000

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

*MS & Co. expects to sell all of the Buffered Securities that it purchases from us to an unaffiliated dealer at a price of \$995 per Buffered Security, for further sale to certain fee-based advisory accounts at the price to public of (2) \$1,000 per Buffered Security. MS & Co. will not receive a sales commission with respect to the Buffered Securities. See “Supplemental information regarding plan of distribution; conflicts of interest.” For additional information, see “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement.*

(3) *See “Use of proceeds and hedging” on page 18.*

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

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

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

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

As used in this document, “we,” “us” and “our” refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

**[Product Supplement for Participation Securities dated November 16, 2017](#)** **[Index Supplement dated November 16, 2017](#)**

**[Prospectus dated November 16, 2017](#)**

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

Investment Summary

Dual Directional Buffered Participation Securities

Principal at Risk Securities

The Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020 (the “Buffered Securities”) can be used:

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

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

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

Maturity:	Approximately 2 years
Maximum payment at maturity:	\$1,210 per Buffered Security (121% of the stated principal amount)
Minimum payment at maturity:	\$200 per Buffered Security (20% of the stated principal amount). Investors may lose up to 80% of the stated principal amount of the Buffered Securities.
Buffer amount:	20%, with 1-to-1 downside exposure to the worst performing underlying index below the buffer
Coupon:	None
Listing:	The Buffered Securities will not be listed on any securities exchange

The original issue price of each Buffered Security is \$1,000. This price includes costs associated with issuing, selling, structuring and hedging the Buffered Securities, which are borne by you, and, consequently, the estimated value of the

Buffered Securities on the pricing date is less than \$1,000. We estimate that the value of each Buffered Security on the pricing date is \$976.70.

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

In valuing the Buffered Securities on the pricing date, we take into account that the Buffered Securities comprise both a debt component and a performance-based component linked to the underlying indices. The estimated value of the Buffered 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 Buffered Securities?*

In determining the economic terms of the Buffered Securities, including the buffer amount, the maximum payment at maturity and the minimum payment at maturity, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the Buffered 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 Buffered Securities?*

The price at which MS & Co. purchases the Buffered 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 Buffered Securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the Buffered 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 Buffered Securities, and, if it once chooses to make a market, may cease doing so at any time.



## Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

## Principal at Risk Securities

## Key Investment Rationale

The Buffered Securities offer the potential for a positive return at maturity based on the absolute value of a limited range of percentage changes of the worst performing underlying index. At maturity, if the final index value of **each** underlying index is **greater than** its respective initial index value, investors will receive the stated principal amount of their investment *plus* a return reflecting 100% of the upside performance of the worst performing underlying index, subject to the maximum payment at maturity. If the final index value of **either** underlying index is **less than or equal to** its respective initial index value but the final index value of **each** underlying index is **greater than or equal to 80%** of its respective initial index value, investors will receive the stated principal amount of their investment *plus* a positive return based on the absolute value of the performance of the worst performing underlying index. However, if the final index value of **either** underlying index is **less than 80%** of its respective initial index value, the absolute return feature will no longer be available and instead investors will lose 1% for every 1% decline in the worst performing underlying index beyond the specified buffer amount, subject to the minimum payment at maturity. **Investors may lose up to 80% of the stated principal amount of the Buffered Securities. All payments on the Buffered Securities are subject to our credit risk.**

Absolute Return Feature	The Buffered Securities enable investors to obtain a positive return if the final index value of <b>either</b> underlying index is <b>less than</b> its respective initial index value <b>but</b> the final index value of <b>each</b> underlying index is <b>greater than or equal to 80%</b> of its respective initial index value.
Upside Scenario if Both Underlying Indices Appreciate	<b>Both</b> underlying indices increase in value, and, at maturity, the Buffered Securities redeem for the stated principal amount of \$1,000 <i>plus</i> a return reflecting 100% of the index percent change of the worst performing underlying index, subject to the maximum payment at maturity of \$1,210 per Buffered Security (121% of the stated principal amount).
Absolute Return Scenario	The final index value of <b>either</b> underlying index is <b>less than</b> its respective initial index value but the final index value of <b>each</b> underlying index is greater than or equal to 80% of its respective initial index value. In this case, you receive a 1% positive return on the Buffered Securities for each 1% negative return on the worst performing underlying index. For example, if the final index value of the worst performing underlying index is 10% less than its respective initial index value, the Buffered Securities will provide a total positive return of 10% at maturity. The maximum return you may receive in this scenario is a positive 20% return at maturity
Downside Scenario	The final index value of <b>either</b> underlying index is <b>less than 80%</b> of its respective initial index value. In this case, the Buffered Securities redeem for less than the stated principal amount by an amount proportionate to the percentage decrease of the worst performing underlying index over the term of the Buffered Securities, plus the buffer amount of 20%. For example, if the final index value of the worst performing underlying index is 70% less than its initial index value, the



Buffered Securities will be redeemed at maturity for a loss of 50% of principal at \$500, or 50% of the stated principal amount. **The minimum payment at maturity is \$200 per Buffered Security.**

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

December 2018 Page 3

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&amp;P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

Hypothetical Examples

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

Stated principal amount:	\$1,000 per Buffered Security
	With respect to the SPX Index: 2,000
Hypothetical initial index value:	
	With respect to the RTY Index: 1,100
Maximum payment at maturity:	\$1,210 per Buffered Security (121% of the stated principal amount)
Buffer amount:	20%

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

Final index value	SPX Index: 2,200
	RTY Index: 1,540
Index percent change	SPX Index: $(2,200 - 2,000) / 2,000 = 10\%$
	RTY Index: $(1,540 - 1,100) / 1,100 = 40\%$
Payment at maturity	= \$1,000 + (\$1,000 × index percent change of the worst performing underlying index, subject to the maximum payment at maturity)
	= \$1,000 + (\$1,000 × 10%)
	= \$1,100

In example 1, the final index values of both the SPX Index and RTY Index are greater than their initial index values. The SPX Index has appreciated by 10% while the RTY Index has appreciated by 40%. Therefore, investors receive at maturity the stated principal amount *plus* 100% of the appreciation of the worst performing underlying index, which is the SPX Index in this example, subject to the maximum payment at maturity. Investors receive \$1,100 per Buffered Security at maturity.

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

Final index value	SPX Index: 3,000
	RTY Index: 1,540
Index percent change	SPX Index: $(3,000 - 2,000) / 2,000 = 50\%$ RTY Index: $(1,540 - 1,100) / 1,100 = 40\%$
Payment at maturity	= \$1,000 + (\$1,000 × index percent change of the worst performing underlying index, subject to the maximum payment at maturity) = \$1,210

In example 2, the final index values of both the SPX Index and RTY Index are greater than their initial index values. The SPX Index has appreciated by 50% while the RTY Index has appreciated by 40%. Therefore, investors receive at maturity the stated principal amount *plus* 100% of the appreciation of the worst performing underlying index, which is the RTY Index in this example, subject to the maximum payment at maturity. Because the payment at maturity cannot exceed the maximum payment at maturity, investors receive \$1,210 per Buffered Security at maturity.

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

Final index value	SPX Index: 2,800
	RTY Index: 935
Index percent change	SPX Index: $(2,800 - 2,000) / 2,000 = 40\%$

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

$$\text{RTY Index: } (935 - 1,100) / 1,100 = -15\%$$

$$\begin{aligned} \text{Payment at maturity} &= \$1,000 + (\$1,000 \times \text{absolute index return of the worst performing underlying index}) \\ &= \$1,000 + (\$1,000 \times 15\%) \\ &= \$1,150 \end{aligned}$$

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

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

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

In example 4, the final index value of the SPX Index is greater than its respective initial index value, while the final index value of the RTY Index is less than 80% of its respective initial index value. While the SPX Index has appreciated by 10%, the RTY index has declined by 50%. Therefore, investors are exposed to the negative performance of the RTY Index, which is the worst performing underlying index in this example, beyond the buffer amount of 20%, and receive a payment at maturity of \$700 per Buffered Security. In this example, investors lose the benefit of the absolute return feature and are instead exposed to the negative performance of the worst performing

underlying index even though the other underlying index has appreciated in value by 10%.

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

Final index value	SPX Index: 1,700
	RTY Index: 990
Index percent change	SPX Index: $(1,700 - 2,000) / 2,000 = -15\%$
	RTY Index: $(990 - 1,100) / 1,100 = -10\%$
Payment at maturity	= \$1,000 + (\$1,000 × absolute index return of the worst performing underlying index)
	= \$1,150

In example 5, the final index value of each underlying index is less than its respective initial index value, but neither underlying index has decreased from its initial index value by an amount greater than the buffer amount of 20%. The SPX index has declined by 15% while the RTY Index has declined by 10%. Therefore, investors receive at maturity the stated principal amount plus a return reflecting the absolute value of the performance of the worst performing underlying index, which is the SPX Index in this example. Investors receive \$1,150 per Buffered Security at maturity.

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

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

Final index value	SPX Index: 600
	RTY Index: 440
Index percent change	SPX Index: $(600 - 2,000) / 2,000 = -70\%$ RTY Index: $(440 - 1,100) / 1,100 = -60\%$ SPX Index: $600 / 2,000 = 30\%$
Index performance factor	RTY Index: $440 / 1,100 = 40\%$
Payment at maturity	= $(\$1,000 \times \text{index performance factor of the worst performing underlying index}) + \$200$ = $(\$1,000 \times 30\%) + \$200$ = \$500

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

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

December 2018 Page 6

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

Risk Factors

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

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

**The appreciation potential of the Buffered Securities is limited by the maximum payment at maturity.** The appreciation potential of the Buffered Securities is limited by the maximum payment at maturity of \$1,210 per Buffered Security, or 121% of the stated principal amount. Because the payment at maturity will be limited to 121% of the stated principal amount for the Buffered Securities, any increase in the final index value of the worst performing underlying index over its initial index value by more than 21% of its initial index value will not further increase the return on the Buffered Securities. The maximum return you can receive if the worst performing underlying index depreciates is similarly limited to 20% because of the buffer amount. If the worst performing underlying index depreciates by more than the buffer amount of 20%, you will lose some or a significant portion of your investment.

**You are exposed to the price risk of both underlying indices.** Your return on the Buffered Securities is not linked to a basket consisting of both underlying indices. Rather, it will be based upon the independent performance of each underlying index. Unlike an instrument with a return linked to a basket of underlying assets, in which risk is mitigated and diversified among all the components of the basket, you will be exposed to the risks related to both underlying indices. Poor performance by either underlying index over the term of the securities will negatively affect your return and will not be offset or mitigated by any positive performance by the other underlying index. If either underlying index declines to below 80% of its respective initial index value as of the valuation date, you will lose some or a substantial portion of your investment, even if the other underlying index has appreciated or has not declined as much. Accordingly, your investment is subject to the price risk of both underlying indices.

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

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

**The Buffered Securities are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the Buffered Securities.** You are dependent § on our ability to pay all amounts due on the Buffered Securities at maturity and therefore you are subject to our credit risk. If we default on its obligations under the Buffered 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 Buffered Securities prior to maturity will be affected by changes in the market’s view of our



Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

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

§

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

**Adjustments to the underlying indices could adversely affect the value of the Buffered Securities.** The publisher of either underlying index may add, delete or substitute the stocks constituting such underlying index or make other methodological changes that could change the value of such underlying index. The publisher of either § underlying index may discontinue or suspend calculation or publication of such underlying index at any time. In these circumstances, the calculation agent will have the sole discretion to substitute a successor index that is comparable to the discontinued underlying index and will be permitted to consider indices that are calculated and published by the calculation agent or any of its affiliates.

**The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the Buffered Securities in the original issue price reduce the economic terms of the Buffered Securities, cause the estimated value of the Buffered Securities to be less than the original issue price and will adversely affect secondary market prices.** § Assuming no change in market conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the Buffered Securities in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

#### Principal at Risk Securities

The inclusion of the costs of issuing, selling, structuring and hedging the Buffered Securities in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the Buffered Securities less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the Buffered Securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the Buffered 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, and we expect that those higher values will also be reflected in your brokerage account statements.

**The estimated value of the Buffered 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 Buffered Securities than those generated by others, including other dealers in the market, if they attempted to value § the Buffered Securities. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your Buffered Securities in the secondary market (if any exists) at any time. The value of your Buffered Securities at any time after the date of this document will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also “The market price of the Buffered Securities will be influenced by many unpredictable factors” above.

**The Buffered Securities will not be listed on any securities exchange and secondary trading may be limited.** The Buffered Securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the Buffered Securities. MS & Co. may, but is not obligated to, make a market in the Buffered 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 Buffered 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 Buffered Securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Buffered Securities easily. Since other broker-dealers may not participate significantly in the secondary market for the Buffered Securities, the price at which you may be able to trade your Buffered 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 Buffered Securities, it is likely that there would be no secondary market for the Buffered Securities. Accordingly, you should be willing to hold your Buffered Securities to maturity.

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

**The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the Buffered Securities.** As calculation agent, MS & Co. has determined the initial index values, will determine the final index values, including whether any underlying index has decreased to below 80% of its respective initial index value, and will calculate the amount of cash you receive at maturity. Moreover, § certain determinations made by MS & Co., in its capacity as calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the final index value in the event of a market disruption event or discontinuance of an underlying index. These potentially subjective determinations may adversely affect the payout to you at maturity. For further information regarding these types of determinations, see “Description of Participation Securities—Postponement of Valuation Date(s),” “—Alternate Exchange

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

Calculation in case of an Event of Default” and “—Calculation Agent and Calculations” and related definitions in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the Buffered Securities on the pricing date.

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

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Buffered Securities, possibly with retroactive effect. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Buffered Securities, including possible alternative treatments, the issues presented by this notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

S&P 500® Index Overview

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. For additional information about the S&P 500® Index, see the information set forth under “S&P 500® Index” in the accompanying index supplement.

Information as of market close on December 28, 2018:

Bloomberg Ticker Symbol:	SPX
Current Index Value:	2,485.74
52 Weeks Ago:	2,687.54
52 Week High (on 9/20/2018):	2,930.75
52 Week Low (on 12/24/2018):	2,351.10

The following graph sets forth the daily closing values of the SPX Index for the period from January 1, 2013 through December 28, 2018. The related table sets forth the published high and low closing values, as well as end-of-quarter closing values, of the SPX Index for each quarter in the same period. The closing value of the SPX Index on December 28, 2018 was 2,485.74. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The SPX Index has at times experienced periods of high volatility, and you should not take the historical values of the SPX Index as an indication of its future performance.

SPX Index Daily Closing Values  
January 1, 2013 to December 28, 2018

## Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

## Principal at Risk Securities

S&P 500® Index	High	Low	Period End
2013			
First Quarter	1,569.19	1,457.15	1,569.19
Second Quarter	1,669.16	1,541.61	1,606.28
Third Quarter	1,725.52	1,614.08	1,681.55
Fourth Quarter	1,848.36	1,655.45	1,848.36
2014			
First Quarter	1,878.04	1,741.89	1,872.34
Second Quarter	1,962.87	1,815.69	1,960.23
Third Quarter	2,011.36	1,909.57	1,972.29
Fourth Quarter	2,090.57	1,862.49	2,058.90
2015			
First Quarter	2,117.39	1,992.67	2,067.89
Second Quarter	2,130.82	2,057.64	2,063.11
Third Quarter	2,128.28	1,867.61	1,920.03
Fourth Quarter	2,109.79	1,923.82	2,043.94
2016			
First Quarter	2,063.95	1,829.08	2,059.74
Second Quarter	2,119.12	2,000.54	2,098.86
Third Quarter	2,190.15	2,088.55	2,168.27
Fourth Quarter	2,271.72	2,085.18	2,238.83
2017			
First Quarter	2,395.96	2,257.83	2,362.72
Second Quarter	2,453.46	2,328.95	2,423.41
Third Quarter	2,519.36	2,409.75	2,519.36
Fourth Quarter	2,690.16	2,529.12	2,673.61
2018			
First Quarter	2,872.87	2,581.00	2,640.87
Second Quarter	2,786.85	2,581.88	2,718.37
Third Quarter	2,930.75	2,713.22	2,913.98
Fourth Quarter (through December 28, 2018)	2,925.51	2,351.10	2,485.74

“Standard & Poor<sup>®</sup>,” “S&P,” “S&P 500,” “Standard & Poor’s 500” and “500” are trademarks of Standard and Poor’s Financial Services LLC. For more information, see “S&P 500<sup>®</sup> Index” in the accompanying index supplement.

December 2018 Page 12



Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

Russell 2000® Index Overview

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. For additional information about the Russell 2000® Index, see the information set forth under “Russell 2000® Index” in the accompanying index supplement.

Information as of market close on December 28, 2018:

<b>Bloomberg Ticker Symbol:</b>	RTY
<b>Current Index Value:</b>	1,337.923
<b>52 Weeks Ago:</b>	1,548.926
<b>52 Week High (on 8/31/2018):</b>	1,740.753
<b>52 Week Low (on 12/24/2018):</b>	1,266.925

The following graph sets forth the daily closing values of the RTY Index for the period from January 1, 2013 through December 28, 2018. The related table sets forth the published high and low closing values, as well as end-of-quarter closing values, of the RTY index for each quarter in the same period. The closing value of the RTY Index on December 28, 2018 was 1,337.923. We obtained the information in the table below from Bloomberg Financial Markets, without independent verification. The RTY Index has at times experienced periods of high volatility, and you should not take the historical values of the RTY Index as an indication of its future performance.

RTY Index Daily Closing Values  
January 1, 2013 to December 28, 2018



## Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

## Principal at Risk Securities

<b>Russell 2000® Index</b>	<b>High</b>	<b>Low</b>	<b>Period End</b>
<b>2013</b>			
First Quarter	953.068	872.605	951.542
Second Quarter	999.985	901.513	977.475
Third Quarter	1,078.409	989.535	1,073.786
Fourth Quarter	1,163.637	1,043.459	1,163.637
<b>2014</b>			
First Quarter	1,208.651	1,093.594	1,173.038
Second Quarter	1,192.964	1,095.986	1,192.964
Third Quarter	1,208.150	1,101.676	1,101.676
Fourth Quarter	1,219.109	1,049.303	1,204.696
<b>2015</b>			
First Quarter	1,266.373	1,154.709	1,252.772
Second Quarter	1,295.799	1,215.417	1,253.947
Third Quarter	1,273.328	1,083.907	1,100.688
Fourth Quarter	1,204.159	1,097.552	1,135.889
<b>2016</b>			
First Quarter	1,114.028	953.715	1,114.028
Second Quarter	1,188.954	1,089.646	1,151.923
Third Quarter	1,263.438	1,139.453	1,251.646
Fourth Quarter	1,388.073	1,156.885	1,357.130
<b>2017</b>			
First Quarter	1,413.635	1,345.598	1,385.920
Second Quarter	1,425.985	1,345.244	1,415.359
Third Quarter	1,490.861	1,356.905	1,490.861
Fourth Quarter	1,548.926	1,464.095	1,535.511
<b>2018</b>			
First Quarter	1,610.706	1,463.793	1,529.427
Second Quarter	1,706.985	1,492.531	1,643.069
Third Quarter	1,740.753	1,653.132	1,696.571
Fourth Quarter (through December 28, 2018)	1,672.992	1,266.925	1,337.923

The “Russell 2000<sup>®</sup> Index” is a trademark of FTSE Russell. For more information, see “Russell 2000<sup>®</sup> Index” in the accompanying index supplement.

December 2018 Page 14

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

Additional Terms of the Buffered Securities

Please read this information in conjunction with the summary terms on the front cover of this document.

Additional Terms:

If the terms described herein are inconsistent with those described in the accompanying product supplement, index supplement or prospectus, the terms described herein shall control.

Underlying index publishers: With respect to the SPX Index, S&P Dow Jones Indices LLC or any successor thereof  
With respect to the RTY Index, FTSE Russell or any successor thereof

Denominations: \$1,000 per Buffered Security and integral multiples thereof

With respect to the SPX Index, the index closing value on any index business day shall be determined by the calculation agent and shall equal the official closing value of the SPX Index, or any successor index as defined under “Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation” in the accompanying product supplement, published at the regular official weekday close of trading on such index business day by the underlying index publisher for the SPX Index, as determined by the calculation agent. In certain circumstances, the index closing value for the SPX Index will be based on the alternate calculation of the SPX Index as described under “Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation” in the accompanying product supplement.

Index closing value:

With respect to the RTY Index, the index closing value on any index business day shall be determined by the calculation agent and shall equal the closing value of the RTY Index or any successor index reported by Bloomberg Financial Services, or any successor reporting service the calculation agent may select, on such index business day. In certain circumstances, the index closing value for the RTY Index will be based on the alternate calculation of the RTY Index as described under “Discontinuance of Any Underlying Index or Basket Index; Alteration of Method of Calculation” in the accompanying product supplement. The closing value of the RTY Index reported by Bloomberg Financial Services may be lower or higher than the official closing value of the RTY Index published by the underlying index publisher for the RTY Index.

Postponement of maturity date:

If the scheduled valuation date is not an index business day with respect to either underlying index or if a market disruption event occurs with respect to either underlying index on that day so that the valuation date is postponed and falls less than two business days prior to the scheduled maturity date, the maturity date of the Buffered Securities will be postponed to the

second business day following the latest valuation date as postponed with respect to either underlying index.

Trustee: The Bank of New York Mellon

Calculation agent: MS & Co.

Issuer notice to registered security holders, the trustee and the depository:

In the event that the maturity date is postponed due to postponement of the valuation date, the issuer shall give notice of such postponement and, once it has been determined, of the date to which the maturity date has been rescheduled (i) to each registered holder of the Buffered Securities by mailing notice of such postponement by first class mail, postage prepaid, to such registered holder's last address as it shall appear upon the registry books, (ii) to the trustee by facsimile confirmed by mailing such notice to the trustee by first class mail, postage prepaid, at its New York office and (iii) to The Depository Trust Company (the "depository") by telephone or facsimile, confirmed by mailing such notice to the depository by first class mail, postage prepaid. Any notice that is mailed to a registered holder of the Buffered Securities in the manner herein provided shall be conclusively presumed to have been duly given to such registered holder, whether or not such registered holder receives the notice. The issuer shall give such notice as promptly as possible, and in no case later than (i) with respect to notice of postponement of the maturity date, the business day immediately preceding the

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

scheduled maturity date and (ii) with respect to notice of the date to which the maturity date has been rescheduled, the business day immediately following the actual valuation date for determining the final index value.

The issuer shall, or shall cause the calculation agent to, (i) provide written notice to the trustee and to the depository of the amount of cash to be delivered with respect to each Buffered Security on or prior to 10:30 a.m. (New York City time) on the business day preceding the maturity date, and (ii) deliver the aggregate cash amount due with respect to the Buffered Securities to the trustee for delivery to the depository, as holder of the Buffered Securities, on the maturity date.

December 2018 Page 16

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

Additional Information About the Buffered Securities

Additional  
Information:

Minimum  
ticketing size: \$1,000 / 1 Buffered Security

Tax  
considerations:

Although there is uncertainty regarding the U.S. federal income tax consequences of an investment in the Buffered Securities due to the lack of governing authority, in the opinion of our counsel, Davis Polk & Wardwell LLP, under current law, and based on current market conditions, a Buffered Security should be treated as a single financial contract that is an “open transaction” for U.S. federal income tax purposes.

Assuming this treatment of the Buffered Securities is respected and subject to the discussion in “United States Federal Taxation” in the accompanying product supplement for participation securities, the following U.S. federal income tax consequences should result based on current law:

§ A U.S. Holder should not be required to recognize taxable income over the term of the Buffered Securities prior to settlement, other than pursuant to a sale or exchange.

§ Upon sale, exchange or settlement of the Buffered Securities, a U.S. Holder should recognize gain or loss equal to the difference between the amount realized and the U.S. Holder’s tax basis in the Buffered Securities. Such gain or loss should be long-term capital gain or loss if the investor has held the Buffered Securities for more than one year, and short-term capital gain or loss otherwise.

In 2007, the U.S. Treasury Department and the Internal Revenue Service (the “IRS”) released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Buffered Securities, possibly with retroactive effect.



As discussed in the accompanying product supplement for participation securities, Section 871(m) of the Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder (“Section 871(m)”) generally impose a 30% (or a lower applicable treaty rate) withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities (each, an “Underlying Security”). Subject to certain exceptions, Section 871(m) generally applies to securities that substantially replicate the economic performance of one or more Underlying Securities, as determined based on tests set forth in the applicable Treasury regulations (a “Specified Security”). However, pursuant to an IRS notice, Section 871(m) will not apply to securities issued before January 1, 2021 that do not have a delta of one with respect to any Underlying Security. Based on our determination that the Buffered Securities do not have a delta of one with respect to any Underlying Security, our counsel is of the opinion that the Buffered Securities should not be Specified Securities and, therefore, should not be subject to Section 871(m).

Our determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on your particular circumstances, including whether you enter into other transactions with respect to an Underlying Security. If withholding is required, we will not be required to

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

pay any additional amounts with respect to the amounts so withheld. You should consult your tax adviser regarding the potential application of Section 871(m) to the Buffered Securities.

**Both U.S. and non-U.S. investors considering an investment in the Buffered Securities should read the discussion under “Risk Factors” in this document and the discussion under “United States Federal Taxation” in the accompanying product supplement for participation securities and consult their tax advisers regarding all aspects of the U.S. federal income tax consequences of an investment in the Buffered Securities, including possible alternative treatments, the issues presented by the aforementioned notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.**

**The discussion in the preceding paragraphs under “Tax considerations” and the discussion contained in the section entitled “United States Federal Taxation” in the accompanying product supplement for participation securities, insofar as they purport to describe provisions of U.S. federal income tax laws or legal conclusions with respect thereto, constitute the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of an investment in the Buffered Securities.**

Use of proceeds and hedging: The proceeds from the sale of the Buffered Securities will be used by us for general corporate purposes. We will receive, in aggregate, \$1,000 per Buffered Security issued, because, when we enter into hedging transactions in order to meet our obligations under the Buffered Securities, our hedging counterparty will reimburse the cost of the agent’s commissions. The costs of the Buffered Securities borne by you and described beginning on page 2 above comprise the agent’s commissions and the cost of issuing, structuring and hedging the Buffered Securities.

On or prior to the pricing date, we hedged our anticipated exposure in connection with the Buffered Securities by entering into hedging transactions with our affiliates and/or third-party dealers. We expect our hedging counterparties to have taken positions in stocks of the underlying indices and in futures and/or options contracts on the underlying indices and any component stocks of the underlying indices listed on major securities markets. Such purchase activity could have increased the value of either underlying index on the pricing date, and therefore could have increased the value at or above which such underlying index must close on the valuation date so that investors do not suffer a loss on their initial investment in the Buffered Securities (depending also on the performance of the other underlying index). In addition, through our affiliates, we are likely to modify our hedge position throughout the term of the Buffered Securities, including on the valuation date, by purchasing and selling the stocks constituting the underlying indices, futures or options contracts on the underlying indices or its component stocks listed on major securities markets or positions in any other available securities or instruments that we may wish to use in connection with such hedging activities. As a result, these entities may be unwinding or adjusting hedge positions

during the term of the Buffered Securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the valuation date approaches. We cannot give any assurance that our hedging activities will not affect the value of either underlying index, and, therefore, adversely affect the value of the Buffered Securities or the payment you will receive at maturity (depending also on the performance of the other underlying index). For further information on our use of proceeds and hedging, see “Use of Proceeds and Hedging” in the accompanying product supplement for participation securities.

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

Benefit plan investor considerations: Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (a “Plan”), should consider the fiduciary standards of ERISA in the context of the Plan’s particular circumstances before authorizing an investment in the Buffered Securities. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

In addition, we and certain of our affiliates, including MS & Co., may each be considered a “party in interest” within the meaning of ERISA, or a “disqualified person” within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), with respect to many Plans, as well as many individual retirement accounts and Keogh plans (such accounts and plans, together with other plans, accounts and arrangements subject to Section 4975 of the Code, also “Plans”). ERISA Section 406 and Section 4975 of the Code generally prohibit transactions between Plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the Buffered Securities are acquired by or with the assets of a Plan with respect to which MS & Co. or any of its affiliates is a service provider or other party in interest, unless the Buffered Securities are acquired pursuant to an exemption from the “prohibited transaction” rules. A violation of these “prohibited transaction” rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued five prohibited transaction class exemptions (“PTCEs”) that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Buffered Securities. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and the related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than “adequate consideration” in connection with the transaction (the so-called “service provider” exemption). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving the Buffered Securities.

Because we may be considered a party in interest with respect to many Plans, the Buffered Securities may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) or any person investing “plan assets” of any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the Buffered Securities will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the Buffered Securities that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such Buffered Securities on behalf of or with “plan assets” of any Plan or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (“Similar Law”) or (b) its purchase, holding and disposition of these Buffered Securities will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Buffered Securities on behalf of

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

or with “plan assets” of any Plan consult with their counsel regarding the availability of exemptive relief.

The Buffered Securities are contractual financial instruments. The financial exposure provided by the Buffered Securities is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the Buffered Securities. The Buffered Securities have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the Buffered Securities.

Each purchaser or holder of any Buffered Securities acknowledges and agrees that:

(i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (A) the design and terms of the Buffered Securities, (B) the purchaser or holder’s investment in the Buffered Securities, or (C) the exercise of or failure to exercise any rights we have under or with respect to the Buffered Securities;

(ii) we and our affiliates have acted and will act solely for our own account in connection with (A) all transactions relating to the Buffered Securities and (B) all hedging transactions in connection with our obligations under the Buffered Securities;

(iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;

(iv) our interests are adverse to the interests of the purchaser or holder; and

(v) neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Each purchaser and holder of the Buffered Securities has exclusive responsibility for ensuring that its purchase, holding and disposition of the Buffered Securities do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any Buffered Securities to any Plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan. In this regard, neither this discussion nor anything provided in this document is or is intended to be investment advice directed at any potential Plan purchaser or at Plan purchasers generally and such purchasers of the Buffered Securities should consult and rely on their own counsel and advisers as to whether an investment in the Buffered Securities is suitable.

However, individual retirement accounts, individual retirement annuities and Keogh plans, as well as employee benefit plans that permit participants to direct the investment of their accounts, will not be permitted to purchase or hold the Buffered Securities if the account, plan or annuity is for the benefit of an employee of Morgan Stanley or Morgan Stanley Wealth Management or a family member and the employee receives any compensation (such as, for example, an addition to bonus) based on the purchase of the Buffered Securities by the account, plan or annuity.

Additional considerations: Client accounts over which Morgan Stanley, Morgan Stanley Wealth Management or any of their respective subsidiaries have investment discretion are not permitted to purchase the Buffered Securities, either directly or indirectly.

Supplemental information regarding plan of distribution; conflicts of interest: MS & Co. expects to sell all of the Buffered Securities that it purchases from us to an unaffiliated dealer at a price of \$995 per Buffered Security, for further sale to certain fee-based advisory accounts at the price to public of \$1,000 per Buffered Security. MS & Co. will not receive a sales commission with respect to the Buffered Securities.

MS & Co. is an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley, and

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

it and other affiliates of ours expect to make a profit by selling, structuring and, when applicable, hedging the Buffered Securities.

MS & Co. will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account. See "Plan of Distribution (Conflicts of Interest)" and "Use of Proceeds and Hedging" in the accompanying product supplement for participation securities.

Validity of  
the Buffered  
Securities:

In the opinion of Davis Polk & Wardwell LLP, as special counsel to MSFL and Morgan Stanley, when the Buffered Securities offered by this pricing supplement have been executed and issued by MSFL, authenticated by the trustee pursuant to the MSFL Senior Debt Indenture (as defined in the accompanying prospectus) and delivered against payment as contemplated herein, such Buffered Securities will be valid and binding obligations of MSFL and the related guarantee will be a valid and binding obligation of Morgan Stanley, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), *provided* that such counsel expresses no opinion as to (i) the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above and (ii) any provision of the MSFL Senior Debt Indenture that purports to avoid the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law by limiting the amount of Morgan Stanley's obligation under the related guarantee. This opinion is given as of the date hereof and is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the Delaware Limited Liability Company Act. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the MSFL Senior Debt Indenture and its authentication of the Buffered Securities and the validity, binding nature and enforceability of the MSFL Senior Debt Indenture with respect to the trustee, all as stated in the letter of such counsel dated November 16, 2017, which is Exhibit 5-a to the Registration Statement on Form S-3 filed by Morgan Stanley on November 16, 2017.

Contact:

Morgan Stanley Wealth Management 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.

Where you  
can find more  
information:

Morgan Stanley and MSFL have filed a registration statement (including a prospectus, as supplemented by the product supplement for participation securities and the index supplement) with the Securities and Exchange Commission, or SEC, for the offering to which this communication relates. You should read the prospectus in that registration statement, the product supplement for participation securities, the index supplement and any other documents relating to this offering that Morgan Stanley and MSFL have filed with the SEC for more complete information about Morgan Stanley, MSFL and this offering. You may get these documents without cost by visiting EDGAR on the SEC web site at [www.sec.gov](http://www.sec.gov).



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Alternatively, Morgan Stanley, MSFL, any underwriter or any dealer participating in the offering will arrange to send you the product supplement for participation securities, index supplement and prospectus if you so request by calling toll-free 800-584-6837.

You may access these documents on the SEC web site at [www.sec.gov](http://www.sec.gov) as follows:

**Product Supplement for Participation Securities dated November 16, 2017**

**Index Supplement dated November 16, 2017**

December 2018 Page 21

Morgan Stanley Finance LLC

Dual Directional Buffered Participation Securities Based on the Value of the Worst Performing of the S&P 500® Index and the Russell 2000® Index due December 31, 2020

Principal at Risk Securities

**Prospectus dated November 16, 2017**

Terms used but not defined in this document are defined in the product supplement for participation securities, in the index supplement or in the prospectus.

December 2018 Page 22