

MORGAN STANLEY  
Form FWP  
November 20, 2018

**November 2018**

Preliminary Terms No. 1,226

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

Dated November 19, 2018

Filed pursuant to Rule 433

Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. Equities

Jump Securities with Auto-Callable Feature Based on the Performance of the Common Stock of Microsoft Corporation due December 3, 2021, With 6-month Initial Non-Call Period

Fully and Unconditionally Guaranteed by Morgan Stanley

**Principal at Risk Securities**

The securities are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The securities will pay no interest, do not guarantee the repayment of any principal at maturity and have the terms described in the accompanying product supplement and prospectus, as supplemented or modified by this document. Beginning after six months, the securities will be automatically redeemed if the closing price of the underlying stock (multiplied by the then-current adjustment factor) on any of the quarterly determination dates is greater than or equal to the initial share price, for an early redemption payment that will increase over the term of the securities and that will correspond to a per-annum return of approximately 11.85%. No further payments will be made on the securities once they have been redeemed. At maturity, if the securities have not previously been redeemed and the final share price is greater than or equal to the initial share price, investors will receive a fixed positive return that will also correspond to a return of approximately 11.85% *per annum*, as set forth below. If the securities are not automatically redeemed prior to maturity and the final share price is less than the initial share price but greater than or equal to 80% of the initial share price, which we refer to as the downside threshold level, investors will receive the stated principal amount of their investment. However, if the securities are not automatically redeemed prior to maturity and the final share price is less than the downside threshold level, investors will be exposed to the decline in the underlying stock from the initial share price on a 1-to-1 basis and will receive a payment at maturity that is less than 80% 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.** These securities are for investors who are willing to risk their principal and forego current income and participation in the appreciation of the underlying stock in exchange for the possibility of receiving an early redemption payment or payment at maturity greater than the stated principal amount if the underlying stock closes at or above the initial share price on a quarterly determination date, with no possibility of an early redemption until after the six-month non-call period and the limited protection against loss that applies only if the final share price is greater than or equal to the downside threshold level.

Investors will not participate in any appreciation of the underlying stock. The securities are 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

|                                    |   |
|------------------------------------|---|
| <b>Issuer:</b>                     | Morgan Stanley Finance LLC  |
| <b>Guarantor:</b>                  | Morgan Stanley  |
| <b>Underlying stock:</b>           | Microsoft Corporation common stock  |
| <b>Aggregate principal amount:</b> | \$  |
| <b>Stated principal amount:</b>    | \$10 per security   |
| <b>Issue price:</b>                | \$10 per security   |
| <b>Pricing date:</b>               | November 30, 2018   |
| <b>Original issue date:</b>        | December 5, 2018 (3 business days after the pricing date)   |
| <b>Maturity date:</b>              | December 3, 2021  |
| <b>Early redemption:</b>           | The securities are not subject to automatic early redemption until approximately six months after the original issue date. Following the initial 6-month non-call period, if, on any of the quarterly determination dates, the closing price of the underlying stock (multiplied by the then-current adjustment factor) is <b>greater than or equal to</b> the initial share price, the securities will be automatically redeemed for the relevant early redemption payment on the relevant early redemption date. The early redemption payment will be an amount in cash per stated principal amount (corresponding to a return of approximately 11.85% <i>per annum</i> ) for each quarterly determination date. See "Determination Dates and Early Redemption Payments" below. |
| <b>Early redemption payment:</b>   | No further payments will be made on the securities once they have been redeemed.<br>Beginning after six months, quarterly. See "Determination Dates and Early Redemption Payments" below.   |
| <b>Determination dates:</b>        | The determination dates are subject to postponement for non-trading days and certain market disruption events.  |
| <b>Early redemption dates:</b>     | The third business day after the relevant determination date  |
| <b>Initial share price:</b>        | \$ , which is the closing price of the underlying stock on the pricing date   |
| <b>Final share price:</b>          | The closing price of the underlying stock on the final determination date <i>times</i> the adjustment factor on such date   |
| <b>Adjustment factor:</b>          | 1.0, subject to adjustment in the event of certain events affecting the underlying stock  |
| <b>Payment at maturity:</b>        | If the securities have not previously been redeemed, you will receive at maturity a cash payment per security as follows:<br><br>· If the final share price is <b>greater than or equal to</b> the initial share price:   |

\$13.555

· If the final share price is **less than** the initial share price but is **greater than or equal to** the downside threshold level:

\$10

· If the final share price is **less than** the downside threshold level:

\$10 x share performance factor

**Under these circumstances, you will lose at least 20%, and possibly all, of your investment.**

**Downside threshold level:**

\$ , which is equal to 80% of the initial share price

**Share performance factor:**

Final share price *divided by* the initial share price

**CUSIP:**

61768T860

**ISIN:**

US61768T8606

**Listing:**

The securities will not be listed on any securities exchange.

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.”

**Agent:**

**Estimated value on the pricing date:**

Approximately \$9.606 per security, or within \$[0.15] of that estimate. See “Investment Summary” beginning on page 3.

**Commissions and issue price:**

|  | <b>Price to public</b> | <b>Agent’s commissions and fees</b> | <b>Proceeds to us<sup>(3)</sup></b> |
|--|------------------------|-------------------------------------|-------------------------------------|
|--|------------------------|-------------------------------------|-------------------------------------|

**Per security**

\$10

\$0.25<sup>(1)</sup>

\$9.70

\$0.05<sup>(2)</sup>

**Total**

\$

\$

\$

(1) Selected dealers, including Morgan Stanley Wealth Management (an affiliate of the agent), and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of \$0.25 for each security they sell. See “Supplemental information regarding plan of distribution; conflicts of interest.” For additional information, see “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement.

(2) Reflects a structuring fee payable to Morgan Stanley Wealth Management by the agent or its affiliates of \$0.05 for each security.

(3) See “Use of proceeds and hedging” on page 19.

**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 product supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

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

**You should read this document together with the related product supplement 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.**

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 Auto-Callable Securities dated November 16, 2017**

**Prospectus dated November**

**16, 2017**

Morgan Stanley Finance LLC

Jump Securities with Auto-Callable Feature Based on the Performance of the Common Stock of Microsoft Corporation due December 3, 2021, With 6-month Initial Non-Call Period

Principal at Risk Securities

*Terms continued from previous page:*

Determination Dates and Early Redemption Payments (Beginning After Six Months)

| <b>Determination Dates</b>                     | <b>Early Redemption Payments (per Security)</b> |
|--|---|
| 1 <sup>st</sup> determination date: 5/30/2019  | \$10.59250                                      |
| 2 <sup>nd</sup> determination date: 8/30/2019  | \$10.88875                                      |
| 3 <sup>rd</sup> determination date: 11/29/2019 | \$11.18500                                      |
| 4 <sup>th</sup> determination date: 2/28/2020  | \$11.48125                                      |
| 5 <sup>th</sup> determination date: 5/29/2020  | \$11.77750                                      |
| 6 <sup>th</sup> determination date: 8/31/2020  | \$12.07375                                      |
| 7 <sup>th</sup> determination date: 11/30/2020 | \$12.37000                                      |
| 8 <sup>th</sup> determination date: 2/26/2021  | \$12.66625                                      |
| 9 <sup>th</sup> determination date: 5/28/2021  | \$12.96250                                      |
| 10 <sup>th</sup> determination date: 8/30/2021 | \$13.25875                                      |
| Final determination date: 11/30/2021           | See "payment at maturity" above.                |

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Morgan Stanley Finance LLC

Jump Securities with Auto-Callable Feature Based on the Performance of the Common Stock of Microsoft Corporation due December 3, 2021, With 6-month Initial Non-Call Period

Principal at Risk Securities

Investment Summary

### Auto-Callable Securities

#### Principal at Risk Securities

Auto-Callable Securities Based on the Performance of the Common Stock of Microsoft Corporation due December 3, 2021, With 6-month Initial Non-Call Period (the “securities”) do not provide for the regular payment of interest and do not guarantee any repayment of the stated principal amount at maturity. Instead, beginning after six months, the securities will be automatically redeemed if the closing price of the underlying stock (multiplied by the then-current adjustment factor) on any of the determination dates is greater than or equal to the initial share price, for an early redemption payment that will increase over the term of the securities and that will correspond to a per-annum return of approximately 11.85%, as described below. At maturity, if the securities have not previously been redeemed and the final share price is greater than or equal to the initial share price, investors will receive a fixed positive return that will also correspond to a return of approximately 11.85% *per annum*, as set forth below. If the final share price is less than the initial share price but greater than or equal to the downside threshold level, which is 80% of the initial share price, investors will receive the stated principal of \$10. However, if the securities are not automatically redeemed prior to maturity and the final share price is less than the downside threshold level, investors will be exposed on a 1-to-1 basis to the full decline in the underlying stock from the initial share price and will receive a payment at maturity that is less than 80% 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.**

|   |   |
|---|---|
| <b>Maturity:</b>  | Approximately 3 years   |
| <b>Automatic early redemption quarterly (beginning after six months):</b> | <b>The securities are not subject to automatic early redemption until approximately six months after the original issue date.</b> Following this initial 6-month non-call period, if, on any of the quarterly determination dates, the closing price of the underlying stock (multiplied by the then-current adjustment factor) is greater than or equal to the initial share price, the securities will be automatically redeemed for the relevant early redemption payment on the relevant early redemption date. |
| <b>Early redemption payment:</b>  | The early redemption payment will be an amount in cash per stated principal amount (corresponding to a return of approximately 11.85% <i>per annum</i> ) for each quarterly determination date, as follows:   |

.I<sup>st</sup> determination date: \$10.59250

.J<sup>nd</sup> determination date: \$10.88875

.K<sup>rd</sup> determination date: \$11.18500

.L<sup>th</sup> determination date: \$11.48125

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·M<sup>th</sup> determination date: \$11.77750

·N<sup>th</sup> determination date: \$12.07375

·O<sup>th</sup> determination date: \$12.37000

· 8<sup>th</sup> determination date: \$12.66625

· 9<sup>th</sup> determination date: \$12.96250

·10<sup>th</sup> determination date: \$13.25875

No further payments will be made on the securities once they have been redeemed. If the securities have not previously been redeemed, you will receive at maturity a cash payment per security as follows:

· If the final share price is **greater than or equal to** the initial share price:

\$13.555

**Payment at maturity:**

· If the final share price is **less than** the initial share price but **greater than or equal to** the downside threshold level:

\$10

· If the final share price is **less than** the downside threshold level:

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Morgan Stanley Finance LLC

Jump Securities with Auto-Callable Feature Based on the Performance of the Common Stock of Microsoft Corporation due December 3, 2021, With 6-month Initial Non-Call Period

Principal at Risk Securities

\$10 x share performance factor

If the securities are not redeemed prior to maturity and the final share price is less than the downside threshold level, investors will be fully exposed to the negative performance of the underlying stock and will receive a payment at maturity that is less than 80% 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.**

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Principal at Risk Securities

The original issue price of each security is \$10. This price includes costs associated with issuing, selling, structuring and hedging the securities, which are borne by you, and, consequently, the estimated value of the securities on the pricing date will be less than \$10. We estimate that the value of each security on the pricing date will be approximately \$9.606, or within \$0.15 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 stock. The estimated value of the securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying stock, instruments based on the underlying stock, 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 early redemption payment amounts and the downside threshold level, 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 stock, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy

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or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlying stock, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

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

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Principal at Risk Securities

### Key Investment Rationale

The securities do not provide for the regular payment of interest. Instead, the securities will be automatically redeemed for an early redemption amount corresponding to a return of approximately 11.85% *per annum* if the closing price of the underlying stock (multiplied by the then-current adjustment factor) on any of the quarterly determination dates is **greater than or equal to** the initial share price.

The following scenarios are for illustrative purposes only to demonstrate how an automatic early redemption payment or the payment at maturity (if the securities have not previously been redeemed) are calculated, and do not attempt to demonstrate every situation that may occur. Accordingly, the securities may or may not be redeemed prior to maturity and the payment at maturity may be significantly less than the stated principal amount of the securities and may be zero.

#### Scenario 1: The securities are redeemed prior to maturity

Beginning after six months, when the closing price of the underlying stock (multiplied by the then-current adjustment factor) is greater than or equal to the initial share price on one of the quarterly determination dates, the securities will be automatically redeemed for the relevant early redemption payment on the relevant early redemption date, corresponding to a return of approximately 11.85% *per annum*. Investors do not participate in any appreciation of the underlying stock.

#### Scenario 2: The securities are not redeemed prior to maturity, and investors receive a positive return at maturity

This scenario assumes that the closing price of the underlying stock (multiplied by the then-current adjustment factor) is below the initial share price on each of the quarterly determination dates (beginning after six months). Consequently, the securities are not redeemed prior to maturity. On the final determination date, the final share price is at or above the initial share price. At maturity, investors will receive a cash payment equal to \$13.555 per stated principal amount, corresponding to a return of approximately 11.85% *per annum*. Investors do not participate in any appreciation of the underlying stock.

#### Scenario 3: The securities are not redeemed prior to maturity, and investors receive the stated principal amount at maturity

This scenario assumes that the closing price of the underlying stock (multiplied by the then-current adjustment factor) is below the initial share price on each of the quarterly determination dates (beginning after six months). Consequently, the securities are not redeemed prior to maturity. On the final determination date, the underlying stock is below the initial share price but at or above the downside threshold level of 80% of the initial share price. At maturity, investors will receive a cash payment equal to the stated principal amount of \$10.

**Scenario 4: The securities are not redeemed prior to maturity, and investors suffer a substantial loss of principal at maturity**

This scenario assumes that the closing price of the underlying stock (multiplied by the then-current adjustment factor) is below the initial share price on each of the quarterly determination dates (beginning after six months). Consequently, the securities are not redeemed prior to maturity. On the final determination date, the final share price is below the downside threshold level. At maturity, investors will receive an amount equal to the stated principal amount multiplied by the share performance factor. Under these circumstances, the payment at maturity will be significantly less than the stated principal amount and could be zero.

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Principal at Risk Securities

Hypothetical Examples

The following hypothetical examples are for illustrative purposes only. Whether the securities are redeemed prior to maturity will be determined by reference to the closing price of the underlying stock on each of the quarterly determination dates (beginning after six months), and the payment at maturity (if the securities are not redeemed prior to maturity) will be determined by reference to the final share price on the final determination date. The actual initial share price and downside threshold level will be determined on the pricing date. Some numbers appearing in the examples below may have been rounded for ease of analysis. All payments on the securities are subject to our credit risk. The below examples assume that there are no adjustments to the adjustment factor and are based on the following terms:

|  |  |
|--|--|
| Hypothetical Initial Share Price:                      | \$107.00   |
| Hypothetical Downside Threshold Level:                 | \$85.60, which is 80% of the hypothetical initial share price  |
| Early Redemption Payment (beginning after six months): | The early redemption payment will be an amount in cash per stated principal amount corresponding to a return of approximately 11.85% <i>per annum</i> for each quarterly determination date, as follows: |

- 1st determination date: \$10.59250
- 2nd determination date: \$10.88875
- 3rd determination date: \$11.18500
- 4th determination date: \$11.48125
- 5th determination date: \$11.77750
- 6th determination date: \$12.07375
- 7th determination date: \$12.37000
- 8th determination date: \$12.66625
- 9th determination date: \$12.96250
- 10th determination date: \$13.25875

No further payments will be made on the securities once they have been redeemed. If the securities have not previously been redeemed, you will receive at maturity a cash payment per security as follows:

- If the final share price is **greater than or equal to** the initial share price:

\$13.555

- If the final share price is **less than** the initial share price but **greater than or equal to** the downside threshold level:

Payment at Maturity:

\$10

- If the final share price is **less than** the downside threshold level:

\$10 x share performance factor

**Under these circumstances, you will lose a significant portion or all of your investment.**

Stated Principal Amount:  
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\$10

Morgan Stanley Finance LLC

Jump Securities with Auto-Callable Feature Based on the Performance of the Common Stock of Microsoft Corporation due December 3, 2021, With 6-month Initial Non-Call Period

Principal at Risk Securities

**Automatic Call:****Example 1 — the securities are redeemed following the fourth determination date**

| Date                               | Closing Price   | Payment (per Security) |
|------------------------------------|---|------------------------|
| 1 <sup>st</sup> Determination Date | \$90.00 (below the initial share price, securities are not redeemed)                  | --                     |
| 2 <sup>nd</sup> Determination Date | \$95.00 (below the initial share price, securities are not redeemed)                  | --                     |
| 3 <sup>rd</sup> Determination Date | \$100.00 (below the initial share price, securities are not redeemed)                 | --                     |
| 4 <sup>th</sup> Determination Date | \$120.00 (at or above the initial share price, securities are automatically redeemed) | \$11.48125             |

In this example, the closing price of the underlying stock on each of the first three quarterly determination dates is below the initial share price, and the closing price of the underlying stock on the fourth quarterly determination date is at or above the initial share price. Therefore, the securities are automatically redeemed on the fourth early redemption date. Investors will receive \$11.48125 per security on the related early redemption date, corresponding to an annual return of approximately 11.85%. No further payments will be made on the securities once they have been redeemed, and investors do not participate in the appreciation of the underlying stock.

**Payment at Maturity**

In the following examples, the closing price of the underlying stock on each of the quarterly determination dates (beginning after six months) is less than the initial share price, and, consequently, the securities are not automatically redeemed prior to, and remain outstanding until, maturity.

**Example 1 — the final share price is at or above the initial share price**

| Date                               | Closing Price  | Payment (per Security) |
|------------------------------------|--|------------------------|
| 1 <sup>st</sup> Determination Date | \$95.00 (below the initial share price, securities are not redeemed) | --                     |

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|                                    |   |    |
|------------------------------------|---|----|
| 2 <sup>nd</sup> Determination Date | \$105.00 (below the initial share price, securities are not redeemed) | -- |
| 3 <sup>rd</sup> Determination Date | \$98.00 (below the initial share price, securities are not redeemed)  | -- |
| 4 <sup>th</sup> Determination Date | \$95.00 (below the initial share price, securities are not redeemed)  | -- |
| 5 <sup>th</sup> Determination Date | \$94.00 (below the initial share price, securities are not redeemed)  | -- |
| 6 <sup>th</sup> Determination Date | \$98.00 (below the initial share price, securities are not redeemed)  | -- |
| 7 <sup>th</sup> Determination Date | \$101.00 (below the initial share price, securities are               | -- |

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## Morgan Stanley Finance LLC

Jump Securities with Auto-Callable Feature Based on the Performance of the Common Stock of Microsoft Corporation due December 3, 2021, With 6-month Initial Non-Call Period

## Principal at Risk Securities

|                                     |   |          |
|-------------------------------------|---|----------|
|                                     | not redeemed)   |          |
| 8 <sup>th</sup> Determination Date  | \$102.50 (below the initial share price, securities are not redeemed) | --       |
| 9 <sup>th</sup> Determination Date  | \$95.00 (below the initial share price, securities are not redeemed)  | --       |
| 10 <sup>th</sup> Determination Date | \$93.00 (below the initial share price, securities are not redeemed)  | --       |
| Final Determination Date            | \$130.00 (at or above the initial share price)                        | \$13.555 |

In this example, the closing price is below the initial share price on each of the quarterly determination dates, and therefore the securities are not redeemed prior to maturity. On the final determination date, the underlying stock has appreciated 15% from the hypothetical initial share price. At maturity, investors receive \$13.555 per security, corresponding to an annual return of approximately 11.85%. However, investors do not participate in the appreciation of the underlying stock over the term of the securities.

**Example 2 — the final share price is below the initial share price but at or above the downside threshold level**

| Date  | Closing Price   | Payment (per Security) |
|---|---|------------------------|
| 1 <sup>st</sup> Determination Date                      | \$105.00 (below the initial share price, securities are not redeemed)                           | --                     |
| 2 <sup>nd</sup> Determination Date                      | \$100.00 (below the initial share price, securities are not redeemed)                           | --                     |
| 3 <sup>rd</sup> Determination Date                      | \$91.00 (below the initial share price, securities are not redeemed)                            | --                     |
| 4 <sup>th</sup> Determination Date                      | \$95.00 (below the initial share price, securities are not redeemed)                            | --                     |
| 5 <sup>th</sup> to 10 <sup>th</sup> Determination Dates | Various closing prices ( <b>all below</b> the initial share price, securities are not redeemed) | --                     |
| Final Determination Date                                | \$90.00 (below the initial share price but at or above the downside threshold level)            | \$10                   |

In this example, the closing price is below the initial share price on each of the quarterly determination dates, and therefore the securities are not redeemed prior to maturity. On the final determination date, the final share price is below the initial share price but at or above the downside threshold level, and accordingly, investors receive a payment at maturity equal to the stated principal amount of \$10 per security.

**Example 3 — the final share price is below the downside threshold level**

| Date                               | Closing Price   | Payment (per Security) |
|------------------------------------|---|------------------------|
| 1 <sup>st</sup> Determination Date | \$105.00 (below the initial share price, securities are not redeemed) | --                     |

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2<sup>nd</sup> Determination Date \$100.00 (below the initial share price, securities are not redeemed) --  
3<sup>rd</sup> Determination Date \$101.00 (below the initial share price, securities --  
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Morgan Stanley Finance LLC

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Principal at Risk Securities

|  |   |   |
|--|---|---|
|  | are not redeemed)   |   |
| 4 <sup>th</sup> Determination Date                     | \$95.00 (below the initial share price, securities are not redeemed)                            | --  |
| 5 <sup>th</sup> to 10 <sup>th</sup> Determination Date | Various closing prices ( <b>all below</b> the initial share price, securities are not redeemed) | --  |
| Final Determination Date                               | \$53.50 (below the downside threshold level)  | \$10 x share performance factor =<br>\$10 x 50% = \$5 |

In this example, the closing price is below the initial share price on each of the quarterly determination dates, and therefore the securities are not redeemed prior to maturity. On the final determination date, the final share price is below the downside threshold level, and accordingly, investors are fully exposed to the negative performance of the underlying stock over the term of the securities, and will receive a payment at maturity that is significantly less than the stated principal amount of the securities. The payment at maturity is \$5.00 per security, representing a loss of 50% on the initial investment.

**If the securities are not redeemed prior to maturity and the final share price is less than the downside threshold level, you will lose a significant portion or all of your investment in the securities.**

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Principal at Risk Securities

Risk Factors

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

**The securities do not pay interest or guarantee the return of any principal.** The terms of the securities differ from those of ordinary debt securities in that we will not pay you any interest and the securities do not guarantee the return of any of the stated principal amount at maturity. If the securities have not been automatically redeemed prior to maturity and the final share price is less than the downside threshold level, you will be exposed to the decline in § the closing price of the underlying stock, as compared to the initial share price, 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 share performance factor. **In this case, the payment at maturity will be less than 80% of the stated principal amount and could be zero.**

**The appreciation potential of the securities is limited by the fixed early redemption payments or payment at maturity specified for each determination date.** The appreciation potential of the securities is limited to the fixed § early redemption payments specified for each determination date if the underlying stock closes at or above the initial share price on any of the determination dates (beginning after six months), or to the fixed \$13.555 upside payment at maturity if the securities have not been redeemed and the final share is at or above the initial share price. In all cases, you will not participate in any appreciation of the underlying stock, which could be significant.

**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, including the trading price and volatility (frequency and magnitude of changes in value) of the underlying stock, dividend rates on the underlying stock, interest and yield rates in the market, time remaining until the securities mature, geopolitical conditions and § economic, financial, political, regulatory or judicial events that affect the underlying stock and which may affect the final share price of the underlying stock, the exchange rates relative to the U.S. dollar with respect to each of the currencies in which the shares comprising the share underlying index trade, the occurrence of certain events affecting the underlying stock that may or may not require an adjustment to the adjustment factor, and any actual or anticipated changes in our credit ratings or credit spreads. The price of the underlying stock may be, and has recently been, volatile, and we can give you no assurance that the volatility will lessen. See “Microsoft Corporation Overview” below.

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**The securities are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the securities.** You are dependent on our ability to pay all amounts due on the securities upon an early redemption or at maturity and therefore you are subject to our credit risk. If we default on our obligations under the securities, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the securities prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the securities.

**As a finance subsidiary, MSFL has no independent operations and will have no independent assets.** As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank <sup>§</sup> *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.

Morgan Stanley Finance LLC

Jump Securities with Auto-Callable Feature Based on the Performance of the Common Stock of Microsoft Corporation due December 3, 2021, With 6-month Initial Non-Call Period

Principal at Risk Securities

**Reinvestment risk.** The term of your investment in the securities may be shortened due to the automatic early redemption feature of the securities. If the securities are redeemed prior to maturity, you will receive no further § payments on the securities and may be forced to invest in a lower interest rate environment and may not be able to reinvest at comparable terms or returns. However, under no circumstances will the securities be redeemed in the first six months of the term of the securities.

**The securities will not be listed on any securities exchange and secondary trading may be limited.** The securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the securities. MS & Co. may, but is not obligated to, make a market in the securities and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the securities, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding § any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily. Since other broker-dealers may not participate significantly in the secondary market for the securities, the price at which you may be able to trade your securities is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at any time, MS & Co. were to cease making a market in the securities, it is likely that there would be no secondary market for the securities. Accordingly, you should be willing to hold your securities to maturity.

**Investing in the securities is not equivalent to investing in the common stock of Microsoft Corporation.** § Investors in the securities will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to the underlying stock.

**No affiliation with Microsoft Corporation.** Microsoft Corporation is not an affiliate of ours, is not involved with this offering in any way, and has no obligation to consider your interests in taking any corporate actions that might § affect the value of the securities. We have not made any due diligence inquiry with respect to Microsoft Corporation in connection with this offering.

**We may engage in business with or involving Microsoft Corporation without regard to your interests.** We or our affiliates may presently or from time to time engage in business with Microsoft Corporation without regard to § your interests and thus may acquire non-public information about Microsoft Corporation. Neither we nor any of our affiliates undertakes to disclose any such information to you. In addition, we or our affiliates from time to time have published and in the future may publish research reports with respect to Microsoft Corporation, which may or may not recommend that investors buy or hold the underlying stock.

**§ The antidilution adjustments the calculation agent is required to make do not cover every corporate event that could affect the underlying stock.** MS & Co., as calculation agent, will adjust the adjustment factor for certain corporate events affecting the underlying stock, such as stock splits and stock dividends, and certain other corporate

actions involving the issuer of the underlying stock, such as mergers. However, the calculation agent will not make an adjustment for every corporate event that can affect the underlying stock. For example, the calculation agent is not required to make any adjustments if the issuer of the underlying stock or anyone else makes a partial tender or partial exchange offer for the underlying stock, nor will adjustments be made following the final determination date. If an event occurs that does not require the calculation agent to adjust the adjustment factor, the market price of the securities may be materially and adversely affected.

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