

Autocallable Note on S&P GSCI Corn, Sugar and Cotton

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BACKGROUND

The Autocallable Note is designed for investors who are looking for an attractive fixed capital return based on a slightly positive view on the S&P GSCI Corn, Sugar and Cotton indices. On the first observation date that all indices record a positive performance, however small, the Note redeems automatically at an attractive preset amount.

The high returns available on this product reflect depressed market values and high market volatility. Investors have this opportunity in exchange for accepting the risk of capital loss. If the Note does not redeem automatically, capital is at risk if any of the indices close at or below 50% of their initial level at maturity.

BONUS RETURNS

The Note accumulates a fixed capital growth amount of 20% per annum (5% per quarter). If, on any of the quarterly observation dates, all of the indices are at or above their initial levels, the Note redeems automatically and investors receive their original investment plus the capital growth accumulated to date.

REDEMPTION AT MATURITY

If there is no automatic redemption, the repayment at maturity depends on the performance of all the indices. There are three scenarios:

Scenario 1: all the indices are above their initial levels at maturity:

Investors receive 200% of their initial investment.

Scenario 2: all the indices are at or above 50% of their initial levels at maturity:

Investors receive 100% of their initial investment.

Scenario 3: at least one of the indices is below 50% of its initial level at maturity:

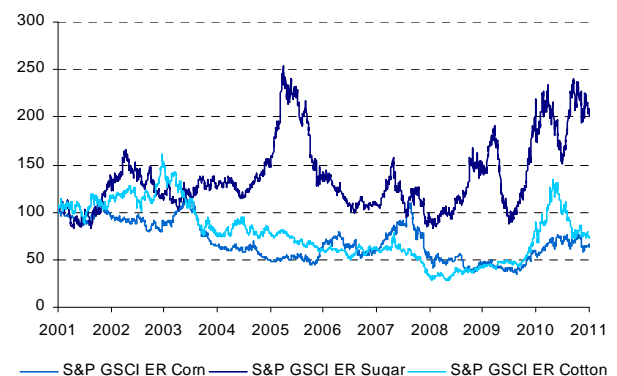
Capital is at risk on a 1:1 basis and the redemption amount reflects the performance of the worst performing index. For example, if the worst performing index at 40% of its initial level at maturity, investors suffer a 60% loss and the redemption amount is 40% of the initial investment. The following table shows the final redemption amount paid at maturity in a range of scenarios for the worst-performing index.

Performance of Index with Worst Performance (% of initial level)	Redemption at Maturity (% of Par)
140%	200%
120%	200%
100%	100%
80%	100%
60%	100%
50%	100%
40%	40%
20%	20%
0%	0%

HISTORICAL PERFORMANCE

The following chart shows the 10-year performance of the S&P GSCI Corn, Sugar and Cotton indices, indexed at 100 on 9th November 2001.

10-Year Historical Performance



Source: Morgan Stanley / Bloomberg, 14 November 2011. Past performance is no guide to future performance.

KEY FEATURES

- Quarterly opportunities for early redemption, with attractive annual growth of 20% (5% per quarter)
- Potentially timely investment opportunity given the relatively low valuation of the underlying indices
- Defensive outlook – capital is protected as long as none of the indices is below 50% of its initial level at maturity
- Denominated in GBP

INVESTMENT CONSIDERATIONS

- **Credit Risk:** The holder of the Notes will be exposed to the credit risk of the Issuer and the Guarantor.
- **Market Risk:** The return on the Notes is linked to the performance of the underlying indices, the future performance of which cannot be guaranteed.
- **Liquidity Risk:** The Notes will not be traded on an organized exchange. Although Morgan Stanley & Co. International plc will use reasonable efforts to quote bid and offer prices (subject to internal policy and applicable laws and regulations), the liquidity of the Notes may be limited.
- **Exit Risk:** The secondary market price of the Notes will depend on many factors, including the value and volatility of the underlying indices, interest rates, time remaining to maturity and the creditworthiness of the Issuer and the Guarantor. Prior to maturity, the holder may receive an amount which may be less than the amount the holder would have received on maturity of the Note.
- **Interest Risk:** Unlike ordinary debt securities, the Notes do not pay interest. The return of the Note will not compensate you for the effects of inflation and other factors relating to the value of money over time.
- **Commodities can be volatile:** Sudden price movements in the underlying commodity indices could significantly impact the return of the Notes. Results achieved in the past are no guarantee of future results.
- The Notes do not offer capital protection.

Potential investors should refer to the principal memorandum and supplemental memorandum for a description of the risk factors associated with this product.

KEY TERMS

Issuer	Morgan Stanley (A/A2)
ISIN	XS0707685698
Underlyings	S&P GSCI ER Corn (SPGCCNP), S&P GSCI Sugar (SPGCSBP), S&P GSCI ER Cotton (SPGCCTP)
Currency	GBP
Maturity	5 years
Nominal Size	GBP 1,000 ("Par")
Closing Dates for Investments	6 December 2011
Strike Date	13 December 2011
Issue/Settlement Date	20 December 2011
Minimum Investment	GBP 50,000 (per life company)
Observation Dates	Quarterly, on the 13 th of each March, June, September and December, subject to adjustments in line with the following Business Days convention.
Initial Index Level	Index level as of 13 December 2011 (Strike Date)
Final Index Level	Index level as of 13 December 2016 (Determination Date)
Distribution	Private placement only.

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