MORGAN STANLEY
Form FWP
October 17, 2018

October 2018

Preliminary Terms No. 1,107

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

Dated October 16, 2018

Filed pursuant to Rule 433

Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. Equities

Phoenix Auto-Callable Securities due November 6, 2019

**Based on the Performance of the Class C Capital Stock of Alphabet Inc.**

Fully and Unconditionally Guaranteed by Morgan Stanley

**Principal at Risk Securities**

Phoenix Auto-Callable Securities do not guarantee the payment of interest or the repayment of principal. Instead, the securities offer the opportunity for investors to earn a contingent quarterly coupon of $25 per quarter per security (plus any previously unpaid contingent quarterly coupons from prior determination dates) but only with respect to each determination date on which the determination closing price of the underlying stock is greater than or equal to 77.90% of the initial share price, which we refer to as the downside threshold level. In addition, if the determination closing price of the underlying stock is greater than or equal to the initial share price on any determination date, the securities will be automatically redeemed for an amount per security equal to the stated principal amount, the related contingent quarterly coupon and any previously unpaid contingent quarterly coupons from prior determination dates. However, if the securities are not automatically redeemed prior to maturity, the payment at maturity due on the securities will be determined as follows: (i) if the final share price, as determined on five averaging dates, is greater than or equal to the downside threshold level, investors will receive the stated principal amount, the related contingent quarterly coupon and any previously unpaid contingent quarterly coupons from prior determination dates, or (ii) if the final share price is less than the downside threshold level, investors will be exposed to the decline in the underlying stock on a 1-to-1 basis and will receive a payment at maturity that is less than 77.90% of the stated principal amount of the securities and could be zero. Moreover, if the closing price of the underlying stock on any determination date or the final share price is less than the downside threshold level, you will not receive any contingent quarterly coupon for that quarterly period. Therefore, contingent quarterly coupons should not be viewed as guaranteed periodic interest payments. Investors must be willing to accept the risk of not receiving any contingent quarterly coupons and also the risk of receiving a payment at maturity that is significantly less than the stated principal amount of the securities and could be zero. **Accordingly, investors could lose their entire initial investment in the securities.** The securities are for investors who are willing to risk their principal and seek an opportunity to earn interest at a potentially above-market rate in exchange for the risk of receiving few or no contingent quarterly coupons over the term of the securities.

Investors will not participate in any appreciation of the underlying stock. The securities are unsecured obligations of Morgan Stanley Finance LLC ("MSFL") and are fully and unconditionally guaranteed by Morgan Stanley, issued as part of MSFL's Series A Global Medium-Term Notes program.

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

**SUMMARY TERMS**

| | |
|---|---|
| **Issuer:** | Morgan Stanley Finance LLC |
| **Guarantor:** | Morgan Stanley |
| **Underlying stock:** | Alphabet Inc. class C capital stock |
| **Aggregate principal amount:** | $ |
| **Stated principal amount:** | $1,000 per security |
| **Issue price:** | $1,000 per security (see "Commissions and issue price" below) |
| **Pricing date:** | October 19, 2018 |
| **Original issue date:** | October 24, 2018 (3 business days after the pricing date) |
| **Maturity date:** | November 6, 2019 |
| **Early redemption:** | If, on any of the three determination dates, the determination closing price of the underlying stock is greater than or equal to the initial share price, the securities will be automatically redeemed for an early redemption payment on the third business day following the related determination date. No further payments will be made on the securities once they have been redeemed. |
| **Early redemption payment:** | The early redemption payment will be an amount equal to (i) the stated principal amount *plus* (ii) the contingent quarterly coupon with respect to the related determination date and any previously unpaid contingent quarterly coupons from prior determination dates. |
| Determination closing price: | The closing price of the underlying stock on any determination date *times* the adjustment factor on such determination date |
| **Contingent quarterly coupon:** | · If the determination closing price on any determination date or the final share price, as applicable, is greater than or equal to the downside threshold level, we will pay a contingent quarterly coupon of $25 per quarter per security on the related contingent payment date plus any previously unpaid contingent quarterly coupons with respect to any prior determination dates.<br><br>· If the determination closing price on any determination date or the final share price, as applicable, is less than the downside threshold level, no contingent quarterly coupon will be paid with respect to that quarterly period.<br><br>**If the contingent quarterly coupon is not paid on any coupon payment date (because the closing price on any determination date is less than the downside threshold level), such unpaid contingent quarterly** |

| | | |
|---|---|---|
| | **coupon will be paid on a later coupon payment date but only if the determination closing price on such later determination date is greater than or equal to the downside threshold level;** ***provided, however,*** **in the case of any such payment of a previously unpaid contingent quarterly coupon, that no additional interest shall accrue or be payable in respect of such unpaid contingent quarterly coupon from and after the end of the original interest period for such unpaid contingent quarterly coupon. You will not receive such unpaid contingent quarterly coupons if the closing price is less than the downside threshold level on each subsequent determination date. If the closing price is less than the downside threshold level on each determination date, you will not receive any contingent quarterly coupons for the entire term of the securities.** | |
| **Determination dates:** | January 31, 2019, May 2, 2019 and August 1, 2019, subject to postponement for non-trading days and certain market disruption events | |
| **Contingent payment dates:** | With respect to each determination date, the third business day after the related determination date. The payment of the contingent quarterly coupon, if any, with respect to the final quarterly period will be made on the maturity date. | |
| **Payment at maturity:** | · If the final share price is **greater than or equal to** the downside threshold level: | (i) the stated principal amount *plus* (ii) the contingent quarterly coupon with respect to the final quarterly period and any previously unpaid contingent quarterly coupons with respect to the prior determination dates |
| | · If the final share price is **less than** the downside threshold level: | (i) the stated principal amount *multiplied by* (ii) the share performance factor. Under these circumstances, the payment at maturity will be less than the stated principal amount, and will represent a loss of more than 22.10%, and up to all, of your investment. |
| Adjustment factor: | 1.0, subject to adjustment in the event of certain corporate events affecting the underlying stock | |
| Share performance factor: | Final share price *divided by* the initial share price | |
| Downside threshold level: | $ , which is equal to 77.90% of the initial share price | |
| Initial share price: | $ , which is equal to the closing price of the underlying stock on the pricing date | |
| Final share price: | | |

| | |
|---|---|
| | The arithmetic average of the closing price of the underlying stock on each of the five averaging dates, each as multiplied by the adjustment factor on such date |
| Averaging dates: | October 28, 2019, October 29, 2019, October 30, 2019, October 31, 2019 and November 1, 2019, subject to postponement for non-trading days and certain market disruption events. |
| **CUSIP / ISIN:** | 61768DJA4 / US61768DJA46 |
| **Listing:** | The securities will not be listed on any securities exchange. |
| Agent: | Morgan Stanley & Co. LLC ("MS & Co."), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See "Supplemental information regarding plan of distribution; conflicts of interest." |
| Estimated value on the pricing date: | Approximately $984.90 per security, or within $10.00 of that estimate. See "Investment Summary" beginning on page 2. |

| Commissions and issue price: | Price to public[(1)] | Agent's commissions[(1)(2)] | Proceeds to issuer[(3)] |
|---|---|---|---|
| **Per security** | $1,000 | $10 | $990 |
| **Total** | $ | $ | $ |

*(1) J.P. Morgan Securities LLC and JPMorgan Chase Bank, N.A. will act as placement agents for the securities. The placement agents will forgo fees for sales to certain fiduciary accounts. The total fees represent the amount that the placement agents receive from sales to accounts other than such fiduciary accounts. The placement agents will receive a fee from the Issuer or one of its affiliates that will not exceed $10 per $1,000 stated principal amount of securities.*

*(2) Please see "Supplemental information regarding plan of distribution; conflicts of interest" in these preliminary terms for information about fees and commissions.*

*(3) See "Use of proceeds and hedging" on page 20.*

**The securities involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 8.**

**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**

Morgan Stanley Finance LLC

Phoenix Auto-Callable Securities due November 6, 2019

Based on the Performance of the Class C Capital Stock of Alphabet Inc.

Principal at Risk Securities

Investment Summary

**Phoenix Auto-Callable Securities**

**Principal at Risk Securities**

The Phoenix Auto-Callable Securities due November 6, 2019 Based on the Performance of the Class C Capital Stock of Alphabet Inc., which we refer to as the securities, provide an opportunity for investors to earn a contingent quarterly coupon of $25 per quarter per security (plus any previously unpaid contingent quarterly coupons from prior determination dates) with respect to each quarterly determination date or the averaging dates, as applicable, on which the determination closing price or the final share price, as applicable, is greater than or equal to 77.90% of the initial share price, which we refer to as the downside threshold level. It is possible that the closing price of the underlying stock could remain below the downside threshold level for extended periods of time or even throughout the term of the securities so that you may receive few or no contingent quarterly coupons.

If the determination closing price is greater than or equal to the initial share price on any of the three determination dates, the securities will be automatically redeemed for an early redemption payment equal to the stated principal amount *plus* the contingent quarterly coupon with respect to the related determination date and any previously unpaid contingent quarterly coupons from prior determination dates. No further payments will be made on the securities once they have been redeemed. If the securities have not previously been redeemed and the final share price, as determined on the five averaging dates, is greater than or equal to the downside threshold level, the payment at maturity will be the sum of the stated principal amount, the contingent quarterly coupon with respect to the final quarterly period and any previously unpaid contingent quarterly coupons with respect to the prior determination dates. However, if the securities have not previously been redeemed and the final share price is less than the downside threshold level, investors will be exposed to the decline in the final share price, as compared to the initial share price, on a 1-to-1 basis. In this case, the payment at maturity will be less than 77.90% of the stated principal amount of the securities and could be zero. Investors in the securities must be willing to accept the risk of losing their entire principal and also the risk of not receiving any contingent quarterly coupon. In addition, investors will not participate in any appreciation of the underlying stock.

The original issue price of each security is $1,000. This price includes costs associated with issuing, selling, structuring and hedging the securities, which are borne by you, and, consequently, the estimated value of the securities on the pricing date will be less than $1,000. We estimate that the value of each security on the pricing date will be approximately $984.90, or within $10.00 of that estimate. Our estimate of the value of the securities as determined on the pricing date will be set forth in the final pricing supplement.

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

In valuing the securities on the pricing date, we take into account that the securities comprise both a debt component and a performance-based component linked to the underlying 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 contingent quarterly coupon rate 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 4 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlying 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.

Morgan Stanley Finance LLC

Phoenix Auto-Callable Securities due November 6, 2019

Based on the Performance of the Class C Capital Stock of Alphabet Inc.

Principal at Risk Securities

Key Investment Rationale

The securities offer investors an opportunity to earn a contingent quarterly coupon of $25 per quarter per security (plus any previously unpaid contingent quarterly coupons from prior determination dates) with respect to each determination date or the averaging dates, as applicable, on which the determination closing price or the final share price, as applicable, is greater than or equal to 77.90% of the initial share price, which we refer to as the downside threshold level. The securities may be redeemed prior to maturity for the stated principal amount per security *plus* the applicable contingent quarterly coupon and any previously unpaid contingent quarterly coupons, and the payment at maturity will vary depending on the final share price, as follows:

| | |
|---|---|
| Scenario 1 | On any of the three determination dates, the determination closing price is *greater than or equal to* the initial share price.<br><br>§ The securities will be automatically redeemed for (i) the stated principal amount *plus* (ii) the contingent quarterly coupon with respect to the related determination date and any previously unpaid contingent quarterly coupons with respect to any prior determination dates.<br><br>§ Investors will not participate in any appreciation of the underlying stock from the initial share price. |
| Scenario 2 | The securities are not automatically redeemed prior to maturity, and the final share price, as determined on the five averaging dates, is *greater than or equal to* the downside threshold level.<br><br>§ The payment due at maturity will be (i) the stated principal amount *plus* (ii) the contingent quarterly coupon with respect to the final quarterly period and any previously unpaid contingent quarterly coupons with respect to the prior determination dates. |

§ Investors will not participate in any appreciation of the underlying stock from the initial share price.

| | |
|---|---|
| Scenario 3 | The securities are not automatically redeemed prior to maturity, and the final share price is *less than* the downside threshold level.<br><br>§ The payment due at maturity will be equal to (i) the stated principal amount *multiplied by* (ii) the share performance factor.<br><br>§ **Investors will lose a significant portion, and may lose all, of their principal in this scenario.** |

Morgan Stanley Finance LLC

Phoenix Auto-Callable Securities due November 6, 2019

Based on the Performance of the Class C Capital Stock of Alphabet Inc.

Principal at Risk Securities

How the Securities Work

The following diagrams illustrate the potential outcomes for the securities depending on (1) the determination closing price and (2) the final share price.

Diagram #1: Three Determination Dates

Diagram #2: Payment at Maturity if No Automatic Early Redemption Occurs

Morgan Stanley Finance LLC

Phoenix Auto-Callable Securities due November 6, 2019

Based on the Performance of the Class C Capital Stock of Alphabet Inc.

Principal at Risk Securities

Hypothetical Examples

The below examples are based on the following terms:

| | |
|---|---|
| Hypothetical Initial Share Price: | $1,100.00 |
| Hypothetical Downside Threshold Level: | $856.90, which is 77.90% of the hypothetical initial share price |
| Hypothetical Adjustment Factor: | 1.0 |
| Contingent Quarterly Coupon: | $25.00 per quarter per security |
| Stated Principal Amount: | $1,000 per security |

In Examples 1 and 2, the closing price of the underlying stock fluctuates over the term of the securities and the determination closing price of the underlying stock is greater than or equal to the hypothetical initial share price of $1,100.00 on one of the determination dates. Because the determination closing price is greater than or equal to the initial share price on one of the determination dates, the securities are automatically redeemed following the relevant determination date. In Examples 3 and 4, the determination closing price on the determination dates is less than the initial share price, and, consequently, the securities are not automatically redeemed prior to, and remain outstanding until, maturity.

| | **Example 1** | | | **Example 2** | | |
|---|---|---|---|---|---|---|
| **Determination Dates / Averaging Dates** | Hypothetical Determination Closing Price / Final Share Price | Hypothetical Contingent Quarterly Coupon | Early Redemption Amount* | Hypothetical Determination Closing Price / Final Share Price | Hypothetical Contingent Quarterly Coupon | Early Redemption Amount* |
| **#1** | $1,350.00 | —* | $1,025.00 | $1,005.00 | $25.00 | N/A |
| **#2** | N/A | N/A | N/A | $800.00 | $0 | N/A |
| **#3** | N/A | N/A | N/A | $1,265.00 | —* | $1,050.00 |
| **Averaging Dates** | N/A | N/A | N/A | N/A | N/A | N/A |

* The Early Redemption Amount includes the unpaid contingent quarterly coupon with respect to the determination date on which the determination closing price is greater than or equal to the initial share price and the securities are redeemed as a result.

§

In **Example 1**, the securities are automatically redeemed following the first determination date, as the determination closing price on the first determination date is equal to the initial share price. You receive the early redemption payment, calculated as follows:

stated principal amount + contingent quarterly coupon = $1,000.00 + $25.00 = $1,025.00

*In this example, the early redemption feature limits the term of your investment to approximately 3 months, and you may not be able to reinvest at comparable terms or returns. If the securities are redeemed early, you will receive no further payments. Additionally, you will not participate in any appreciation of the underlying stock.*

§ In **Example 2**, the securities are automatically redeemed following the third determination date, as the determination closing price on the third determination date is greater than the initial share price. As the determination closing price on the first determination date is greater than the downside threshold level, you receive the contingent coupon of $25.00 with respect to such determination date. Following the third determination date, you receive an early redemption amount of $1,050.00, which includes the contingent quarterly coupon with respect to the third determination date and the previously unpaid contingent quarterly coupon with respect to the second determination date.

*In this example, the early redemption feature limits the term of your investment to approximately 9 months, and you may not be able to reinvest at comparable terms or returns. If the securities are redeemed early, you will receive no further payments. Further, although the underlying stock has appreciated by 15% from its initial share price as of the third determination date, you receive only $1,050.00 per security and do not benefit from such appreciation.*

Morgan Stanley Finance LLC

Phoenix Auto-Callable Securities due November 6, 2019

Based on the Performance of the Class C Capital Stock of Alphabet Inc.

Principal at Risk Securities

| | **Example 3** | | | **Example 4** | | |
|---|---|---|---|---|---|---|
| **Determination Dates / Averaging Dates** | Hypothetical Determination Closing Price / Final Share Price | Hypothetical Contingent Quarterly Coupon | Early Redemption Amount | Hypothetical Determination Closing Price / Final Share Price | Hypothetical Contingent Quarterly Coupon | Early Redemption Amount |
| **#1** | $815.00 | $0 | N/A | $770.00 | $0 | N/A |
| **#2** | $790.00 | $0 | N/A | $765.00 | $0 | N/A |
| **#3** | $710.00 | $0 | N/A | $760.00 | $0 | N/A |
| **Averaging Dates** | $660.00 | $0 | N/A | $990.00 | —* | N/A |
| **Payment at Maturity** | **$600.00** | | | **$1,100.00** | | |

* The final contingent quarterly coupon, if any, will be paid at maturity.

Examples 3 and 4 illustrate the payment at maturity per security based on the final share price.

- In **Example 3**, the closing price of the underlying stock remains below the downside threshold level on every determination date. As a result, you do not receive any contingent coupons during the term of the securities, and, at maturity, you are fully exposed to the decline in the closing price of the underlying stock. As the final share price is less than the downside threshold level, investors will receive a payment at maturity equal to the stated principal amount times the share performance factor, calculated as follows:

stated principal amount x share performance factor = $1,000.00 x ($660.00 / $1,100.00) = $1,000.00 x 60% = $600.00

*In this example, the amount of cash you receive at maturity is significantly less than the stated principal amount.*

- In **Example 4**, the closing price of the underlying stock decreases to a final share price of $990.00. Although the final share price is less than the initial share price, because the final share price is still not less than the downside threshold level, you receive the stated principal amount plus a contingent quarterly coupon with respect to the final quarterly period and the previously unpaid contingent quarterly coupons with respect to the prior determination dates. Your payment at maturity is calculated as follows:

$1,025.00 + $75.00 = $1,100.00

*In this example, although the final share price represents a 10% decline from the initial share price, you receive the stated principal amount per security plus the final contingent quarterly coupon and the previously unpaid contingent quarterly coupons with respect to the prior determination dates, equal to a total payment of $1,100.00 per security at maturity, because the final share price is not less than the downside threshold level.*

Morgan Stanley Finance LLC

Phoenix Auto-Callable Securities due November 6, 2019

Based on the Performance of the Class C Capital Stock of Alphabet Inc.

Principal at Risk Securities

Risk Factors

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

§ **The securities do not guarantee the return of any principal.** The terms of the securities differ from those of ordinary debt securities in that the securities do not guarantee the payment of regular interest or the return of any of the principal amount at maturity. Instead, if the securities have not been automatically redeemed prior to maturity and if the final share price is less than the downside threshold level, you will be exposed to the decline in the final share price, as compared to the initial share price, on a 1-to-1 basis. In this case, you will receive for each security that you hold at maturity a payment that will be less than 77.90% of the stated principal amount and could be zero.

§ **You will not receive any contingent quarterly coupon for any quarterly period when the determination closing price or the final share price, as applicable, is less than the downside threshold level.** Contingent quarterly coupons should not be viewed as guaranteed periodic interest payments. A contingent quarterly coupon will be paid with respect to a quarterly period only if the determination closing price or the final share price, as applicable, is greater than or equal to the downside threshold level. If the determination closing price remains below the downside threshold level on each determination date over the term of the securities and the final share price is also below the downside threshold level, you will not receive any contingent quarterly coupons.

§ **The contingent quarterly coupon, if any, is based solely on the determination closing price or the final share price, as applicable.** Whether the contingent quarterly coupon will be paid with respect to a determination date or the averaging dates will be based on the determination closing price or the final share price, as applicable. As a result, you will not know whether you will receive the contingent quarterly coupon until near the end of the relevant quarterly period. Moreover, because the contingent quarterly coupon is based solely on the determination closing price on a specific determination date or the final share price, as applicable, if such determination closing price or final share price is less than the downside threshold level, you will not receive any contingent quarterly coupon with respect to such determination date or the averaging dates, as applicable, even if the closing price of the underlying stock was higher on other days during the term of the securities.

§ **Investors will not participate in any appreciation in the price of the underlying stock.** Investors will not participate in any appreciation in the price of the underlying stock from the initial share price, and the return on the securities will be limited to the contingent quarterly coupon, if any, that is paid with respect to each determination date or the averaging dates, as applicable, on which the determination closing price or the final share price, as applicable, is greater than or equal to the downside threshold level. It is possible that the closing price of the underlying stock could be below the downside threshold level on most or all of the determination dates and/or that the final share price is below the downside threshold level so that you will receive few or no contingent quarterly coupons and/or lose a significant portion or all of your investment. If you do not earn sufficient contingent quarterly coupons over the term of the securities, the overall return on the securities may be less than the amount that would be paid on a conventional debt security of ours of comparable maturity.

§ **The automatic early redemption feature may limit the term of your investment to as short as approximately three months. If the securities are redeemed early, you may not be able to reinvest at comparable terms or returns.** The term of your investment in the securities may be limited to as short as approximately three months by the automatic early redemption feature of the securities. If the securities are redeemed prior to maturity, you will receive no more contingent quarterly coupons and may be forced to invest in a lower interest rate environment and may not be able to reinvest at comparable terms or returns. For the avoidance of doubt, the costs borne by investors in the securities, including the fees and commissions described on the cover page of this document, will not be rebated if the securities are redeemed early.

§ **The market price will be influenced by many unpredictable factors.** Several factors 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. Although we expect that generally the closing price of the underlying stock on any day will affect the value of the securities more than any other single factor, other factors that may influence the value of the securities include:

- o the trading price and volatility (frequency and magnitude of changes in value) of the underlying stock,
- o whether the determination closing price has been below the downside threshold level on any determination date,
- o dividend rates on the underlying stock,
- o interest and yield rates in the market,
- o time remaining until the securities mature,
- o 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,
- o the occurrence of certain events affecting the underlying stock that may or may not require an adjustment to the adjustment factor, and
- o 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 “Alphabet Inc. Overview” below. You may receive less, and possibly significantly less, than the stated principal amount per security if you try to sell your securities prior to maturity.

§ **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 on each contingent payment date, upon automatic redemption or at maturity, and therefore you are subject to our credit risk of Morgan Stanley. 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 Morgan Stanley credit risk is likely to adversely affect the market value of the securities.

§ **As a finance subsidiary, MSFL has no independent operations and will have no independent assets.** As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank pari passu with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated pari passu with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

§ **Investing in the securities is not equivalent to investing in the class C capital stock of Alphabet Inc.** Investors in the securities will not participate in any appreciation of the underlying stock, and 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 Alphabet Inc.** Alphabet Inc. 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 Alphabet Inc. in connection with this offering.

§ **We may engage in business with or involving Alphabet Inc. without regard to your interests.** We or our affiliates may presently or from time to time engage in business with Alphabet Inc. without regard to your interests and thus may acquire non-public information about Alphabet Inc. 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 Alphabet Inc., which may or may not recommend that investors buy or hold the underlying stock.

Morgan Stanley Finance LLC

Phoenix Auto-Callable Securities due November 6, 2019

Based on the Performance of the Class C Capital Stock of Alphabet Inc.

Principal at Risk Securities

§ **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 last averaging 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 secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

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

However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 4 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlying stock, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

§ **The estimated value of the securities is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price.** These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the securities than those generated by others, including other dealers in the market, if they attempted to value the securities. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your securities in the secondary market (if any exists) at any time. The value of your securities at any time after the date of this 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 will be influenced by many unpredictable factors" above.

§ **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

Morgan Stanley Finance LLC

Phoenix Auto-Callable Securities due November 6, 2019

Based on the Performance of the Class C Capital Stock of Alphabet Inc.

Principal at Risk Securities

that there would be no secondary market for the securities. Accordingly, you should be willing to hold your securities to maturity.

§ **Hedging and trading activity by our affiliates could potentially adversely affect the value of the securities.** One or more of our affiliates and/or third-party dealers expect to carry out hedging activities related to the securities (and to other instruments linked to the underlying stock), including trading in the underlying stock. As a result, these entities may be unwinding or adjusting hedge positions during the term of the securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the averaging dates approach. Some of our affiliates also trade the underlying stock and other financial instruments related to the underlying stock 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 potentially increase the initial share price, and, as a result, the downside threshold level, which is the price at or above which the underlying stock must close on each determination date in order for you to earn a contingent quarterly coupon, and, if the securities are not called prior to maturity, in order for you to avoid being exposed to the negative price performance of the underlying stock at maturity. Additionally, such hedging or trading activities during the term of the securities could potentially affect the price of the underlying stock on the determination dates, and, accordingly, whether the securities are automatically called prior to maturity, and, if the securities are not called prior to maturity, the payout to you at maturity, if any.

§ **The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the securities.** As calculation agent, MS & Co. will determine the initial share price, the downside threshold level, the final share price, whether the contingent quarterly coupon will be paid on each contingent payment date, whether you will receive any previously unpaid contingent quarterly coupons, whether the securities will be redeemed following any determination date, whether a market disruption event has occurred, whether to make any adjustments to the adjustment factor and the payment that you will receive upon an automatic early redemption or at maturity, if any. Moreover, certain determinations made by MS & Co., in its capacity as calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or nonoccurrence of market disruption events and certain adjustments to the adjustment factor. These potentially subjective determinations may affect the payout to you upon an automatic early redemption or at maturity, if any. For further information regarding these types of determinations, see "Description of Auto-Callable Securities—Auto-Callable Securities Linked to Underlying Shares" and "—Calculation Agent and Calculations" in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the securities on the pricing date.

§ **The U.S. federal income tax consequences of an investment in the securities are uncertain.** There is no direct legal authority as to the proper treatment of the securities for U.S. federal income tax purposes, and, therefore, significant aspects of the tax treatment of the securities are uncertain.

Please read the discussion under "Additional Provisions—Tax considerations" in this document concerning the U.S. federal income tax consequences of an investment in the securities. We intend to treat a security for U.S. federal income tax purposes as a single financial contract that provides for a coupon that will be treated as gross income to you at the time received or accrued, in accordance with your regular method of tax accounting. Under this treatment, the ordinary income treatment of the coupon payments, in conjunction with the capital loss treatment of any loss recognized upon the sale, exchange or settlement of the securities, could result in adverse tax consequences to holders of the securities because the deductibility of capital losses is subject to limitations. We do not plan to request a ruling from the Internal Revenue Service (the "IRS") regarding the tax treatment of the securities, and the IRS or a court may not agree with the tax treatment described herein. If the IRS were successful in asserting an alternative treatment for the securities, the timing and character of income or loss on the securities might differ significantly from the tax treatment described herein. For example, under one possible treatment, the IRS could seek to recharacterize the securities as debt instruments. In that event, U.S. Holders (as defined below) would be required to accrue into income original issue discount on the securities every year at a "comparable yield" determined at the time of issuance (as adjusted based on the difference, if any, between the actual and the projected amount of any contingent payments on the securities) and recognize all income and gain in respect of the securities as ordinary income. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the securities, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features.

Morgan Stanley Finance LLC

Phoenix Auto-Callable Securities due November 6, 2019

Based on the Performance of the Class C Capital Stock of Alphabet Inc.

Principal at Risk Securities

**Non-U.S. Holders (as defined below) should note that we currently intend to withhold on any coupon paid to Non-U.S. Holders generally at a rate of 30%, or at a reduced rate specified by an applicable income tax treaty under an "other income" or similar provision, and will not be required to pay any additional amounts with respect to amounts withheld.**

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. While it is not clear whether the securities would be viewed as similar to the prepaid forward contracts described in the notice, it is possible that any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect. The notice focuses on a number of issues, the most relevant of which for holders of the securities are the character and timing of income or loss and the degree, if any, to which income realized by non-U.S. investors should be subject to wi