MORGAN STANLEY
Form 424B2
August 16, 2018

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	*Maximum Aggregate Offering Price*	*Amount of Registration Fee*
Performance Leveraged Upside Securities due 2021	$6,800,000	$846.60

August 2018

Pricing Supplement No. 877

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

Dated August 14, 2018

Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. and International Equities

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities^{SM}

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

The PLUS are unsecured obligations of Morgan Stanley Finance LLC ("MSFL") and are fully and unconditionally guaranteed by Morgan Stanley. The PLUS will pay no interest, do not guarantee any return of principal at maturity and have the terms described in the accompanying product supplement for PLUS and prospectus, as supplemented or modified by this document. At maturity, if the underlying index has **appreciated** in value, investors will receive the stated principal amount of their investment plus leveraged upside performance of the underlying index. However, if the underlying index has **depreciated** in value, investors will lose 1% for every 1% decline in the index value over the term of the securities. Under these circumstances, the payment at maturity will be less than the stated principal amount and could be zero. **Accordingly, you may lose your entire investment.**

The Solactive Future Technologies 2.2% AR Index (the "underlying index") is a static, rules-based index launched on July 25, 2018, and calculated and published by Solactive AG (the "underlying index publisher"). The underlying index attempts to track the total-return performance (including any dividends) of 52 global companies identified prior to the inception date of the underlying index as having invested substantially in the research and development of new products or services (each, an "index component," and together, the "index components"). There can be no assurance that these 52 companies will continue to invest in research and development for any future period, and they may underperform other companies or the markets generally. The level of the underlying index is reduced by a fee of 2.20% per annum that is deducted from the underlying index level on a daily basis.

All index components are equally weighted within the underlying index at each annual rebalancing, and therefore each index component will have a weight of approximately 1.92% within the underlying index at that time. However, the weights of the index components within the underlying index will change between annual rebalancings based on their individual performances. The underlying index's composition is fixed at the selected 52 index components. Other than under the limited circumstances set forth below, no index component will be removed from the underlying index, and no stock will be added to the underlying index. For more information, see "Annex A—Solactive Future Technologies 2.2% AR Index" beginning on page 18 and the "Risk Factors—There are risks associated with the underlying index" beginning on page 6.

The PLUS are for investors who seek an equity index-based return and who are willing to risk their principal and forgo current income in exchange for the leverage feature, which applies for a limited range of performance of the underlying index. **Investors may lose their entire initial investment in the PLUS.** The PLUS are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

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

FINAL Terms

Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Maturity date:	August 23, 2021
Underlying index:	Solactive Future Technologies 2.2% AR Index
Aggregate principal amount:	$6,800,000
Payment at maturity per PLUS:	If the final index value is greater than the initial index value: $1,000 + leveraged upside payment If the final index value is less than or equal to the initial index value: $1,000 × index performance factor *Under these circumstances, the payment at maturity will be less than or equal to the stated principal amount of $1,000.*
Leveraged upside payment:	$1,000 × leverage factor × index percent increase
Index percent increase:	(final index value – initial index value) / initial index value
Initial index value:	291.76, which is the index closing value on the pricing date
Final index value:	The index closing value on the valuation date
Valuation date:	August 16, 2021, subject to postponement for non-index business days and certain market

	disruption events
Leverage factor:	121%
Index performance factor:	Final index value *divided* by the initial index value
Maximum payment at maturity:	None
Stated principal amount:	$1,000 per PLUS
Issue price:	$1,000 per PLUS (see "Commissions and issue price" below)
Pricing date:	August 14, 2018
Original issue date:	August 21, 2018 (5 business days after the pricing date)
CUSIP:	61768DCC7
ISIN:	US61768DCC74
Listing:	The PLUS 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:	$954.20 per PLUS. See "Investment Summary" beginning on page 2.

Commissions and issue price:	Price to public	Agent's commissions and fees[1]	Proceeds to us[2]
Per PLUS	$1,000	$15	$985
Total	$6,800,000	$102,000	$6,698,000

(1) Selected dealers and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of $15 for each PLUS 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 for PLUS.

(2) See "Use of proceeds and hedging" on page 16.

The PLUS involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 7.

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

The PLUS 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 PLUS" 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 PLUS dated November 16, 2017 **Prospectus dated November 16, 2017**

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities℠

Principal at Risk Securities

Investment Summary

Performance Leveraged Upside Securities

Principal at Risk Securities

The PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021 (the "PLUS") can be used:

§ As an alternative to direct exposure to the underlying index that enhances returns for any potential positive performance of the underlying index

§ To enhance returns and potentially outperform the underlying index in a bullish scenario, with no limitation on the appreciation potential

§ To achieve similar levels of upside exposure to the underlying index as a direct investment, while using fewer dollars by taking advantage of the leverage factor.

§ The PLUS are exposed on a 1:1 basis to the negative performance of the underlying index.

Maturity:	Approximately 3 years
Leverage factor:	121% (applicable only if the final index value is greater than the initial index value)

Maximum payment at maturity:	None
Minimum payment at maturity:	None. You could lose your entire initial investment in the PLUS.
Coupon:	None

The Solactive Future Technologies 2.2% AR Index

The Solactive Future Technologies 2.2% AR Index is a static, rules-based index launched on July 25, 2018, and calculated and published by Solactive AG. The underlying index attempts to track the total-return performance (including any dividends) of 52 global companies identified prior to the inception date of the underlying index as having invested substantially in the research and development of new products or services. There can be no assurance that these 52 companies will continue to invest in research and development for any future period, and they may underperform other companies or the markets generally. The level of the underlying index is reduced by a fee of 2.20% per annum that is deducted from the index level on a daily basis.

All index components are equally weighted within the underlying index at each annual rebalancing, and therefore each index component will have a weight of approximately 1.92% within the underlying index at that time. However, the weights of the index components within the underlying index will change between annual rebalancings based on their individual performances. The underlying index's composition is fixed at the selected 52 index components. Other than under the limited circumstances, no index component will be removed from the underlying index, and no stock will be added to the underlying index.

Please see "Underlying Index" beginning on page 11 for more information about the underlying index.

The original issue price of each PLUS is $1,000. This price includes costs associated with issuing, selling, structuring and hedging the PLUS, which are borne by you, and, consequently, the estimated value of the PLUS on the pricing date is less than $1,000. We estimate that the value of each PLUS on the pricing date is $954.20.

What goes into the estimated value on the pricing date?

In valuing the PLUS on the pricing date, we take into account that the PLUS comprise both a debt component and a performance-based component linked to the underlying index. The estimated value of the PLUS is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying index, instruments based on the underlying index, 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 PLUS?

August 2018 Page 2

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities℠

Principal at Risk Securities

In determining the economic terms of the PLUS, including the leverage factor, 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 PLUS 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 PLUS?

The price at which MS & Co. purchases the PLUS in the secondary market, absent changes in market conditions, including those related to the underlying index, 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 PLUS are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the PLUS in the secondary market, absent changes in market conditions, including those related to the underlying index, 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 PLUS, and, if it once chooses to make a market, may cease doing so at any time.

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities[SM]

Principal at Risk Securities

Key Investment Rationale

The PLUS offer leveraged exposure to the Solactive Future Technologies 2.2% AR Index. At maturity, if the underlying index has appreciated in value, investors will receive the stated principal amount of their investment plus leveraged upside performance of the underlying index. However, if the underlying index has depreciated in value, investors will lose 1% for every 1% decline in the index value over the term of the securities. Under these circumstances, the payment at maturity will be less than the stated principal amount and could be zero. Investors may lose their entire initial investment in the PLUS. All payments on the PLUS are subject to our credit risk.

Exposure to the Solactive Future Technologies 2.2% AR Index	The Solactive Future Technologies 2.2% AR Index is a static, rules-based index launched on July 25, 2018, and calculated and published by Solactive AG. The underlying index attempts to track the total-return performance (including any dividends) of 52 global companies identified prior to the inception date of the underlying index as having invested substantially in the research and development of new products or services. See "Annex A—Solactive Future Technologies 2.2% AR Index" beginning on page 18 and the "Risk Factors—There are risks associated with the underlying index" beginning on page 6 for more information.
Leveraged Performance	The PLUS offer investors an opportunity to capture enhanced returns for any positive performance relative to a direct investment in the underlying index.
Upside Scenario	The underlying index increases in value, and, at maturity, the PLUS redeem for the stated principal amount of $1,000 plus 121% of the index percent increase.
Par Scenario	The final index value is equal to the initial index value. In this case, you receive the stated principal amount of $1,000 at maturity.
Downside Scenario	The underlying index declines in value, and, at maturity, the PLUS redeem for less than the stated principal amount by an amount proportionate to the decline in the value of the underlying index over the term of the PLUS. For example, if the final index value is 30% less than the initial index value, the PLUS will redeem at maturity for a loss of 30% of principal at $700, or 70% of the stated principal amount. There is no minimum payment at maturity on the PLUS, and you could lose your entire investment.

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities[SM]

Principal at Risk Securities

How the PLUS Work

Payoff Diagram

The payoff diagram below illustrates the payment at maturity on the PLUS based on the following terms:

Stated principal amount:	$1,000 per PLUS
Leverage factor:	121%
Maximum payment at maturity:	None
Minimum payment at maturity:	None

PLUS Payoff Diagram

How it works

§ **Upside Scenario.** If the final index value is greater than the initial index value, investors will receive the $1,000 stated principal amount *plus* 121% of the appreciation of the underlying index over the term of the PLUS.

§ Given the leverage factor of 121%, if the underlying index appreciates 2%, the investor would receive a 2.42% return, or $1,024.20 per PLUS.

- § **Par Scenario.** If the final index value is equal to the initial index value, the investor would receive the $1,000 stated principal amount.

- § **Downside Scenario.** If the final index value is less than the initial index value, the investor would receive an amount that is less than the $1,000 stated principal amount, based on a 1% loss of principal for each 1% decline in the underlying index. Under these circumstances, the payment at maturity will be less than the stated principal amount per PLUS. There is no minimum payment at maturity on the PLUS.

- § If the underlying index depreciates 30%, the investor would lose 30% of the investor's principal and receive only $700 per PLUS at maturity, or 70% of the stated principal amount.

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities[SM]

Principal at Risk Securities

Risk Factors

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

§ **The PLUS do not pay interest or guarantee return of any principal.** The terms of the PLUS differ from those of ordinary debt securities in that the PLUS do not pay interest or guarantee the payment of any principal amount at maturity. If the final index value is less than the initial index value, the payout at maturity will be an amount in cash that is less than the $1,000 stated principal amount of each PLUS by an amount proportionate to the full decline in the value of the underlying index over the term of the PLUS. There is no minimum payment at maturity on the PLUS, and, accordingly, you could lose your entire initial investment in the PLUS.

§ **The market price of the PLUS will be influenced by many unpredictable factors.** Several factors, many of which are beyond our control, will influence the value of the PLUS in the secondary market and the price at which MS & Co. may be willing to purchase or sell the PLUS in the secondary market, including the value, volatility (frequency and magnitude of changes in value) and dividend yield of the underlying index, interest and yield rates in the market, time remaining until the PLUS mature, geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying index or equities markets generally and which may affect the final index value of the underlying index and any actual or anticipated changes in our credit ratings or credit spreads. The value of the underlying index may be, and has recently been, volatile, and we can give you no assurance that the volatility will lessen. See "Hypothetical Retrospective and Historical Information" below. You may receive less, and possibly significantly less, than the stated principal amount per PLUS if you try to sell your PLUS prior to maturity.

§ **The PLUS 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 PLUS.** You are dependent on our ability to pay all amounts due on the PLUS at maturity and therefore you are subject to our credit risk. If we default on our obligations under the PLUS, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the PLUS 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 PLUS.

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

§ **The amount payable on the PLUS is not linked to the value of the underlying index at any time other than the valuation date.** The final index value will be based on the index closing value on the valuation date, subject to postponement for non-index business days and certain market disruption events. Even if the value of the underlying index appreciates prior to the valuation date but then drops by the valuation date, the payment at maturity may be less, and may be significantly less, than it would have been had the payment at maturity been linked to the value of the underlying index prior to such drop. Although the actual value of the underlying index on the stated maturity date or at other times during the term of the PLUS may be higher than the index closing value on the valuation date, the payment at maturity will be based solely on the index closing value on the valuation date.

§ **There are risks associated with the underlying index.**

§ **The underlying index may not yield future positive performance, and the level of the underlying index may decline substantially.** The underlying index is composed of 52 stocks, equally weighted as of each annual rebalancing. These stocks were selected by the underlying index publisher prior to the inception date of the underlying index, and the composition of the underlying index will not be adjusted for changing market conditions. Although the underlying index publisher selected the 52 stocks in an effort to identify companies that have invested substantially in the research and development of new products or services, there can be no guarantee that these companies will continue to invest in research and development for any future period, or that they will perform well during any future period. Additionally, there can be no guarantee that the underlying index will not underperform the equity markets generally. If the prices of the index components decline, the level of the underlying index will decline, perhaps significantly.

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities℠

Principal at Risk Securities

- **The underlying index has a fixed, pre-selected composition that will not be adjusted based on changing market conditions.** The underlying index's composition is fixed at the 52 index components selected by the underlying index publisher prior to the inception of the underlying index. Other than under the limited circumstances set forth below under "Annex—The Solactive Future Technologies 2.2% AR Index—Extraordinary Events," no index component will be removed from the underlying index, and no stock will be added to the underlying index. This index policy differs from an actively managed strategy, where component stocks are changed based on market conditions. The underlying index composition is fixed and will not change over time even if the underlying index underperforms the equity markets generally. Accordingly, the underlying index is not actively managed by the underlying index publisher and will not adjust to changing business, financial, geopolitical or other conditions. The underlying index publisher will not remove any underperforming index component, regardless of its loss in value. If the values of the index components decline, the level of the underlying index will decline, perhaps significantly.

- **A fee of 2.20% per annum will be deducted from the index level on a daily basis and will reduce the level of the underlying index.** The level of the underlying index is reduced by a fee of 2.20% per annum that is deducted from the index level on a daily basis. This running fee will reduce the level of the underlying index in all cases, whether the underlying index performs well or poorly.

- **The underlying index was established on July 25, 2018 and therefore has extremely limited actual performance history.** The underlying index was established on July 25, 2018 and therefore has extremely limited actual performance history. As such, performance for the underlying index has been retrospectively simulated on a hypothetical basis. A retrospective simulation means that no actual investment which allowed a tracking of the performance of the underlying index existed at any time during the period of the retrospective simulation. The methodology of the underlying index used for the calculation and retrospective simulation of the underlying index has been developed with the advantage of hindsight. In reality, it is not possible to invest with the advantage of hindsight and therefore this hypothetical retrospective performance is purely theoretical and may not be indicative of future performance. Investors should be aware that no actual investment which allowed a tracking of the performance of the underlying index was possible at any time prior to July 25, 2018. Such data must be considered illustrative only. The hypothetical retrospective data may not reflect future performance and no assurance can be given as to the level of the underlying index at any time. Additionally, as the underlying index is new and has extremely limited actual historical performance, any investment in the underlying index may involve greater risk than an investment in an index with significant actual historical performance and a proven track record.

§ **As index rebalancing occurs only once per year, index components will have different weightings for extended periods of time.** Each June, the underlying index publisher rebalances the underlying index so that all index components are equally weighted. However, the market performance of the index components will produce unequal weightings throughout the periods between the annual rebalancing dates. Index components performing relatively strongly will increase their weightings within the underlying index, while index components performing relatively poorly will decrease their weightings within the underlying index. You will thus have greater exposure to some index components, and any decline of such index components will adversely affect the level of the underlying index.

Additionally, as part of the annual rebalancing of the underlying index, the underlying index publisher will reduce the heavier weightings of the relatively strongly performing index components. The underlying index publisher will sell-off a portion of such relatively strongly performing index components. This policy differs from other investment strategies where investors can maintain and grow their positions in successful investments.

§ **The value of the underlying index is subject to currency exchange risk.** For index components denominated in foreign currencies (the "non-U.S. stocks"), the underlying index publisher will convert the prices of such index components into U.S. dollars before calculating the index value. Holders of the securities will thus be exposed to currency exchange rate risk with respect to each of the currencies in which the non-U.S. stocks trade. Exchange rate movements for a particular currency are volatile and are the result of numerous factors including the supply of, and the demand for, those currencies, as well as relevant government policy, intervention or actions, but are also influenced significantly from time to time by political or economic developments, and by macroeconomic factors and speculative actions related to the relevant region. An investor's net exposure will depend on the extent to which the currencies of the component securities strengthen or weaken against the U.S. dollar and the relative weight of each currency. If, taking into account such weighting, the dollar strengthens against the currencies of the non-U.S. stocks, the level of the underlying index will be adversely affected and the payment on the securities may be reduced.

Of particular importance to potential currency exchange risk are:

§ existing and expected rates of inflation;

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities[SM]

Principal at Risk Securities

§ existing and expected interest rate levels;

§ the balance of payments; and

§ the extent of governmental surpluses or deficits in the countries represented in the non-U.S. stocks and the United States.

All of these factors are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of various countries represented in the non-U.S. stocks and the United States and other countries important to international trade and finance.

§ **Adjustments to the underlying index could adversely affect the value of the underlying index.** The underlying index publisher may make adjustments to the underlying index on account of extraordinary events, corporate events or market disruption events (as described in "Annex A—Solactive Future Technologies 2.2% AR Index"). Additionally, the underlying index publisher will have the sole discretion to substitute an index component with a successor stock upon the occurrence of a merger, a takeover bid, a delisting, insolvency or the nationalization of a company. Similarly, following the announcement of certain corporate actions by the issuer of an index component, the underlying index publisher will, in its discretion, determine whether such corporate action has a dilution, concentration or other effect on the price of the respective index component, and will make necessary adjustments to the affected index component and/or the formula for calculating the underlying index that it deems appropriate in order to take into account the effect. Also, in the event of a market disruption event, the underlying index publisher will determine the level of the underlying index, taking into account the market conditions prevailing at that point in time. Any of these determinations may affect the level of the underlying index.

§ **Investing in the PLUS is not equivalent to investing in the underlying index.** Investing in the PLUS is not equivalent to investing in the underlying index or its component stocks. As an investor in the PLUS, you will not have voting rights or certain other rights with respect to stocks that constitute the underlying index.

§

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 PLUS in the original issue price reduce the economic terms of the PLUS, cause the estimated value of the PLUS 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 PLUS 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 PLUS in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the PLUS less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the PLUS are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the PLUS in the secondary market, absent changes in market conditions, including those related to the underlying index, 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.

§ **Adjustments to the underlying index could adversely affect the value of the PLUS.** The underlying index publisher may add, delete or substitute the stocks constituting the underlying index or make other methodological changes that could change the value of the underlying index. The underlying index publisher may discontinue or suspend calculation or publication of the underlying index at any time. In these circumstances, the calculation agent will have the sole discretion to substitute a successor index that is comparable to the discontinued underlying index and is not precluded from considering indices that are calculated and published by the calculation agent or any of its affiliates. If the calculation agent determines that there is no appropriate successor index, the payment at maturity on the PLUS will be an amount based on the closing prices at maturity of the securities composing the underlying index at the time of such discontinuance, without rebalancing or substitution, computed by the calculation agent in accordance with the formula for calculating the underlying index last in effect prior to discontinuance of the underlying index.

§ **The estimated value of the PLUS 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 PLUS than those generated by others, including other dealers in the market, if they attempted to value the PLUS. 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 PLUS in the secondary market (if any exists) at any time. The value of your PLUS at any time after the date of this document will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also "The market price of the PLUS will be influenced by many unpredictable factors" above.

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

§ **The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the PLUS.** As calculation agent, MS & Co. has determined the initial index value, will determine the final index value and will calculate the amount of cash you receive 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 non-occurrence of market disruption events and the selection of a successor index or calculation of the final index value in the event of a market disruption event or discontinuance of the underlying index. These potentially subjective determinations may adversely affect the payout to you at maturity, if any. For further information regarding these types of determinations, see "Description of PLUS—Postponement of Valuation Date(s)" and "—Calculation Agent and Calculations" and related definitions in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the PLUS on the pricing date.

§

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

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

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics,

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities[SM]

Principal at Risk Securities

including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the "constructive ownership" rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the PLUS, possibly with retroactive effect. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the PLUS, including possible alternative treatments, the issues presented by this notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities^{SM}

Principal at Risk Securities

Underlying Index

Solactive Future Technologies 2.2% AR Index

The Solactive Future Technologies 2.2% AR Index is a static, rules-based index launched on July 25, 2018, and calculated and published by Solactive AG as the “underlying index publisher”. The index attempts to track the total-return performance (including any dividends) of 52 global companies identified prior to the inception date of the underlying index as having invested substantially in the research and development of new products or services (each an “index component” and together, the “index components”). There can be no assurance that these 52 companies will continue to invest in research and development for any future period, and they may underperform other companies or the markets generally. The level of the underlying index is reduced by a fee of 2.20% per annum that is deducted from the index level on a daily basis. For additional information about the Solactive Future Technologies 2.2% AR Index, see the information set forth under “Annex A—Solactive Future Technologies 2.2% AR Index” below.

Hypothetical Retrospective and Historical Information

The inception date for the underlying index was July 25, 2018. The information regarding the underlying index prior to July 25, 2018 is a hypothetical retrospective simulation calculated by the underlying index publisher, using the same methodology as is currently employed for calculating the underlying index based on historical data. A retrospective simulation means that no actual investment which allowed a tracking of the performance of the index existed at any time during the period of the retrospective simulation. In addition, the Solactive Future Technologies 2.2% AR Index existed for only a portion of period for which the underlying index publisher calculates hypothetical retrospective values. For any period during which data for the Solactive Future Technologies 2.2% AR Index or one or more index components did not exist, the historical simulation is based on the value of the Solactive Future Technologies 2.2% AR Index based on simulated historical performance. Therefore, information regarding the underlying index prior to July 25, 2018 is hypothetical only and does not reflect actual historical performance. **Investors should be aware that no actual investment which allowed a tracking of the performance of the underlying index was possible at any time prior to July 25, 2018. Such data must be considered illustrative only.**

Information as of market close on August 14, 2018:

Bloomberg Ticker Symbol:	SOLFUTCH
Current Index Value:	291.76
52 Weeks Ago:	214.62
52 Week High (on 7/26/2018):	297.10
52 Week Low (on 8/18/2017):	212.93

The following graph sets forth the daily index closing values of the underlying index for each quarter in the period from July 28, 2013 through August 14, 2018. The related table sets forth the published high and low closing values, as well as end-of-quarter closing values, of the underlying index for each quarter in the same period. The index closing value of the underlying index on August 14, 2018 was 291.76. **The underlying index was established on July 25, 2018. The information prior to July 25, 2018 is a hypothetical retrospective simulation calculated by the underlying index publisher and must be considered illustrative only.**

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities℠

Principal at Risk Securities

Solactive Future Technologies 2.2% AR Index Daily Index Closing Values

July 28, 2013 to August 14, 2018

*The red vertical line indicates July 25, 2018, which is the date on which the underlying index was established.

Morgan Stanley Finance LLC

PLUS Based on the Value of the Solactive Future Technologies 2.2% AR Index due August 23, 2021

Performance Leveraged Upside Securities[SM]

Principal at Risk Securities

Solactive Future Technologies 2.2% AR Index	High	Low	Period End
2013			
Third Quarter	113.76	100.56	112.39
Fourth Quarter	123.45	110.63	123.45
2014			
First Quarter	131.50	119.60	125.70
Second Quarter	131.40	120.78	130.90
Third Quarter	135.60	128.34	132.57
Fourth Quarter	137.47	123.31	134.30
2015			
First Quarter	142.95	130.20	140.97
Second Quarter	147.44	140.14	142.43
Third Quarter	146.77	131.12	134.58
Fourth Quarter	161.01	134.49	155.93
2016			
First Quarter	151.89	127.16	148.71
Second Quarter	155.90	142.27	150.23
Third Quarter	164.61	148.42	164.58
Fourth Quarter	168.81	156.58	166.40
2017			
First Quarter	188.11	166.48	188.11
Second Quarter	209.39	183.07	205.07
Third Quarter	225.13	203.91	222.90
Fourth Quarter	245.73	224.23	243.98
2018			
First Quarter	274.26	246.89	259.06
Second Quarter	296.42	254.60	284.59
Third Quarter (through August 14, 2018)	297.10	285.15	291.76