

MORGAN STANLEY
 Form 424B2
 February 04, 2019

CALCULATION OF REGISTRATION FEE

<i>Title of Each Class of Securities Offered</i>	<i>Maximum Aggregate Offering Price</i>	<i>Amount of Registration Fee</i>
Contingent Minimum Repayment Lock-In Securities due 2025	\$694,000	\$84.11

PROSPECTUS Dated November 16, 2017
PROSPECTUS SUPPLEMENT Dated November 16, 2017
INDEX SUPPLEMENT Dated November 16, 2017

**Pricing Supplement No. 1,427 to
 Registration Statement Nos. 333-221595;
 333-221595-01
 Dated January 31, 2019
 Rule 424(b)(2)**

\$694,000

Morgan Stanley Finance LLC

**GLOBAL MEDIUM-TERM NOTES, SERIES A
 Senior Notes**

Contingent Minimum Repayment Lock-In Securities Based on the Value of the S&P 500® Index due February 5, 2025

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

The Contingent Minimum Repayment Lock-In Securities Based on the Value of the S&P 500® Index due February 5, 2025, which we refer to as the securities, are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. Unlike ordinary debt securities, the securities do not pay interest and provide a minimum payment at maturity of only 85% of the stated principal amount. At maturity, you will receive for each security that you hold an amount in cash that will vary depending on the performance of the S&P 500® Index (the “index”) from the pricing date to the valuation date, as well as on the final lock-in amount, which will depend on whether or not a lock-in event has occurred on one or more of the annual observation dates, as described below. If the index has increased in value over the term of the securities, you will receive a return on the securities equal to the greater of (i) the stated principal amount plus the upside payment, which is the product of the stated principal amount, the participation rate and the index percent increase, and (ii) the final lock-in amount. However, if the index has declined in value, you will receive a payment at maturity equal to the greater of (i) the stated principal amount plus the product of the stated principal amount and the index performance factor and (ii) the final lock-in amount. Under these circumstances, investors may lose up to 15% of their investment.

The initial minimum payment factor is 85%, and the protection amount is subject to an increase only if a lock-in event occurs. A lock-in event occurs if the index closing value on any annual observation date is greater than the initial index value and the highest index closing value achieved on any previous observation date. If a lock-in event occurs on one or more of the annual observation dates, investors will receive at least the increased minimum payment at maturity, which will be greater than 85% of the stated principal amount and will increase by an amount reflecting 85% of the percentage appreciation in the index closing value on the relevant observation date relative to the initial index value or the higher index closing value achieved on a prior observation date, even if the index has depreciated on subsequent annual observation dates or the valuation date. However, the occurrence of a lock-in event will not necessarily increase the payment at maturity, because investors will receive at maturity only the greater of the final lock-in amount and the upside payment, and so the final lock-in amount will not be combined with the upside payment. Please see “Hypothetical Payout on the Securities at Maturity” for examples illustrating how the occurrence of a lock-in event will impact the final lock-in amount and the payment at maturity. If a lock-in event does not occur, investors will not obtain the potential benefit provided by the contingent minimum repayment lock-in feature and the minimum payment at maturity will remain 85% of the stated principal amount (\$8.50 per security). **Investors may lose up to 15% of the stated principal amount of the securities.** Specifically, investors will suffer a loss at maturity if either (i) a lock-in event occurs but the minimum payment at maturity remains less than 100% and the final index value is less than the initial index value or (ii) no lock-in event occurs and the final index value is less than the initial index value. These long-dated securities are for investors who seek an equity index-based return and who are willing to risk a portion of their principal and forgo current income in exchange for the minimum repayment at maturity of 85% of the stated principal amount and the contingent minimum repayment lock-in feature that applies only if a lock-in event occurs. The securities 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 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.

The stated principal amount and original issue price of each security is \$10.

We will not pay interest on the securities.

At maturity, you will receive an amount of cash per security based on the final index value, which is the closing value of the index on the valuation date, and the final lock-in amount, determined as follows:

If the final index value is greater than the initial index value, you will receive for each \$10 stated principal amount of securities that you hold a payment at maturity equal to the greater of (i) \$10 plus the upside payment and (ii) the final lock-in amount.

If the final index value is less than or equal to the initial index value, you will receive for each \$10 stated principal amount of securities that you hold a payment at maturity equal to the greater of (i) $\$10 \times$ index performance factor and (ii) the final lock-in amount. **Under these circumstances, the payment at maturity may be less than the stated principal amount of \$10. However, under no circumstances will the securities pay less than 85% of the stated principal amount (\$8.50 per security).**

The upside payment will equal (i) the stated principal amount times (ii) the participation rate times (iii) the index percent increase.

The participation rate is 100%.

The index percent increase will be a fraction, the numerator of which will be the final index value minus the initial index value and the denominator of which will be the initial index value.

The final lock-in amount will equal the greater of (i) the stated principal amount times the lock-in payment factor and (ii) the stated principal amount times the initial minimum payment factor.

The lock-in payment factor will equal the index lock-in performance factor times the initial minimum payment factor.

The index lock-in performance factor will be a fraction, the numerator of which will be the index lock-in value and the denominator of which will be the initial index value.

The index lock-in value is the highest index closing value of the index achieved on any annual observation date.

The initial minimum payment factor is 85%.

The index performance factor will be a fraction equal to the final index value divided by the initial index value.

The initial index value is 2,704.10, which is the index closing value on January 31, 2019, which is the day we priced the securities for initial sale to the public, which we refer to as the pricing date.

The final index value will equal the index closing value on the valuation date.

The observation dates will be annually, on January 31, 2020, January 29, 2021, January 31, 2022, January 31, 2023 and January 31, 2024, subject to postponement for non-index business days and certain market disruption events.

The valuation date will be January 31, 2025, subject to postponement for non-index business days and certain market disruption events.

The securities will not be listed on any securities exchange.

The estimated value of the securities on the pricing date is \$9.551 per security. See “Summary of Pricing Supplement” beginning on PS-3.

The CUSIP number for the securities is 61768W533. The ISIN number for the securities is US61768W5334.

You should read the more detailed description of the securities in this pricing supplement. In particular, you should review and understand the descriptions in “Summary of Pricing Supplement,” “Final Terms of the Securities” and “Additional Information About the Securities.”

The securities are riskier than ordinary debt securities. See “Risk Factors” beginning on PS-15.

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

PRICE \$10 PER SECURITY

	Price to Public	Agent's Commissions	Proceeds to Us ⁽³⁾
Per security	\$10	\$0.30 ⁽¹⁾	\$9.65
		\$0.05 ⁽²⁾	

Total	\$694,000	\$24,290	\$669,710
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Selected dealers, including Morgan Stanley Wealth Management (an affiliate of the Agent), and their financial advisors will collectively receive from the Agent, Morgan Stanley & Co. LLC, a fixed sales commission of \$0.30 for (1) each security they sell. See “Additional Information About the Securities – Supplemental Information Concerning Plan of Distribution; Conflicts of Interest” in this pricing supplement. For additional information, see “Plan of Distribution (Conflicts of Interest)” in the accompanying prospectus supplement.

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

(3) See “Additional Information About the Securities—Use of Proceeds and Hedging” beginning on PS-30.

The Agent for this offering, Morgan Stanley & Co. LLC, is our affiliate. See “Additional Information About the Securities—Supplemental Information Concerning Plan of Distribution; Conflicts of Interest.”

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.

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.

MORGAN STANLEY

For a description of certain restrictions on offers, sales and deliveries of the securities and on the distribution of this pricing supplement and the accompanying prospectus supplement, index supplement and prospectus relating to the securities, see the section of this pricing supplement called “Additional Information About the Securities—Supplemental Information Concerning Plan of Distribution; Conflicts of Interest.”

No action has been or will be taken by us, the Agent or any dealer that would permit a public offering of the securities or possession or distribution of this pricing supplement or the accompanying prospectus supplement, index supplement or prospectus in any jurisdiction, other than the United States, where action for that purpose is required. Neither this pricing supplement nor the accompanying prospectus supplement, index supplement and prospectus may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

In addition to the selling restrictions set forth in “Plan of Distribution (Conflicts of Interest)” in the accompanying prospectus supplement, the following selling restrictions also apply to the securities:

The securities have not been and will not be registered with the Comissão de Valores Mobiliários (The Brazilian Securities Commission). The securities may not be offered or sold in the Federative Republic of Brazil except in circumstances which do not constitute a public offering or distribution under Brazilian laws and regulations.

The securities have not been registered with the Superintendencia de Valores y Seguros in Chile and may not be offered or sold publicly in Chile. No offer, sales or deliveries of the securities or distribution of this pricing supplement or the accompanying prospectus supplement, index supplement or prospectus, may be made in or from Chile except in circumstances which will result in compliance with any applicable Chilean laws and regulations.

The securities have not been registered with the National Registry of Securities maintained by the Mexican National Banking and Securities Commission and may not be offered or sold publicly in Mexico. This pricing supplement and the accompanying prospectus supplement, index supplement and prospectus may not be publicly distributed in Mexico.

SUMMARY OF PRICING SUPPLEMENT

The following summary describes the securities in general terms only. You should read the summary together with the more detailed information that is contained in the rest of this pricing supplement and in the accompanying prospectus supplement, index supplement and prospectus. You should carefully consider, among other things, the matters set forth in “Risk Factors.”

The securities are medium-term debt securities issued by MSFL and are fully and unconditionally guaranteed by Morgan Stanley. The securities do not pay interest and provide for a minimum payment at maturity of only 85% of the stated principal amount. The securities have been designed for investors who are willing to forgo market floating interest rates in exchange for a payment at maturity depending on the performance of the S&P 500® Index, which we refer to as the index, from the pricing date to the valuation date, as well as on the final lock-in amount, which will depend on whether or not a lock-in event has occurred on one or more of the annual observation dates. If the index has increased in value over the term of the securities, you will receive a return on the securities equal to the greater of (i) the stated principal amount plus the upside payment, which is the product of the stated principal amount, the participation rate and the index percent increase, and (ii) the final lock-in amount. However, if the index has declined in value, you will receive a payment at maturity equal to the greater of (i) the stated principal amount plus the product of the stated principal amount and the index performance factor and (ii) the final lock-in amount. Under these circumstances, investors may lose up to 15% of their investment. Specifically, investors will suffer a loss at maturity if either (i) a lock-in event occurs but the minimum payment at maturity remains less than 100% and the final index value is less than the initial index value or (ii) no lock-in event occurs and the final index value is less than the initial index value. All payments on the securities are subject to our credit risk.

“Standard & Poor®,” “S&P” “S&P 500” “Standard & Poor’s 500” and “500” are trademarks of Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc.

Each security costs \$10 We are offering the Contingent Minimum Repayment Lock-In Securities Based on the Value of the S&P 500® Index due February 5, 2025, which we refer to as the securities. The stated principal amount and original issue price of each security is \$10.
The original issue 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 is less than \$10. We estimate that the value of each securities on the pricing date is \$9.551.

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 index. The estimated value of the securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the index, instruments based on the 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 securities?

In determining the economic terms of the securities, including the initial minimum payment 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 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 Morgan Stanley & Co. LLC, which we refer to as MS & Co., purchases the securities in the secondary market, absent changes in market conditions, including those related to the 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 securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the 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 securities and, if it once chooses to make a market, may cease doing so at any time.

Unlike ordinary debt securities, the securities do not pay interest and provide for a minimum payment at maturity of only 85% of your principal. At maturity, you will receive for each \$10 stated principal amount of securities that you hold an amount in cash that will vary depending on the performance of the index from the pricing date to the valuation date, as well as on the final lock-in amount, which will depend on whether or not a lock-in event has occurred, and this amount may be less than the stated principal amount of the securities. If the index has declined in value, the investor will receive a payment at maturity equal to the greater of (i) the stated principal amount plus the product of the stated principal amount and the index performance factor and (ii) the final lock-in amount. Under these circumstances, investors may lose up to 15% of their investment. However, under no circumstances will the payment at maturity be less than 85% of the stated principal amount (\$8.50 per security).

The securities provide for a minimum payment at maturity of only 85% of your principal; no interest

Payment at maturity depends on the performance of the index from the pricing date to the valuation date, as well as on whether or not a lock-in event has occurred

At maturity, you will receive for each \$10 stated principal amount of securities that you hold an amount in cash that will vary depending upon the performance of the index from the pricing date to the valuation date, as well as on whether or not a lock-in event has occurred, determined as follows:

If the final index value is greater than the initial index value, you will receive for each \$10 stated principal amount of securities that you hold a payment at maturity equal to: The greater of (i) \$10 + the upside payment and (ii) the final lock-in amount

where,

upside payment = $\$10 \times$ the participation rate \times the index percent increase
participation rate = 100%
index percent increase = $\frac{\text{final index value} - \text{initial index value}}{\text{initial index value}}$

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final index value = The closing value of the index on January 31, 2025, which we refer to as the valuation date, subject to postponement for non-index business days and certain market disruption events

initial index value = 2,704.10, which is the closing value of the index on January 31, 2019, which we refer to as the pricing date

final lock-in amount = The greater of (i) the stated principal amount \times the lock-in payment factor and (ii) the stated principal amount \times the initial minimum payment factor

initial minimum payment factor = 85%

lock-in payment factor = The index lock-in performance factor \times the initial minimum payment factor

index lock-in performance factor = $\frac{\text{index lock-in value}}{\text{initial index value}}$

index lock-in value = The highest index closing value of the index achieved on any annual observation date

If the final index value is less than or equal to the initial index value, you will receive for each \$10 stated principal amount of securities that you hold a payment at maturity equal to:
 The greater of (i) \$10 \times the index performance factor and (ii) the final lock-in amount
where,

$$\text{index performance factor} = \frac{\text{final index value}}{\text{initial index value}}$$

Under these circumstances, the payment at maturity may be less than the stated principal amount of \$10. Specifically, investors will suffer a loss at maturity if either (i) a lock-in event occurs but the minimum payment at maturity remains less than 100% and the final index value is less than the initial index value or (ii) no lock-in event occurs and the final index value is less than the initial index value. However, under no circumstances will the securities pay less than 85% of the stated principal amount (\$8.50 per security).

All payments on the securities are subject to our credit risk.

Beginning on PS-8, in the section titled “Hypothetical Payout on the Securities at Maturity,” we have provided examples illustrating the payout on the securities at maturity over a range of hypothetical closing values of the index on the valuation date, as well as how the occurrence of a lock-in event on one or more observation dates will

impact the final lock-in amount and the payment at maturity. The examples do not show every situation that can occur.

You can review the historical values of the index in the section of this pricing supplement called “Additional Information About the Securities—Historical Information” starting on PS-29. **You cannot predict the future performance of the index based on its historical performance.**

Investing in the securities is not equivalent to investing in the index or its component stocks.

We have appointed our affiliate, Morgan Stanley & Co. LLC, which we refer to as MS & Co., to act as calculation agent for The Bank of New York Mellon, a New York banking corporation, the trustee for our senior notes. As calculation agent, MS & Co. has determined the initial index value and will determine the index closing value on each annual observation date, whether a lock-in event has occurred on any annual observation date, the final index value, the index percent increase or the index performance factor, as applicable, whether a market disruption event has occurred and the payment that you will receive at maturity.

Morgan Stanley & Co. LLC will be the calculation agent

The Agent for the offering of the securities, MS & Co., a wholly owned subsidiary of Morgan Stanley and an affiliate of MSFL, will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm’s distribution of the securities of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account. See “Additional Information About the Securities—Supplemental Information Concerning Plan of Distribution; Conflicts of Interest” starting on PS-31.

Morgan Stanley & Co. LLC will be the Agent; conflicts of interest

The securities are unsecured debt securities issued as part of our Series A medium-term note program. You can find a general description of our Series A medium-term note program in the accompanying prospectus supplement dated November 16, 2017, the index supplement dated November 16, 2017 and the prospectus dated November 16, 2017. We describe the basic features of this type of debt security in the sections of the prospectus supplement called “Description of Notes—Notes Linked to Commodity Prices, Single Securities, Baskets of Securities or Indices” and in the section of the prospectus called “Description of Debt Securities—Fixed Rate Debt Securities.”

Because this is a summary, it does not contain all of the information that may be important to you. For a detailed description of the terms of the securities, you should read the “Final Terms of the Securities” section in this pricing supplement. You should also read the “Additional Information About the Securities” section. You should also read about some of the risks involved in investing in the securities in the section called “Risk Factors.” The tax and accounting treatment of investments in equity-linked securities such as these may differ from that of investments in ordinary debt securities or common stock. See the section of this pricing supplement called “Additional Information About the Securities—United States Federal Taxation.” We urge you to consult with your investment, legal, tax, accounting and other advisers with regard to any proposed or actual investment in the securities.

Where you can find more information on the securities

You may contact your local Morgan Stanley branch office or Morgan Stanley’s principal executive offices at 1585 Broadway, New York, New York 10036 (telephone

How to reach us

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number (212) 761-4000).

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HYPOTHETICAL PAYOUT ON THE SECURITIES AT MATURITY

The following examples illustrate the payment at maturity on the securities for a range of hypothetical performances of the index. The numbers in the examples below may have been rounded for ease of analysis. The examples are based on the following terms:

Stated principal amount:	\$10 per security
Hypothetical initial index value:	2,700
Initial minimum payment factor:	85%
Participation rate:	100%
Index lock-in value:	The highest index closing value achieved on the five annual observation dates
Final index value:	The index closing value on the valuation date

The actual initial index value is set forth on the cover of this pricing supplement.

EXAMPLE 1: In example 1, a lock-in event occurs, as the index closing value on one of the annual observation dates is 3,780, which represents the highest index closing value on any of the observation dates. As a result, the minimum payment at maturity increases to a final lock-in amount of \$11.90, as illustrated below. However, because the final index value is 3,915, a payment at maturity based on the index percent change would be greater than the final lock-in amount, notwithstanding the occurrence of a lock-in event. Therefore, investors do not benefit from the occurrence of a lock-in event. As a result, the investor receives \$14.50 per security.

Hypothetical final index value	=3,915
Hypothetical index lock-in value	=3,780
Index percent increase	$= (3,915 - 2,700) / 2,700 = 45\%$
Upside payment	$= \text{The stated principal amount} \times \text{participation rate} \times \text{index percent increase}$ $= \$10 \times 100\% \times 45\% = \4.50
Index lock-in performance factor	$= 3,780 / 2,700 = 140\%$
Lock-in payment factor	$= 140\% \times 85\% = 119\%$
Final lock-in amount	$= \text{The greater of (i) the stated principal amount} \times \text{the lock-in payment factor and (ii) the stated principal amount} \times \text{the initial minimum payment factor}$ $= \text{The greater of (i) } \$10 \times 119\% \text{ and (ii) } \$10 \times 85\% = \$11.90$
Payment at maturity	$= \text{The greater of (i) } \$10 + \text{the upside payment and (ii) the final lock-in amount}$ $= \$10 + \4.50 $= \$14.50$

EXAMPLE 2: In example 2, a lock-in event does not occur, as the index closing values on all of the annual observation dates are below the initial index value. As a result, the investor does not benefit from the contingent minimum repayment lock-in feature and the final lock-in amount does not increase from the initial minimum payment at maturity of \$8.50. Because the final index value is 2,970, a payment at maturity based on the index percent change would be greater than the final lock-in amount. As a result, the investor receives a payment at maturity of \$11.00 per security, notwithstanding the fact that a lock-in event does not occur.

Hypothetical final index value = 2,970
 Hypothetical index lock-in value = 2,565
 Index percent increase = $(2,970 - 2,700) / 2,700 = 10\%$
 Upside payment = The stated principal amount \times participation rate \times index percent increase
 = $\$10 \times 100\% \times 10\% = \1.00
 Index lock-in performance factor = $2,565 / 2,700 = 95\%$

Lock-in payment factor	= $95\% \times 85\% = 80.75\%$
Final lock-in amount	= The greater of (i) the stated principal amount \times the lock-in payment factor and (ii) the stated principal amount \times the initial minimum payment factor = The greater of (i) $\$10 \times 80.75\%$ and (ii) $\$10 \times 85\% = \8.50
Payment at maturity	= The greater of (i) $\$10$ + the upside payment and (ii) the final lock-in amount = $\$10 + \1.00 = $\$11.00$

EXAMPLE 3: In example 3, a lock-in event occurs, as the index closing value on one of the annual observation dates is 3,780, which represents the highest index closing value achieved on any of the observation dates. As a result, the minimum payment at maturity increases to a final lock-in amount of \$11.90, as illustrated below. Because the final lock-in amount is greater than a payment at maturity based on the index percent change, the investor receives the final lock-in amount of \$11.90 per security.

Hypothetical final index value	= 2,754
Hypothetical index lock-in value	= 3,780
Index percent increase	= $(2,754 - 2,700) / 2,700 = 2\%$
Upside payment	= The stated principal amount \times participation rate \times index percent increase = $\$10 \times 100\% \times 2\% = \0.20
Index lock-in performance factor	= $3,780 / 2,700 = 140\%$
Lock-in payment factor	= $140\% \times 85\% = 119\%$
Final lock-in amount	= The greater of (i) the stated principal amount \times the lock-in payment factor and (ii) the stated principal amount \times the initial minimum payment factor = The greater of (i) $\$10 \times 119\%$ and (ii) $\$10 \times 85\% = \11.90
Payment at maturity	= The greater of (i) $\$10$ + the upside payment and (ii) the final lock-in amount = $\$11.90$

EXAMPLE 4: In example 4, a lock-in event occurs, as the index closing value on one of the annual observation dates is 3,177, which represents the highest index closing value achieved on any of the observation dates. As a result, the minimum payment at maturity increases to a final lock-in amount of \$10.00, as illustrated below. Because the final lock-in amount is greater than a payment at maturity based on the index performance factor, the investor receives the final lock-in amount, which is equal to the stated principal amount of \$10.00 per security.

Hypothetical final index value	= 2,565
Hypothetical index lock-in value	= 3,177
Index performance factor	= $2,565 / 2,700 = 95\%$

Index lock-in performance factor	= $3,177 / 2,700 = 117.67\%$
Lock-in payment factor	= $117.67\% \times 85\% = 100\%$
Final lock-in amount	= The greater of (i) the stated principal amount \times the lock-in payment factor and (ii) the stated principal amount \times the initial minimum payment factor = The greater of (i) $\$10 \times 100\%$ and (ii) $\$10 \times 85\% = \10.00
Payment at maturity	= The greater of (i) $\$10 \times$ the index performance factor and (ii) the final lock-in amount = $\$10.00$

EXAMPLE 5: In example 5, a lock-in event occurs, as the index closing value on one of the annual observation dates is 2,970, which represents the highest index closing value achieved on any of the observation dates. As a result, the minimum payment at maturity increases to a final lock-in amount of \$9.35, as illustrated below. Even though a lock-in event occurs, the final lock-in amount remains less than \$10. Because the final index value is 2,700, a payment at maturity based on the index performance factor would be greater than the final lock-in amount,

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notwithstanding the occurrence of a lock-in event. As a result, the investor receives a payment at maturity equal to the stated principal amount of \$10.00 per security.

Hypothetical final index value	=2,700
Hypothetical index lock-in value	=2,970
Index performance factor	=2,700 / 2,700 = 100%
Index lock-in performance factor	=2,970 / 2,700 = 110%
Lock-in payment factor	=110% × 85% = 93.50%
Final lock-in amount	= The greater of (i) the stated principal amount × the lock-in payment factor and (ii) the stated principal amount × the initial minimum payment factor =The greater of (i) \$10 × 93.50% and (ii) \$10 × 85% = \$9.35
Payment at maturity	=The greater of (i) \$10 × the index performance factor and (ii) the final lock-in amount =\$10 × 100% =\$10.00

EXAMPLE 6: In example 6, a lock-in event does not occur, as the index closing values on all of the annual observation dates are below the initial index value. As a result, the investor does not benefit from the contingent minimum repayment lock-in feature and the final lock-in amount does not increase from the initial minimum payment at maturity of \$8.50. Because the final index value is 2,430, a payment at maturity based on the index performance factor would be greater than the final lock-in amount. As a result, the investor receives a payment at maturity equal to \$9.00 per security.

Hypothetical final index value	=2,430
Hypothetical index lock-in value	=2,565
Index performance factor	=2,430 / 2,700 = 90%
Index lock-in performance factor	=2,565 / 2,700 = 95%
Lock-in payment factor	=95% × 85% = 80.75%
Final lock-in amount	= The greater of (i) the stated principal amount × the lock-in payment factor and (ii) the stated principal amount × the initial minimum payment factor =The greater of (i) \$10 × 80.75% and (ii) \$10 × 85% = \$8.50
Payment at maturity	=The greater of (i) \$10 × the index performance factor and (ii) the final lock-in amount =\$10 × 90% =\$9.00

EXAMPLE 7: In example 7, a lock-in event occurs, as the index closing value on one of the annual observation dates is 2,970, which represents the highest index closing value achieved on any of the observation dates. As a result, the minimum payment at maturity increases to a final lock-in amount of \$9.35, as illustrated below. Even though a lock-in

event occurs, the final lock-in amount remains less than \$10. Because the final index value is 2,565, a payment at maturity based on the index performance factor would be greater than the final lock-in amount. As a result, the investor receives a payment at maturity equal to \$9.50 per security, which represents a 5% loss, notwithstanding the occurrence of a lock-in event. This example demonstrates the impact of the initial minimum payment factor on the final lock-in amount if a lock-in event occurs. Even though the index lock-in value was higher than the final index value, a payment at maturity based on the index performance factor is nonetheless higher than the final lock-in amount.

Hypothetical final index value	=2,565
Hypothetical index lock-in value	=2,970
Index performance factor	=2,565 / 2,700 = 95%
Index lock-in performance factor	=2,970 / 2,700 = 110%
Lock-in payment factor	=110% × 85% = 93.50%
Final lock-in amount	=The greater of (i) the stated principal amount × the lock-in payment

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factor and (ii) the stated principal amount \times the initial minimum payment factor
 =The greater of (i) $\$10 \times 93.50\%$ and (ii) $\$10 \times 85\% = \9.35
 Payment at maturity =The greater of (i) $\$10 \times$ the index performance factor and (ii) the final lock-in amount
 = $\$10 \times 95\%$
 = $\$9.50$

EXAMPLE 8: In example 8, a lock-in event occurs, as the index closing value on one of the annual observation dates is 2,970. As a result, the minimum payment at maturity increases to a final lock-in amount of \$9.35, as illustrated below. Even though a lock-in event occurs, the final lock-in amount remains less than \$10. Because the final lock-in amount is greater than a payment at maturity based on the index performance factor, the investor receives the final lock-in amount of \$9.35 per security, which represents a 6.50% loss, notwithstanding the occurrence of a lock-in event.

Hypothetical final index value =2,106
 Hypothetical index lock-in value =2,970
 Index performance factor = $2,106 / 2,700 = 78\%$
 Index lock-in performance factor = $2,970 / 2,700 = 110\%$
 Lock-in payment factor = $110\% \times 85\% = 93.50\%$
 Final lock-in amount =The greater of (i) the stated principal amount \times the lock-in payment factor and (ii) the stated principal amount \times the initial minimum payment factor
 =The greater of (i) $\$10 \times 93.50\%$ and (ii) $\$10 \times 85\% = \9.35
 Payment at maturity =The greater of (i) $\$10 \times$ the index performance factor and (ii) the final lock-in amount
 = $\$9.35$

EXAMPLE 9: In example 9, a lock-in event does not occur, as the index closing values on all of the annual observation dates are below the initial index value. As a result, the investor does not benefit from the contingent minimum repayment lock-in feature and the final lock-in amount does not increase from the initial minimum payment at maturity of \$8.50. Because the final lock-in amount is greater than a payment at maturity based on the index performance factor, the investor receives the final lock-in amount of \$8.50 per security, which represents a 15% loss.

Hypothetical final index value =1,620
 Hypothetical index lock-in value =2,700
 Index performance factor = $1,620 / 2,700 = 60\%$
 Index lock-in performance factor = $2,700 / 2,700 = 100\%$
 Lock-in payment factor = $100\% \times 85\% = 85\%$

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Final lock-in amount	= The greater of (i) the stated principal amount \times the lock-in payment factor and (ii) the stated principal amount \times the initial minimum payment factor
	= The greater of (i) $\$10 \times 85\%$ and (ii) $\$10 \times 85\% = \8.50
Payment at maturity	= The greater of (i) $\$10 \times$ the index performance factor and (ii) the final lock-in amount
	= $\$8.50$

As illustrated in Examples 6, 7, 8 and 9, the investor will suffer a loss at maturity if either (i) a lock-in event occurs but the minimum payment at maturity remains less than 100% and the final index value is less than the initial index value or (ii) no lock-in event occurs and the final index value is less than the initial index value.

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HYPOTHETICAL EXAMPLES ILLUSTRATING THE DETERMINATION OF THE FINAL LOCK-IN AMOUNT

The following three examples illustrate how the final lock-in amount would be determined depending on the performance of the index as of the five annual observation dates. **These examples do not cover every situation that may occur.** Please also review the hypothetical examples beginning on page 8.

The final lock-in amount will be the greater of (i) the stated principal amount times the lock-in payment factor and (ii) the stated principal amount times the initial minimum payment factor of 85%. Therefore, if the index closing value of the index on any observation date is greater than the initial index value, the final lock-in amount will be greater than \$8.50 per security. However, if the index closing value on each observation date is less than or equal to the initial index value, the final lock-in amount will not increase from the initial minimum payment at maturity of \$8.50 per security.

It is possible for a lock-in event to occur under circumstances in which the final lock-in amount nevertheless remains less than the stated principal amount of \$10 per security, as the final lock-in amount will increase only by an amount reflecting 85% of the percentage appreciation in the index closing value on the relevant observation date relative to the initial index value or the higher index closing value achieved on a prior observation date. In such a case, investors may lose some of their investment in the securities. Additionally, even if a lock-in event occurs, the payment at maturity based on the percentage change in the value of the index during the term of the securities may be greater than the increased minimum payment at maturity reflected in the final lock-in amount. In this case, you will not benefit from the contingent minimum repayment lock-in feature, and your payment at maturity will be based solely on the performance of the index from the pricing date to the valuation date. Therefore, the occurrence of a lock-in event will not necessarily increase the payment at maturity, because you will receive at maturity only the greater of the final lock-in amount and the upside payment, and so the final lock-in amount will not be combined with the upside payment. Additionally, you will suffer a loss at maturity if either (i) a lock-in event occurs but the minimum payment at maturity remains less than 100% and the final index value is less than the initial index value or (ii) no lock-in event occurs and the final index value is less than the initial index value. **You could lose up to 15% of the stated principal amount of the securities.**

The blue line in each graph below represents hypothetical index closing values (expressed as a percentage of the initial index value) on the annual observation dates. The red line in each graph represents the hypothetical then-current minimum payments at maturity (expressed as a percentage of the stated principal amount) that would result from the hypothetical index closing values on the observation dates. The hypothetical final lock-in amount in each example below reflects the highest minimum payment at maturity achieved on any observation date.

EXAMPLE 1: In example 1, the index closing value increases to 4,050 on one of the annual observation dates; this 50% increase from the initial index value represents the highest index closing value achieved on any of the observation dates. Therefore, a lock-in event occurs, and the minimum payment at maturity increases to a final lock-in amount of \$12.75 per security (an increase equal to 85% of the 50% increase – \$4.25 – which is added to the initial minimum payment at maturity of \$8.50). The index ultimately declines to a final index value of 2,160 on the valuation date, resulting in an index performance factor of 80%. Because the final lock-in amount is greater than a payment at maturity based on the index performance factor, the investor receives a payment at maturity equal to the final lock-in amount of \$12.75 per security.

EXAMPLE 2: In example 2, the index closing values on all of the annual observation dates are at or below the initial index value. Therefore, a lock-in event does not occur. As a result, the investor does not benefit from the contingent minimum repayment lock-in feature, and the final lock-in amount does not increase from the initial minimum payment at maturity of \$8.50 per security. The index ultimately declines to a final index value of 2,025 on the valuation date, resulting in an index performance factor of 75%. Because the final lock-in amount (which in this case is also the initial minimum payment at maturity) is greater than a payment at maturity based on the index performance factor, the investor receives a payment at maturity equal to the final lock-in amount of \$8.50 per security, which represents a 15% loss.

EXAMPLE 3: In example 3, the index closing value increases to 2,970 on one of the annual observation dates; this 10% increase from the initial index value represents the highest index closing value achieved on any of the observation dates. Therefore, a lock-in event occurs, and the minimum payment at maturity increases to a final lock-in amount of \$9.35 per security (an increase equal to 85% of the 10% increase – \$0.85 – which is added to the initial minimum payment at maturity of \$8.50). Even though a lock-in event occurs, the final lock-in amount remains less than \$10.00 per security, and so a portion of the investment in the securities remains at risk at maturity. The index ultimately declines to a final index value of 2,430 on the valuation date, resulting in an index performance factor of 90%. Because the final lock-in amount is greater than a payment at maturity based on the index performance factor, the investor receives a payment at maturity equal to the final lock-in amount of \$9.35 per security, which represents a 6.5% loss, notwithstanding the occurrence of a lock-in event.

You will suffer a loss on your investment in the securities at maturity if either (i) a lock-in event occurs but the minimum payment at maturity remains less than 100% and the final index value is less than the initial index value (as in Example 3 above) or (ii) no lock-in event occurs and the final index value is less than the initial index value (as in Example 2 above).

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RISK FACTORS

The securities are not secured debt and, unlike ordinary debt securities, do not pay any interest and provide a minimum payment at maturity of only 85% of your principal. Investing in the securities is not equivalent to investing in the index or its component stocks. This section describes the most significant risks relating to the securities. For a further discussion of risk factors, please see the accompanying prospectus supplement, index supplement and prospectus.

The securities do not pay interest and provide a minimum payment at maturity of only 85% of your principal

The terms of the securities differ from those of ordinary debt securities in that we will not pay you any interest, and the securities provide a minimum payment at maturity of only 85% of the stated principal amount. At maturity, you will receive for each \$10 stated principal amount of securities that you hold an amount in cash that will vary depending on the performance of the index from the pricing date to the valuation date, as well as on the final lock-in amount, which will depend on whether or not a lock-in event has occurred, and this amount may be less than the stated principal amount of the securities. Specifically, you will suffer a loss at maturity if either (i) a lock-in event occurs but the minimum payment at maturity remains less than 100% and the final index value is less than the initial index value or (ii) no lock-in event occurs and the final index value is less than the initial index value. **You could lose up to 15% of the stated principal amount of the securities.** See “Hypothetical Payout on the Securities at Maturity” on PS-8.

Even if a lock-in event occurs, investors may not receive their full principal back at maturity and may not benefit from the contingent minimum repayment lock-in feature

It is possible for a lock-in event to occur, but for the final lock-in amount to remain less than the stated principal amount of \$10 per security, as the final lock-in amount will increase only by an amount reflecting 85% of the percentage appreciation in the index closing value on the relevant observation date relative to the initial index value or the higher index closing value achieved on a prior observation date. In such a case, investors may lose some of their investment in the securities. Additionally, even if a lock-in event occurs, the payment at maturity based on the percentage change in the value of the index during the term of the securities may be greater than the increased minimum payment at maturity reflected in the final lock-in amount. In this case, you will not benefit from the contingent minimum repayment lock-in feature, and your payment at maturity will be based solely on the performance of the index from the pricing date to the valuation date. Therefore, the occurrence of a lock-in event will not necessarily increase the payment at maturity, because investors will receive at maturity only the greater of the final lock-in amount and the upside payment, and so the final lock-in amount will not be combined with the upside payment.

Whether a lock-in event occurs will be based solely on the value of the index on the annual observation dates

Even if the index appreciates prior to an annual observation date, but then has decreased as of an annual observation date to less than or equal to the initial index value, a lock-in event will not occur and you will not obtain the potential benefit provided by the contingent minimum return lock-in feature. It is possible that the index will be at or above the initial index value for significant periods of time during the term of the securities, but that a lock-in event will nevertheless not occur, because the determination of whether or not a lock-in event occurs will be based solely on the closing value of the index on the annual observation dates.

The potential benefit provided by the contingent minimum

You should be willing to hold the securities to maturity. If you are able to sell the your securities prior to maturity in the secondary market, you may have to sell

**repayment lock-in feature
applies only if you hold the
securities to maturity**

them at a loss relative to the your initial investment (and/or relative to the minimum payment at maturity), even if a lock-in event has occurred, as the minimum payment at maturity and the lock-in features apply only at maturity.

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The market price of the securities will be influenced by many unpredictable factors

Several factors, many of which are beyond our control, will influence the value of the securities in the secondary market and the price at which MS & Co. may be willing to purchase or sell the securities in the secondary market, including:

- the value of the index at any time,
- whether or not a lock-in event has occurred on any annual observation date,
- &nb