

4.6 Year USD Discount Worst of Phoenix Autocall on Gafisa, Brasil Foods & Vale

Terms and Conditions

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX REQUIREMENTS. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES (WHICH TERM INCLUDES THE TERRITORIES, THE POSSESSIONS AND ALL OTHER AREAS SUBJECT TO THE JURISDICTION OF THE UNITED STATES OF AMERICA) OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "INTERNAL REVENUE CODE")). IN PURCHASING THE NOTES, YOU HEREBY REPRESENT AND WARRANT THAT YOU ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT YOU ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. THE NOTES ARE NOT RATED.

POTENTIAL INVESTORS ARE URGED TO CONSULT WITH THEIR LEGAL, REGULATORY, INVESTMENT, ACCOUNTING, TAX AND OTHER ADVISORS WITH REGARD TO ANY PROPOSED OR ACTUAL INVESTMENT IN THE NOTES.

THE NOTES ARE SENIOR UNSECURED OBLIGATIONS OF MORGAN STANLEY, AND ALL PAYMENTS ON THE NOTES, INCLUDING THE REPAYMENT OF PRINCIPAL, ARE SUBJECT TO THE CREDIT RISK OF MORGAN STANLEY. THE NOTES ARE NOT BANK DEPOSITS AND ARE NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY, NOR ARE THEY OBLIGATIONS OF, OR GUARANTEED BY, A BANK.

THIS TERMSHEET IS DIRECTED TO THE RECIPIENTS ONLY AND IS NOT TO BE REPRODUCED OR FORWARDED TO ANY OTHER PARTY. THIS DOCUMENT IS A SUMMARY ONLY OF THE TERMS OF THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. THIS TERMSHEET (AND ANY OTHER COMMUNICATION, WHETHER ORAL OR WRITTEN, MADE IN RELATION TO THE NOTES) SHALL BE SUPERSEDED ENTIRELY BY THE BASE PROSPECTUS AND / OR FINAL TERMS PREPARED IN CONNECTION WITH THE NOTES TO BE DATED ON OR ABOUT THE ISSUE DATE OF THE NOTES.

PRIVATE PLACEMENT ONLY. NOT FOR DISTRIBUTION TO U.S. INVESTORS. NO ONWARD DISTRIBUTION EXCEPT IN ACCORDANCE WITH THE RELEVANT PRIVATE PLACEMENT RESTRICTIONS

Terms used but not defined herein are as defined in the Base Prospectus in respect of the Notes, Certificates and Warrants dated 10 June 2011.

Product Description – Non Principal Protected

The Note is designed for investors aiming to realize a pre-defined return, on regular observation dates throughout the products lifetime. If, on any of the observation dates, the Lowest Performing Underlying is above the Coupon Barrier, the note will pay a coupon of 15% p.a. If the Lowest Performing Underlying is also above the Autocall Level the Note will automatically terminate (Early Redemption) and the investor receives the initial investment. If there is no Early Redemption, capital repayment at maturity depends on whether the Lowest Performing Underlying is above a predetermined Barrier Level: If the Lowest Performing Underlying is equal to or above the Barrier Level, the investor receives the initial investment (100%). If the Lowest Performing Underlying is below the Barrier Level the investors return mirrors the performance of the Underlying on a 1:1 basis.

Product Notes	
Issuer	Morgan Stanley B.V.
Guarantor	Morgan Stanley
Guarantor Rating	A (S&P), A2 (Moody's)
Country of Issuer	Incorporated under the laws of the Netherlands
Dealer	Morgan Stanley & Co. International Plc ("MSI")
SVSP Code	1260 – Express Certificates
Issue Size	Up to USD 10,000,000
Denomination	USD 1,000
ISIN	XS0683561137
Valor	13937793
Settlement Currency	USD

Time Table	
Trade Date	20 September 2011
Strike Date	02 May 2008
Issue Date	11 October 2011
Determination Date	02 May 2016
Maturity Date	09 May 2016, subject to Early Redemption

Underlying Basket					
i	Underlying _i	Bloomberg Code	Initial Reference Price _i	Barrier Level _i	Exchange
1	Gafisa SA	GFA US	USD 23.25	USD 18.60	NYSE
2	Brasil Foods SA	BRFS US	USD 14.70	USD 11.76	NYSE
3	Vale SA	VALE US	USD 39.91	USD 31.93	NYSE

Coupon	
Coupon	Until an Early Redemption Event occurs, on each Coupon Payment Date and on Maturity Date for last payment, an amount equal to: <ul style="list-style-type: none"> (i) 15% of Par if the Lowest Performing Underlying is equal or above the Coupon Barrier (ii) Else, 0% of Par
Coupon Barrier	80% of Initial Reference Price
Coupon Observation Dates	Annual observation, each 02 nd May 2012, 2013, 2014, 2015, 2016 (following business day convention, subject to early redemption)
Coupon Payment Dates	The fifth Business Day following the relevant Coupon Observation Date and Maturity Date for last payment (following business day convention, subject to early redemption)

Early Redemption	
Early Redemption Event	If on any of the Early Redemption Observation Dates the official closing level of the Lowest Performing Underlying is equal or above the Autocall Level the note will automatically redeem on the following Early Redemption Payment Date at: 100% of Par
Autocall Level	100% of Initial Reference Price
Early Redemption Observation Dates	Annual observation, each 02 nd May 2012, 2013, 2014, 2015 (following business day convention)
Early Redemption Payment Dates	The fifth Business Day following the relevant Early Redemption Observation Date and Maturity Date for last redemption (following business day convention)

Final Redemption Amount	
Formula	If there is no Early Redemption Event, an amount calculated by the Determination Agent as follows: <ul style="list-style-type: none"> (i) If, on the Determination Date, the Final Reference Price of the Lowest Performing Underlying is equal to or above the Barrier Level: 100%*Par (ii) If on the Determination Date, the Final Reference Price of the Lowest Performing Underlying is below the Barrier Level: Physical Settlement of the Lowest Performing Underlying shall apply
Barrier Level	80% of Initial Reference Price _i (European Observation)
Lowest Performing Underlying (LPU)	For each Underlying I, the Lowest Performing Underlying will be defined as that stock which generates the lowest result from the following computation on the Determination Date:

Offer	Private Placement
Type	Note
Form	Registered
Governing Law, Place Of Jurisdiction	English law, the courts of England
Fees	In connection with the offer and sale of the Notes, the Issuer or the Dealer may pay to any intermediary a one time or recurring intermediary fee of up to 5%. The investor acknowledges and agrees that any such fees will be retained by the intermediary. Further information is available from the sales intermediary upon request.
Swiss Tax Treatment	<p>The Swiss tax section is valid at the time of the issuance of the product. Swiss tax laws and the practice of the Swiss tax authorities may change, possibly with retroactive effect. Prospective Swiss resident, EU resident and third country resident purchasers of the product should consult their own tax advisers concerning the tax consequences of purchasing, holding and disposing of the product in the light of their particular circumstances.</p> <p>This product is not subject to Swiss withholding tax and Swiss stamp issuance tax. Secondary market transactions concerning the product are subject to 15bps Swiss stamp transfer tax. The physical delivery of the stocks upon redemption is subject to 15bps Swiss stamp transfer tax.</p> <p>Tax Treatment for Swiss resident individuals</p> <p>This product is classified as a transparent non-Swiss bond-like derivative financial instrument with a predominantly one-time interest payment (“IUP”) for Swiss tax purposes.</p> <p>As a result, the positive difference between the value of the bond floor (in CHF) at the redemption/disposal and the value of the bond floor (in CHF) at the issuance/acquisition of the product is taxable income at payment date for Swiss resident individual investors holding the product for private investment purposes.</p> <p>Coupon payments generated by the product are tax-free for individual investors holding the product for private investment purposes.</p> <p>A capital loss on the bond floor is only tax-deductible to the extent that it can be offset against gains of IUP products.</p> <p>Tax Treatment for EU resident individuals</p> <p>For Swiss paying agents, the product is not subject to EU Savings Tax (Telekurs Code 7).</p>

This Note does not constitute any Collective Investment Schemes Unit in the meaning of the Swiss Federal Act on Collective Investment Schemes (CISA). Accordingly, holders of this Note do not benefit from the investor protection under the CISA or the approval or supervision by the Swiss Financial Market Supervisory Authority

("FINMA")."

Morgan Stanley is not qualified to give legal, tax or accounting advice to its clients and does not purport to do so in this document. Clients are urged to seek the advice of their own professional advisers about the consequences of the proposals contained herein.

US Treasury Circular 230 Notice - Morgan Stanley does not render advice on tax and tax accounting matters to clients. This material was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws.

Special Considerations

Risk Factors

Potential investors are urged to consult with their legal, regulatory, investment, accounting, tax and other advisors with regard to any proposed or actual investment in the Notes and to review the Base Prospectus.

Please see the Base Prospectus together with these Final Terms for a full detailed description of the Notes and in particular, please review the Risk Factors associated with these Notes. Investing in the Notes entails certain risks including, but not limited to, the following:

Adjustments by the Determination Agent: The terms and conditions of the Notes will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Notes or any exchanges are affected by market disruption, adjustment events or circumstances affecting normal activities. These circumstances include the Nationalisation, Delisting, Insolvency or a Takeover or Merger of the share issuers of the Underlying. In such circumstances, the Determination Agent can determine whether to redeem the Notes early, or adjust the terms of the Notes, which may include adjustments to the Initial Reference Price or even the Underlying. Potential investors should see the Base Prospectus for a detailed description of potential adjustment events and adjustments.

Credit Risk: The holder of the Notes will be exposed to the credit risk of the Issuer and the Guarantor.

Exit Risk: The secondary market price of the Notes will depend on many factors, including the value and volatility of the Underlying, interest rates, the dividend rate on the stocks that compose the Underlying, time remaining to maturity and the creditworthiness of the Issuer [and the Guarantor]. The secondary market price may be lower than the market value of the issued Notes as at the Issue Date to take into account amounts paid distributors and other intermediaries relating to the issue and sale of the Notes as well as amounts relating to the hedging of the Issuer's obligations. As a result of all of these factors, the holder may receive an amount in the secondary market which may be less than the then intrinsic market value of the Note and which may also be less than the amount the holder would have received had the holder held the Note through to maturity.

Hedging Risk: On or prior to and after the Trade Date, the Issuer, through its affiliates or others, will likely hedge its anticipated exposure under the Notes by taking positions in the Underlying, in option contracts on the Underlying or positions in any other available securities or instruments. In addition, the Issuer and its affiliates trade the Underlying as part of their general businesses. Any of these activities could potentially affect the value of the Underlying, and accordingly, could affect the payout to holders on the Notes.

Liquidity Risk: The Notes will not be traded on an organised exchange. Any secondary market in the Notes made by the Dealer will be made on a reasonable efforts basis only and subject to market conditions, law, regulation and internal policy. Even whilst there may be a secondary market in the Notes it may not be liquid enough to facilitate a sale by the holder.

Market Risk: Price movements in the Underlying may not correlate with each other. Increases in the value of the Underlying may be moderated, or wholly offset, by lesser increases or declines in the value of one or more of the other components.

No Shareholder Rights: A holder of Certificates will have no beneficial interest in the stocks that compose the Index nor any voting rights and will not have the right to receive dividends or other distributions with respect to the stocks that compose the Index.

Potential Conflict of Interest: The Determination Agent (MSI plc) is an affiliate of the Issuer and the economic interests of the Determination Agent may be adverse to the interests of holders of the Notes. Determinations made by the Determination Agent may affect the amount payable to holders pursuant to the terms of the Notes.

Underlying Issuer Risk: The issuer of the Underlying is not an affiliate of the Issuer or its affiliates and is not involved with this offering in any way. Consequently, the Issuer and the Determination Agent have no ability to control the actions of the issuer of the Underlying, including any rebalancing that could trigger an adjustment to the terms of the Notes by the Determination Agent.

Selling Restrictions

No public offering of the Notes, or possession or distribution of any offering material in relation thereto, is permitted in any jurisdiction where action for that purpose is required unless the relevant action has been taken.

The Notes must not be offered or sold in any jurisdiction except to persons whose investment activities involve them in acquiring, holding, managing or disposing (as principal or agent) of investments of a nature similar to the Notes and who are particularly knowledgeable in investment matters.

In each member state of the European Economic Area which has implemented the Prospectus Directive (Directive 2003/71/EC), no offer of the Notes to the public (as defined for the purposes of such Directive and any implementing measures in any such member state) may be made, except in circumstances which do not result in any breach of such Directive and any such implementing measures by the offeror or the Issuer, the Dealer and their respective affiliates and for this purpose an offer shall not be treated as not requiring the public of a prospectus pursuant to Article 3 of the Prospectus Directive, or any corresponding provision of any such implementing measures solely by virtue of the application of Article 3(2)(b) (offer to fewer than 100 persons) or any corresponding provision of any such implementing measures.

This investment product does not constitute any Collective Investment Schemes Unit in the meaning of the Swiss Federal Act on Collective Investment Schemes (CISA). Accordingly, holders of this investment product do not benefit from the investor protection under the CISA or the approval or supervision by the Swiss Financial Market Supervisory Authority (FINMA). Investors are exposed to the credit risk of the issuer and the guarantor (if any). Accordingly, the value of investment product is dependent not only on the development of the underlying assets but, among others, also the creditworthiness of the issuer and the guarantor (if any) which may vary over the term of the investment product.

This document does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations nor a simplified prospectus pursuant to Article 5 of the CISA. Accordingly, the Certificates may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, who do not subscribe to the Certificates with a view to distribution. The investors will be individually approached by the dealer from time to time. This document is personal to each offeree and does not constitute an offer to any person. This document may only be used by those persons to whom it has been handed out in connection with the offer described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the dealer. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland.

Investor Representations

Any investment in the product made with the intention to offer, sell or otherwise transfer (together, “**distribute**” and each a “**distribution**”) such product to prospective investors will be deemed to include, without limitation, the following representations, undertakings and acknowledgements:

- a) you shall only distribute as principal or, alternatively, acting on a commission basis in your own name for the account of your investors and will not do so as agent for any Morgan Stanley entity (together “**Morgan Stanley**”) who shall assume no responsibility or liability whatsoever in relation to any such distribution. You shall distribute the product in your own name and to such customers as you identify in your own discretion, at your own risk and under your sole responsibility. You shall make such enquiries you deem relevant in order to satisfy yourself that prospective investors have the requisite capacity and authority to purchase the product and that the product is suitable for those investors;
- b) you shall not make any representation or offer any warranty to investors regarding the product, the Issuer or Morgan Stanley or make any use of the Issuer's or Morgan Stanley's name, brand or intellectual property which is not expressly authorised and you shall not represent you are

acting as an agent of Morgan Stanley in such distribution. You acknowledge that neither the Issuer nor Morgan Stanley assume any responsibility or liability whatsoever in relation to any representation or warranty you make in breach hereof;

- c) if you distribute any material prepared and transmitted by the Issuer or by Morgan Stanley, you shall only distribute the entire material and not parts thereof. Any material you, or any third party you engage on your behalf, prepare shall be true and accurate in all material respects and consistent in all material respects with the content of the Base Prospectus and the Final Terms and shall not contain any omissions that would make them misleading. You shall only prepare and distribute such material in accordance with all applicable laws, regulations, codes, directives, orders and/or regulatory requirements, rules and guidance in force from time to time ("**Regulations**"). You acknowledge that neither the Issuer nor Morgan Stanley shall have any liability in respect of such material which shall, for the avoidance of doubt, at all times be your sole responsibility;
- d) you will not, directly or indirectly, distribute or arrange the distribution of the product or disseminate or publish (which for the avoidance of doubt will include the dissemination of any such materials or information via the internet) any materials or carry out any type of solicitation in connection with the product in any country or jurisdiction, except under circumstances that will result in compliance with all applicable Regulations and selling practices, and will not give rise to any liability for the Issuer or Morgan Stanley. For the avoidance of doubt, this includes compliance with the selling restrictions mentioned herein;
- e) if you receive any fee, rebate or discount, you shall not be in breach of any Regulation or customer or contractual requirements or obligations and you shall, where required to do so (whether by any applicable Regulation, contract, fiduciary obligation or otherwise), disclose such fees, rebates and discounts to your investors. You acknowledge that where fees are payable, or rebates or discounts applied, the Issuer and Morgan Stanley are obliged to disclose the amounts and/or basis of such fees, rebates or discounts at the request of any of your investors or where required by any applicable Regulations.
- f) you will be committed to purchase at the issue price stated in the term sheet (or at the price otherwise agreed between us) instruments, when issued, in the agreed quantity and having terms, as provided in the definitive documentation, consistent with those in this term sheet (subject to any modifications agreed between us);
- g) you are not purchasing the Notes as an extension of credit to Morgan Stanley pursuant to a loan agreement entered into in the ordinary course of your trade or business;
- h) we may enter into hedging or other arrangements in reliance upon your commitment, and, if you fail to comply with your commitment, your liability to us shall include liability for our costs and losses in unwinding such hedging or other arrangements;
- i) you agree and undertake to indemnify and hold harmless and keep indemnified and held harmless the Issuer, the Dealer and each of their respective affiliates and their respective directors, officers and controlling persons from and against any and all losses, actions, claims, damages and liabilities (including without limitation any fines or penalties and any legal or other expenses incurred in connection with defending or investigating any such action or claim) caused directly or indirectly by you or any of your affiliates or agents to comply with any of the provisions set out in (a) to (i) above, or acting otherwise than as required or contemplated herein

To the extent there is any conflict between these deemed representations and warranties and any terms included in a signed distribution agreement between us, the terms of such distribution agreement shall apply.

Important Information

THIS COMMUNICATION IS DIRECTED TO THOSE PERSONS WHO ARE ELIGIBLE COUNTERPARTIES OR PROFESSIONAL CLIENTS (AS DEFINED IN EU DIRECTIVE 2004/39/EC). THE NOTES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS AT ANY TIME (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933 OR THE U.S. INTERNAL REVENUE CODE).

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any State in the United States, and are subject to U.S. tax requirements. In purchasing the Notes, you represent and warrant that you are neither located in the United States nor a U.S. Person and that you are not purchasing for the account or benefit of any such person. This information has been prepared solely for information purposes and is not an offer (or a solicitation of an offer) to buy or sell the Notes. No representation or warranty is given with respect to the accuracy or completeness of the information contained in this term sheet. Morgan Stanley & Co. International plc ("MSI plc") and its affiliates disclaim any and all liability relating to this information, including without limitation any express or implied representations or warranties for, statements contained in, and omissions from, this information. Additional information is available upon request. MSI plc (and any of its affiliates) may make markets, have positions, and effect transactions in Notes and instruments of issuers mentioned herein and may also provide advice to such issuers. We may use information provided by you to facilitate the execution of your order, in managing our market making, other client facilitation activities or otherwise in carrying out our legitimate business (which may include, but is not limited to, hedging a risk or otherwise limiting the risks to which we are exposed). Where we commit our capital in relation to either ongoing management of inventories used to facilitate clients, or in relation to providing you with quotes we may make use of that information to enter into transactions that subsequently enable us to facilitate clients on terms that are competitive in the prevailing market conditions. Past performance is not necessarily indicative of future results. Price and availability of the Notes are subject to change without notice. This memorandum is not a product of Morgan Stanley's Research Department and you should not regard it as a research report.

Any Intermediary based in the EEA is obliged under its regulations to disclose to investors the existence, nature and amount of such commission or fee. Investors should ensure that they have been informed about any fee or commission arrangements by the intermediary before making any purchase of the relevant securities.

▶ PARTICIPATION

▶ CAPITAL PROTECTION

▶ LEVERAGE

▶ **YIELD ENHANCEMENT**

YOU SHOULD CONSULT YOUR INDEPENDENT FINANCIAL OR OTHER APPLICABLE ADVISOR(S) BEFORE INVESTING IN THE PRODUCT DESCRIBED ABOVE. YOU SHOULD NOT INVEST IN THE PRODUCT UNLESS YOU UNDERSTAND AND HAVE SUFFICIENT FINANCIAL RESOURCES TO BEAR THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE PRODUCT.