Morgan Stanley

Product Note

FTSE 100 Autocallable Note (6 yr)

AN INVESTMENT OPPORTUNITY BACKED BY MORGAN STANLEY

The FTSE 100 Autocallable Note is designed for investors who are looking for an attractive fixed capital return based on a neutral to slightly negative view of the FTSE 100 Index. On the first anniversary that the index is equal to or greater than the initial level the notes redeem automatically at an attractive preset amount.

The high returns available on this product reflect the relatively high volatility of the underlying index. Investors have this opportunity in exchange for accepting potential downside risk: If the note does not redeem automatically, capital is at risk if the FTSE 100 Index level has on any daily close traded at or below 50% of its initial level.

ANNUAL OPPORTUNITY FOR EARLY REDEMPTION

The note accumulates a fixed capital growth amount of 7% each year. If, on any of the annual determination dates, the FTSE 100 Index is at or above its initial level, the note redeems automatically and investors receive their original invesmtent plus the capital growth accumulated to date.

The potential capital growth returns for each year are as follows:

- Year 1: 7% return
- Year 2: 14% return
- Year 3: 21% return
- Year 4: 28% return
- Year 5: 35% return
- Year 6: 42% return

REDEMPTION AT MATURITY

If there is no automatic redemption in years 1 to 6, the repayment at maturity depends on the performance of the FTSE 100 Index. There are two scenarios:

- **If the Index has fallen to or below 50% of its initial value on any daily close during the life of the trade**, then investors receive a 1-for-1 capital loss in-line with the Index performance. For example, if the FTSE 100 Index at maturity has fallen by 60% of its initial level, investors will receive 40% of their initial capital.
- **If the Index at maturity has not fallen by 50% on any daily close**, then investors receive 100% of Par

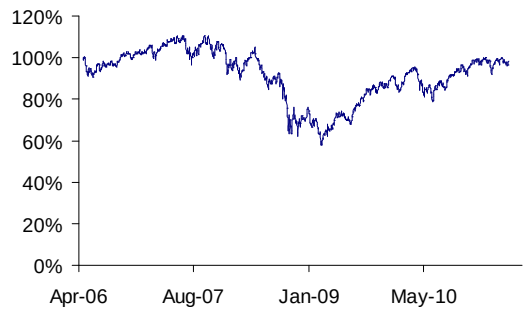
KEY ADVANTAGES

- Annual opportunities for early redemption, with attractive annual growth of 7%
- Potentially timely investment opportunity given the recent higher volatility on the FTSE 100 Index
- Defensive outlook – capital is protected as long as the FTSE 100 Index during the life has not fallen by 50% or more from its initial value
- Liquid secondary market
- London listed

HISTORICAL PERFORMANCE

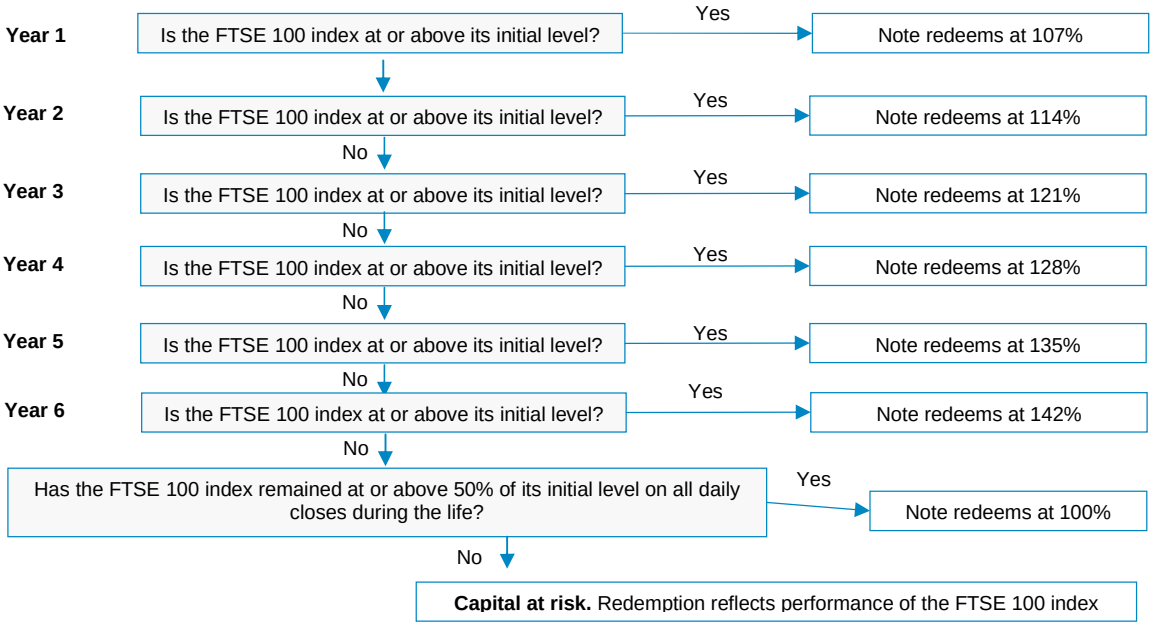
The FTSE 100 Index represents the largest companies listed in the UK.

5-Year Performance of FTSE 100



Source: Morgan Stanley / Bloomberg, 21 January 2011. Past performance is no guide to future performance.

PAYOUT DIAGRAM



PRODUCT DETAILS

ISSUER	Morgan Stanley (S&P Rating: A)
UNDERLYING	FTSE 100 Index (UKX)
CURRENCY	GBP
PRICING DATE / INITIAL INDEX VALUE LEVEL	8th July 2011
ISSUE/SETTLEMENT DATE	15 July 2011
MATURITY	17 July 2017
POTENTIAL ANNUAL CAPITAL GROWTH	7%
DETERMINATION DATES	Year 1: 9 July 2012 Year 2: 8 July 2013 Year 3: 8 July 2014 Year 4: 8 July 2015 Year 5: 8 July 2016 Year 6: 10 July 2017
INITIAL INDEX LEVEL	TBC
REDEMPTION BARRIER	Year 1 to 6 = 100% of Initial Index Level
SOFT PROTECTION BARRIER	50% of Initial Index Level
ISIN	XS0635023590

RISK FACTORS

- No capital protection. If there is no early redemption, capital repayment depends on the performance of the FTSE 100 index and could be zero
- Limited growth potential. The notes offer the opportunity for capital gain only as a fixed one-off repayment. Investors do not participate directly in any capital growth in the FTSE 100 Index.
- The redemption amounts described are provided only at maturity or in the case of early redemption. If the notes are not held until redemption, the price will depend on numerous factors, including the level and volatility of the

underlying indices, the remaining time to maturity, interest rates and the perception of the issuer's credit quality, and may be below par.

- Credit risk. Although the notes are designed to provide the returns described, this depends on the ability of the issuer (Morgan Stanley) to meet its financial obligations.
- Investors do not receive any dividends paid to holders of shares in the FTSE 100 Index.

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