FTSE 100 Protected Growth Note (GBP, max. 6Y)

A MORGAN STANLEY BACKED INVESTMENT OPPORTUNITY

The Morgan Stanley Protected Growth Note is designed to give investors the benefits of investing in the UK stock market, while protecting their initial investment. The note offers the opportunity for investment growth via exposure to the FTSE 100 index, with the potential to redeem early in the third year and receive a fixed return.

TWO ROUTES TO INVESTMENT RETURNS

There are two ways investors can achieve a positive return from their investment:

Early Exit feature: If, after three years, the FTSE 100 Index has risen by 10% or more, investors exit the note early and receive a fixed return of 35%, plus the return of their initial capital.

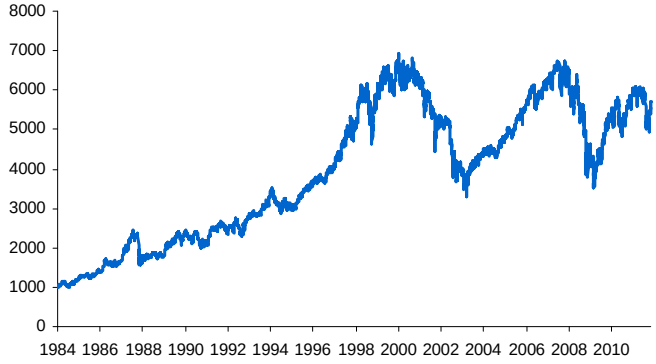
Or uncapped growth potential at maturity: If the early exit feature is not triggered, the note will continue for the full six year term, and investors will receive 100% of any growth in the FTSE 100, uncapped.

PROTECTION FROM A FALLING MARKET

Capital is 100% protected at maturity. If the FTSE 100 is unchanged or has fallen over the investment term, investors will not receive any investment growth, but their initial capital will be protected. Capital is protected by securities issued by Morgan Stanley (rated A by Standard & Poors as of 1st November 2011). In the event of Morgan Stanley going into liquidation, investors may lose all or part of their initial investment.

FTSE 100 INDEX: HISTORICAL PERFORMANCE

The below chart shows the historical performance of the FTSE 100 Index from its inception (3rd January 1984) to 31st October 2011.



Based on this historical performance, we ran a backtest looking at the returns the note would have generated for each possible start date from 3rd January 1984 to 31st October 2005.[1]

- The Early Exit would have been triggered in 75.2% of cases
- In cases where the Early Exit was not triggered, the average return of the note would have been 8.22% plus return of capital, versus an average FTSE 100 Index gain of 1.4%

The past performance of the index is not necessarily a guide to its performance in the future and there is no certainty that the future performance of the index will be positive.

KEY INVESTMENT ADVANTAGES

- Two possible routes to investment returns, including the opportunity to realise gains after just three years if certain conditions are met
- 100% capital protection provided by Morgan Stanley
- Denominated in GBP, therefore no currency risk for GBP investors
- Daily secondary market and liquidity

KEY INVESTMENT CONSIDERATIONS

- Investors are exposed to the credit risk of Morgan Stanley
- If the Early Exit feature is triggered, investors do not participate in any index growth above the fixed return of 35%
- The secondary market price of the notes will depend on many factors, including, but not limited to, the index level, volatility and interest rates. If investors sell before maturity, they may receive less than their initial investment
- Note returns do not include any returns from dividend income or participation in corporate actions, as would be the case if you invested directly in the shares underlying the index

[1] This backtest is hypothetical only and the terms available on products launched on historical dates would differ from the terms available today. Backtests should not be relied upon for future performance of the product.

NOTE DETAILS

ISSUER	Morgan Stanley (S&P Rating: A)
ISIN	XS0686179796
UNDERLYING	FTSE 100 Index (UKX Index)
CURRENCY	GBP
MATURITY	6 years max, with Early Exit possible after 3 years.
ISSUE PRICE	1 GBP
MINIMUM INVESTMENT AMOUNT	50,000 GBP
SUBSCRIPTION PERIOD	Subscription closes on the 7th December 2011. We will be unable to accept any subscriptions after this deadline and reserve the right to close the subscription period early.
START DATE	14th December 2011
EARLY EXIT DATE	15th December 2014
MATURITY DATE	28th December 2017
INITIAL INDEX LEVEL	The official closing level of the FTSE 100 Index on 14th December 2011
EARLY EXIT INDEX LEVEL	The official closing level of the FTSE 100 Index on 15th December 2014
FINAL INDEX LEVEL	The average of the monthly official closing levels on the 14th of each month from December 2016 to December 2017

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