

BEAR STEARNS COMPANIES INC
Form 424B5
March 14, 2006

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This preliminary pricing supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This preliminary pricing supplement and the accompanying prospectus supplement and prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where such an offer or sale would not be permitted.

Subject to Completion, dated March 14, 2005

PRICING SUPPLEMENT

(To Prospectus Dated February 2, 2005 and
Prospectus Supplement Dated February 2, 2005)

The Bear Stearns Companies Inc.

[\$] Principal Protected Notes, Linked to the Appreciation, if any, in the Value of a Basket of Asian Currencies Against the U.S. Dollar Due March [], 2007

- The Notes are fully principal protected if held to maturity and are linked to the potential appreciation, against the United States dollar (the U.S. dollar), in the value of an equally weighted basket comprised of the following six Asian currencies: (1) the Japanese yen (JPY); (2) the Indian rupee (INR); (3) the Korean won (KRW); (4) the Chinese renminbi (yuan) (CNY); (5) the Singapore dollar (SGD); and (6) the New Taiwan dollar (TWD). (JPY, INR, KRW, CNY, SGD and TWD are each a Component and collectively the Basket .) When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of \$1,000. On the Maturity Date you will receive the Cash Settlement Value, an amount in cash that depends on the relation of the Final Basket Level to the Initial Basket Level.

- The Notes will allow you to participate in only [40.00 - 50.00]% of the potential appreciation in the Basket against the U.S. dollar. You will not participate in the full amount of appreciation, if any, in the Basket.

- Because the Notes are principal protected if held to maturity, the Cash Settlement Value will equal the principal amount of Notes, plus the greater of:

\$0.00, and

$\$1,000 \times [40.00-50.00]\% \times (\text{Final Basket Level}-1)$

If, at maturity, the Final Basket Level is less than the Initial Basket Level (*i.e.*, if the Basket depreciates against the U.S. dollar), the Cash Settlement Value will be \$1,000. Because the Notes are principal protected if held to maturity, in no event will the Cash Settlement Value be less than \$1,000.

- The CUSIP number for the Notes is 073928P98.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. THERE MAY NOT BE A SECONDARY MARKET IN THE NOTES, AND IF THERE WERE TO BE A SECONDARY MARKET, IT MAY NOT BE LIQUID. YOU SHOULD REFER TO RISK FACTORS BEGINNING ON PAGE PS 11.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or determined that this pricing supplement, or the accompanying prospectus supplement and prospectus, is truthful or complete. Any representation to the contrary is a criminal offense.

		Per Note		Total	
Initial public offering price		[]	%	\$	[]
Agent's discount		[]	%	\$	[]
Proceeds, before expenses, to us		[]	%	\$	[]

Any additional reissuances will be offered at a price to be determined at the time of pricing of each offering of Notes, which will be a function of the prevailing market conditions and Basket Level at the time of the relevant sale.

We may grant the agents a 30-day option from the date of the final pricing supplement, to purchase from us up to an additional \$[] of Notes at the public offering price, less the agent's discount, to cover any over-allotments.

We expect that the Notes will be ready for delivery in book-entry form only through the book-entry facilities of The Depository Trust Company in New York, New York, on or about the Settlement Date, against payment in immediately available funds. The distribution of the Notes will conform to the requirements set forth in Rule 2720 of the National Association of Securities Dealers, Inc. Conduct Rules.

Bear, Stearns & Co. Inc.

March [], 2006

SUMMARY

This summary highlights selected information from the accompanying prospectus and prospectus supplement and this pricing supplement to help you understand the Notes linked to the appreciation, if any, in the value of the Basket against the U.S. dollar. You should carefully read this entire pricing supplement and the accompanying prospectus supplement and prospectus to fully understand the terms of the Notes, as well as the principal tax and other considerations that are important to you in making a decision about whether to invest in the Notes. You should carefully review the section "Risk Factors" in this pricing supplement and "Risk Factors" in the accompanying prospectus supplement, which highlight a number of significant risks, to determine whether an investment in the Notes is appropriate for you. All of the information set forth below is qualified in its entirety by the more detailed explanation set forth elsewhere in this pricing supplement and the accompanying prospectus supplement and prospectus. If information in this pricing supplement is inconsistent with the prospectus or prospectus supplement, this pricing supplement will supersede those documents. In this pricing supplement, the terms Company, we, us and our refer only to The Bear Stearns Companies Inc., excluding its consolidated subsidiaries.

Selected Investment Considerations

- **Principal protection** Because the Notes are principal protected if held to maturity, in no event will you receive a Cash Settlement Value less than \$1,000 per Note. If the Final Basket Level is less than the Initial Basket level, the Cash Settlement Value will be \$1,000.
- **No current income** We will not pay any interest on the Notes. The yield on the Notes may be less than the overall return you would earn if you purchased a conventional debt security at the same time and with the same maturity.
- **Diversification** The Basket represents the relationship between the Components and the U.S. dollar, and the Notes may appreciate if the Basket increases; i.e., if the value of the Basket appreciates against the U.S. dollar. Therefore, the Notes may allow you to diversify an existing portfolio or investment.
- **Low minimum investment** The minimum purchase is \$1,000, with increments of \$1,000 thereafter.

Selected Risk Considerations

- **Limited participation in the appreciation of the Basket** The Notes may not be an attractive investment for investors who have a bullish view of the Basket in the short term (and want 100% exposure to the appreciation). If held to maturity, the Notes allow you to participate in only [40.00 - 50.00]% of the potential appreciation in the Basket.

- Possible loss of value in the secondary market Your principal investment in the Notes is protected only if you hold your Notes to maturity. If you sell your Notes prior to the Maturity Date, you may receive less, and possibly significantly less, than the amount you originally invested.
- No interest, dividend or other payments During the term of the Notes, you will not receive any periodic interest or other distributions and such payments will not be included in the calculation of the Cash Settlement Value you will receive at maturity.
- The Notes will not be listed on any securities exchange You should be aware that we cannot ensure that a secondary market in the Notes will develop; and, if such market does develop, it may not be liquid. Our subsidiary, Bear, Stearns & Co. Inc. (Bear Stearns) has advised us that it intends, under ordinary market conditions, to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made in the future; nor can we predict the price at which any such bids will be made. In any event, any such market-making activities will cease as of the close of business on the Maturity Date.

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- The Components may not move in tandem. At a time when the value of one or more of the Components increases, the value of one or more of the other Components may decline. Therefore, in calculating the Basket Performance, increases in the value of one or more of the Components may be moderated, or wholly offset, by lesser increases or declines in the value of one or more of the other Components.
- Taxes. The U.S. federal income tax consequences of an investment in Notes are uncertain. We intend to treat the Notes as short-term debt obligations subject to the rules governing foreign currency gain or loss for U.S. federal income tax purposes. See "Certain U.S. Federal Income Tax Considerations" below.

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KEY TERMS

- Issuer:** The Bear Stearns Companies Inc.
- Face Amount:** Each Note will be issued in minimum denominations of \$1,000 and in \$1,000 increments in excess thereafter. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of \$1,000.
- Further Issuances:** Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement.
- Basket:** The Basket is comprised of six Asian currencies: (1) the Japanese yen (JPY); (2) the Indian rupee (INR); (3) the Korean won (KRW); (4) the Chinese renminbi (yuan) (CNY); (5) the Singapore dollar (SGD); and (6) the New Taiwan dollar (TWD). (JPY, INR, KRW, CNY, SGD and TWD are each a Component and collectively the Basket .) The weighting of each Component is fixed at 1/6 or approximately 16.67% and will not change, unless any Component is modified during the term of the Notes.
- Cash Settlement Value:** At maturity, we will pay you the Cash Settlement Value, an amount in cash per Note, in U.S. dollars, that is based upon the Final Basket Level in relation to the Initial Basket Level. The Notes will allow you to participate in only [40.00 - 50.00]% of the potential appreciation in the Basket based upon an increase in the Basket Level against the U.S. dollar. In no event will the Cash Settlement Value be less than \$1,000.
- Because the Notes are principal protected if held to maturity, the Cash Settlement Value will equal the principal amount of Notes, plus the greater of:
- \$0.00, and
- $\$1,000 \times [40.00-50.00]\% \times (\text{Final Basket Level}-1)$
- Final Basket Level:** Will be determined by the Calculation Agent and will equal the percentage change in the Basket on the Calculation Date, determined as follows:

$$\left(\frac{\text{JPY Final}}{\text{JPY Initial}} + \frac{\text{INR Final}}{\text{INR Initial}} + \frac{\text{KRW Final}}{\text{KRW Initial}} + \frac{\text{CNY Final}}{\text{CNY Initial}} + \frac{\text{SGD Final}}{\text{SGD Initial}} + \frac{\text{TWD Final}}{\text{TWD Initial}} \right)^{\frac{1}{6}}$$

For purposes of determining the Final Basket Level formula above:

JPY Initial is equal to the JPY exchange rate at approximately 10:00 am New York time on the Pricing Date divided by 100, expressed as number of U.S. dollars per 100 Japanese Yen (Bloomberg: JPYUSD <Curncy>), as determined by the Calculation Agent.

JPY Final is equal to the JPY exchange rate at approximately 10:00 am New York time on the Calculation Date divided by 100, expressed

as number of U.S. dollars per 100 Japanese Yen (Bloomberg: JPYUSD <Curncy>), as determined by the Calculation Agent.

INR Initial is equal to the INR exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Indian Rupee (Bloomberg: INRUSD <Curncy>), as determined by the Calculation Agent.

INR Final is equal to the INR exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Indian Rupee (Bloomberg: INRUSD <Curncy>), as determined by the Calculation Agent.

KRW Initial is equal to the KRW exchange rate at approximately 10:00 am New York time on the Pricing Date divided by 100, expressed as number of U.S. dollars per 100 Korean Won (Bloomberg: KRWUSD <Curncy>), as determined by the Calculation Agent.

KRW Final is equal to the KRW exchange rate at approximately 10:00 am New York time on the Calculation Date divided by 100, expressed as number of U.S. dollars per 100 Korean Won (Bloomberg: KRWUSD <Curncy>), as determined by the Calculation Agent.

CNY Initial is equal to the CNY exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Chinese Yuan (Bloomberg: CNYUSD <Curncy>), as determined by the Calculation Agent.

CNY Final is equal to the CNY exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Chinese Yuan (Bloomberg: CNYUSD <Curncy>), as determined by the Calculation Agent.

SGD Initial is equal to the SGD exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Singapore Dollar (Bloomberg: SGDUSD <Curncy>), as determined by the Calculation Agent.

SGD Final is equal to the SGD exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Singapore Dollar (Bloomberg: SGDUSD <Curncy>), as determined by the Calculation Agent.

TWD Initial is equal to the TWD exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one New Taiwan Dollar (Bloomberg: TWDUSD <Curncy>), as determined by the Calculation Agent.

TWD Final is equal to the TWD exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one New Taiwan Dollar (Bloomberg: TWDUSD <Curncy>), as determined by the Calculation Agent.

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$$\text{Basket Level: } \left(\frac{\text{JPY}_n}{\text{JPY Initial}} + \frac{\text{INR}_n}{\text{INR Initial}} + \frac{\text{KRW}_n}{\text{KRW Initial}} + \frac{\text{CNY}_n}{\text{CNY Initial}} + \frac{\text{SGD}_n}{\text{SGD Initial}} + \frac{\text{TWD}_n}{\text{TWD Initial}} \right)$$

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where n is equal to the respective currency exchange rates at approximately 10:00 am New York time on the applicable Currency Business Day, as determined by reference to the applicable Bloomberg screen described in Final Basket Level above.

Initial Basket Level:

100.00

Interest:

The Notes will not bear interest.

Pricing Date:

March [], 2006

Settlement Date:

March [], 2006

Calculation Date:

March [], 2007, or, if that day is not a Currency Business Day, the next Currency Business Day shall be the Calculation Date. If there is a Currency Disruption Event or a discontinuance of one or more Components or the Calculation Agent is unable to determine the Final Basket Level or a Successor Component for two consecutive Currency Business Days, the Final Basket Level shall be determined as described in Description of the Notes.

Maturity Date:

March [], 2007

Exchange Listing:

The Notes will not be listed on any securities exchange.

Currency Business Day:

Will be a day, as determined by the Calculation Agent in its sole discretion, other than a Saturday or Sunday in the U.S., on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centers in each of the countries in which the currencies are the official countries.

Calculation Agent:

Bear Stearns Forex Inc. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will be conclusive for all purposes and binding on us and the beneficial owners of the Notes, absent manifest error.

Offers and sales of the Notes are subject to restrictions in certain jurisdictions. The distribution of this pricing supplement and the accompanying prospectus supplement and prospectus and the offer or sale of the Notes in certain other jurisdictions may be restricted by law. Persons who come into possession of this pricing supplement, and the accompanying prospectus supplement and prospectus or any Notes must inform themselves about and observe any applicable restrictions on the distribution of this pricing supplement, the accompanying prospectus supplement and prospectus and the offer and sale of the Notes. Notwithstanding the minimum denomination of \$1,000, the minimum purchase for any purchaser domiciled in a Member State of the European Union shall be \$100,000.

QUESTIONS AND ANSWERS

What are the Notes?

The Notes are a series of our senior debt securities, the value of which is linked to the performance of the Basket. The Notes will not bear interest, and no other payments will be made prior to maturity. See the section Risk Factors.

The Notes will mature on the Maturity Date. The Notes do not provide for earlier redemption. When we refer to Notes in this pricing supplement, we mean Notes with a principal amount of \$1,000. You should refer to the section Description of the Notes.

Are the Notes equity or debt securities?

The Notes are our unsecured debt securities. The Notes are principal protected if held to maturity. However, the Notes differ from traditional debt securities in that the Notes may offer only [40.00 - 50.00]% of the positive performance of the Basket Level, if any, (*i.e.*, of the potential appreciation in the value of the Basket against the U.S. dollar).

What will I receive at Maturity of the Notes?

We have designed the Notes for investors who want to protect a substantial portion of their investment by receiving at least 100% of the principal amount of their Notes at maturity, while also having an opportunity to participate in [40.00 - 50.00]% of the potential appreciation in the Basket. An investor in the Notes will not participate in the full appreciation, if any, in the Basket. Upon maturity of the Notes, for each Note you own, you will receive a payment equal to the Cash Settlement Value, an amount in cash per Note, in U.S. dollars, that is based upon the Final Basket Level in relation to the Initial Basket Level.

Because the Notes are principal protected if held to maturity, the Cash Settlement Value will equal the principal amount of Notes, plus the greater of:

\$0.00, and

$\$1,000 \times [40.00-50.00]\% \times (\text{Final Basket Level}-1)$

The Final Basket Level equals the percentage change in the Basket:

$$\left(\frac{\text{JPY Final}}{\text{JPY Initial}} + \frac{\text{INR Final}}{\text{INR Initial}} + \frac{\text{KRW Final}}{\text{KRW Initial}} + \frac{\text{CNY Final}}{\text{CNY Initial}} + \frac{\text{SGD Final}}{\text{SGD Initial}} + \frac{\text{TWD Final}}{\text{TWD Initial}} \right) - 6$$

For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to the section Description of the Notes.

Will there be additional offering of the Notes?

Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same

CUSIP number and will trade interchangeably with the Notes immediately upon settlement. Any additional issuance will increase the aggregate principal amount of the outstanding Notes of this series to include the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to (i) any 30-day option we grant to Bear, Stearns & Co. Inc., and (ii) any future issuances of Notes bearing the same CUSIP number. The price of any additional offerings will be determined at the time of pricing of each offering, which will be a function of the prevailing market conditions and level of the Basket at the time of the relevant sale.

We will treat any additional offerings of Notes as part of the same issue as the Notes for US federal income tax purposes. Accordingly, for purposes of the Treasury regulations governing original issue discount on debt instruments, we will treat any additional offerings of Notes as having the same issue date, the same issue price and, with respect to holders, the same adjusted issue price as the Notes. Consequently, the issue price of any additional offering of Notes for U.S. federal income tax purposes will be the first price at which a substantial amount of the Notes were sold to the public (excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). If we offer further issuances of the Notes, we will disclose the treatment of any relevant accrued interest.

What does principal protected mean?

Principal protected means that at maturity your principal investment in the Notes will not be at risk as a result of a decrease in the Basket. At maturity, if the Final Basket Level is less than the Initial Basket Level, the Cash Settlement Value will be \$1,000. You may receive less than the principal amount of the Notes if you sell your Notes prior to maturity.

Will I receive interest on the Notes?

You will not receive any interest payments on the Notes.

How have the prices of the Components performed historically?

We have provided tables showing the price performance of the Components beginning in January 2001. You can find these tables in the section Description of the Components Historical Data on the Components in this pricing supplement. We have provided this historical information to help you evaluate the behavior of the prices of the Components in various economic environments; however, please note that this time period is relatively limited and past performance is not indicative of the manner in which the prices of the Components will perform in the future. You should refer to the section Risk Factors The historical performance of the Components is not an indication of the future performance of the Components .

Will the Notes be listed on a securities exchange?

The Notes will not be listed on any securities exchange; and we do not expect a secondary market to develop, which may affect the price that you receive for your Notes upon any sale prior to maturity. Bear Stearns has advised us that they intend, under ordinary market conditions, to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made in the future; nor can we predict the price at which any such bids will be made. In any event, any market-making transactions in the Notes will cease as of the close of business on the Maturity Date. You should refer to the section Risk Factors.

What is the role of Bear Stearns?

Bear Stearns will be our agent for the offering and sale of the Notes. After the initial offering, Bear Stearns intends, under ordinary market conditions, to buy and sell the Notes to create a secondary market for holders of the

Notes and may stabilize or maintain the market price of the Notes during the initial distribution of the Notes. However, Bear Stearns will not be obligated to engage in any of these market activities or to continue them once they are begun.

Who will act as Calculation Agent?

Bear Stearns Forex Inc. will be our Calculation Agent for purposes of calculating the Cash Settlement Value. Under certain circumstances, these duties could result in a conflict of interest between Bear Stearns Forex Inc.'s status as our subsidiary and its responsibilities as Calculation Agent. You should refer to Risk Factors The Calculation Agent is our affiliate which could result in a conflict of interest.

Can you tell me more about The Bear Stearns Companies Inc.?

We are a holding company that, through our broker-dealer and international bank subsidiaries, principally Bear Stearns, Bear, Stearns Securities Corp., Bear, Stearns International Limited (BSIL) and Bear Stearns Bank plc, is a leading investment banking, securities and derivatives trading, clearance and brokerage firm serving corporations, governments, institutional and individual investors worldwide. For more information about us, please refer to the section The Bear Stearns Companies Inc. in the accompanying prospectus. You should also read the other documents we have filed with the Securities and Exchange Commission, which you can find by referring to the section Where You Can Find More Information in the accompanying prospectus.

Who should consider purchasing the Notes?

Because the Notes are tied to the increase, if any, in the value of the Basket against the U.S. dollar, they may be appropriate for investors with specific investment horizons who seek to participate in the potential increase of the Basket against the U.S. dollar. In particular, the Notes may be an attractive investment for investors who:

- want exposure to the potential increase in the Basket against the U.S. dollar;
- believe that the level of the Basket will increase over the term of the Notes (*i.e.*, that the value of the Basket will increase against the U.S. dollar);
- do not want to place their principal at risk and are willing to hold the Notes until maturity;
- are willing to forgo interest payments or any other payments in return for full principal protection if held to maturity and participation of [40.00 - 50.00]% in any appreciation in the level of the Basket; and
- understands that the values of the Components may not move in tandem and that increases in one or more Components may be offset by decreases in one or more other Components.

The Notes may not be a suitable investment for you if you:

- wish to participate in 100% of any appreciation in the Basket;
- seek current income or dividend payments from your investment;
- seek an investment with an active secondary market;
- are unable or unwilling to hold the Notes until maturity; or
- have a bearish view of the value of the Basket against the U.S. dollar over the term of the Notes.

What are the U.S. federal income tax consequences of investing in the Notes?

The U.S. federal income tax consequences of an investment in Notes are uncertain. We intend to treat the Notes as short-term debt obligations subject to the rules governing foreign currency gain or loss for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Considerations below.

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Does ERISA impose any limitations on purchases of the Notes?

An employee benefit plan subject to the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974 (ERISA) or a plan that is subject to Section 4975 of the Internal Revenue Code, including individual retirement accounts, individual retirement annuities or Keogh plans, or any entity the assets of which are deemed to be plan assets under ERISA regulations, will be permitted to purchase, hold and dispose of the Notes only on the condition that such plan or entity makes the deemed representation that its purchase, holding and disposition of the Notes will not constitute a prohibited transaction under ERISA or Section 4975 of the Internal Revenue Code for which an exemption is not available. Government plans subject to any substantially similar law will also be subject to this condition.

Are there any risks associated with my investment?

Yes. The Notes are subject to a number of risks. You should refer to the section Risk Factors in this pricing supplement and Risk Factors in the accompanying prospectus supplement.

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RISK FACTORS

The Notes are principal protected if held to maturity. You will be subject to risks not associated with conventional fixed-rate or floating-rate debt securities. Prospective purchasers of the Notes should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of the Notes in light of their particular financial circumstances, the following risk factors and the other information set forth in this pricing supplement and the accompanying prospectus supplement and prospectus. These risks include the possibility that the Basket Level will fluctuate, and the possibility that you will receive a lower amount of principal if the Notes are sold prior to maturity. We have no control over a number of matters, including economic, financial, regulatory, geographic, judicial and political events, that are important in determining the existence, magnitude, and longevity of these risks and their impact on the value of, or the payment made on, the Notes.

At maturity, the Notes may not pay more than the principal amount.

The Cash Settlement Value will be greater than your initial principal investment only if the Final Basket Level is greater than the Initial Basket Level; i.e., if the Final Basket Level is greater than 100. The Cash Settlement Value will equal at least the principal amount of your Notes only if you hold your Notes to maturity. If you sell your Notes in the secondary market prior to maturity, you will not be entitled to principal protection and you may receive less, and possibly significantly less, than the initial public offering price of \$1,000 per Note. You therefore should be able and willing to hold your Notes until maturity.

You will not receive any interest payments on the Notes.

You will not receive any periodic payments of interest or any other periodic payments on the Notes. On the Maturity Date, you will receive a payment per Note equal to the Cash Settlement Value. Thus, the overall return you earn on your Notes may be less than that you would have earned by investing in a non-currency-related debt security of comparable maturity that bears interest at a prevailing market rate. For more specific information about the Cash Settlement Value and for illustrative examples, you should refer to the section Description of the Notes.

Your yield, if any, may be below market interest rates on the Calculation Date.

You may receive a Cash Settlement Value that is below what we would pay as of the issuance date if we had issued non-callable senior debt securities with a maturity similar to that of the Notes.

The Notes are subject to foreign exchange risk.

The relationship between the U.S. dollar and the Components comprising the Basket varies based on a number of interrelated factors, including economic, financial and political events or actions that we cannot control. There can be no assurance that the Basket Level will appreciate against the U.S. dollar over the term of the Notes.

The Components are volatile and are affected by numerous factors specific to each international country.

The value of each Component, which is primarily affected by the supply and demand for the Component and the U.S. dollar, may be affected by political, economic, financial, legal, accounting and tax matters specific to the country in which the Component is the official currency. Relevant factors include the possibility that exchange controls with respect to the Component and U.S. dollar could be imposed or modified, the possible imposition of regulatory controls or taxes, the overall growth and performance of the economies of the U.S. and Component country, the trade and current account balance between the U.S. and the Component country, market interventions by the Federal Reserve Board or the central bank of the Component country, inflation, interest rate levels, the performance of the stock markets in the U.S. and the Component country, the stability of the governments and banking systems of the U.S. and Component country, wars in which the U.S. and the Component country are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the U.S. or the Component country, and other foreseeable and unforeseeable events. Factors that may affect the likelihood of the Component country imposing exchange control

restrictions include the extent of the country's foreign currency reserves, the balance of payments, the extent of governmental surpluses and deficits, the size of the country's debt service burden relative to the economy as a whole, regional hostilities, terrorist attacks or social unrest, and political constraints to which the country may be subject. The Component country's government may choose to affect the exchange rate of its currency by central bank intervention, imposition of regulatory controls, taxes, revaluation or devaluation of the currency, the issuance of a replacement currency or by other available means. The value of the Component may also be affected by the operation of, and the identity of persons and entities trading on, interbank and interdealer foreign exchange markets in the U.S. and elsewhere.

Investments linked to foreign currencies involve risks associated with the currency markets of those countries, including risks of volatility and governmental intervention in those markets. There is also generally less publicly available information about foreign currencies and foreign fiscal and economic policies than there is concerning the U.S. dollar and U.S. fiscal and economic policies.

Japan. The Japanese yen is permitted to fluctuate in value relative to the U.S. dollar. However, the government may choose to affect the exchange rate of its currency by central bank intervention, imposition of regulatory controls, taxes, revaluation or devaluation of the currency, the issuance of a replacement currency or by other available means.

Republic of India. During the past decade, the Indian government has pursued policies of economic liberalization and deregulation, but the government's role in the economy has remained significant. The Indian government allows the exchange rate to float freely, without a fixed target or band, but will intervene when it deems necessary to preserve stability. It also has the ability to restrict the conversion of rupees into foreign currencies, and under certain circumstances investors that seek to convert rupees into foreign currency must obtain the approval of the Reserve Bank of India.

The Republic of Korea. Prior to 1997, the Korean government permitted currency exchange rates to float within a daily range of 2.25%. In response to economic difficulties in 1997, the government expanded the range of permitted currency exchange rate fluctuations to 10%. In December 1997, the government eliminated the daily currency exchange rate band and the Korean won now floats according to market forces. However, any existing or future restrictions on currency exchange in the Republic of Korea could affect the exchange rate between the Korean won and the U.S. dollar.

The People's Republic of China. Since the beginning of 1994, the Chinese government has used a managed floating exchange rate system, under which the People's Bank of China allows the renminbi to float within a specified band around the central exchange rate that is published daily by the People's Bank. In July 2005, the Bank revalued the renminbi by 2% and announced that in the future it would set the value of the renminbi with reference to a basket of currencies rather than solely with reference to the U.S. dollar. In addition, the Bank recently announced that the reference basket of currencies used to set the value of the renminbi will be based on a daily poll of market dealers and other undisclosed factors. To the extent that management of the renminbi results in trading levels that do not fully reflect market forces, any further changes in the government's management of its currency could result in significant movement in the exchange rate between the Chinese renminbi and the U.S. dollar.

Singapore. The Singapore dollar is permitted to fluctuate in value relative to the U.S. dollar. However, the government may choose to affect the exchange rate of its currency by central bank intervention, imposition of regulatory controls, taxes, revaluation or devaluation of the currency, the issuance of a replacement currency or by other available means.

Taiwan. The Taiwan dollar is allowed to float according to market forces, but the government has from time to time intervened to minimize fluctuation of the exchange rate and to prevent significant declines in the Taiwan dollar with respect to the U.S. dollar. In addition, the exchange rate may be affected by developments in relations between Taiwan and the People's Republic of China, which has threatened to use military force to gain control over Taiwan in limited circumstances, such as a declaration of independence by Taiwan.

The Components are volatile and are affected by numerous factors specific to each international country. 20

The Basket is geographically limited.

The Basket is comprised of six Asian currencies. Therefore, the foreign currency exposure achieved by the Basket is limited geographically. Because the Basket is limited to six Asian currencies, events occurring in Asia which affect that region could have a negative impact on more than one, or all, of the Components at the

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same time, which could have an adverse effect on the value of the Notes. For example, a financial crisis could erupt in Asia and lead to sharp declines in the currencies, stock markets and other asset prices of a number of Asian countries, threatening their financial systems, disrupting their real economies and causing political upheaval. A financial crisis or other event in any of the Component countries could have a negative impact on some or all of the Components and, consequently, the value of the Notes may be adversely affected.

The Components may not move in tandem; and gains in one Component may be offset by declines in another Component.

Price movements in the Components comprising the Basket may not move in tandem. At a time when the value of one or more of the Components increases, the value of one or more of the other Components may decline. Therefore, in calculating the Basket Performance, increases in the value of one or more of the Components may be moderated, or wholly offset, by lesser increases or declines in the value of one or more of the other Components.

Changes in correlation among the prices of the Components may adversely affect the value of the Notes.

Correlation is the extent to which the levels among the Components increase or decrease to the same degree at the same time. To the extent that correlation among the Components changes, the value of the Notes may be adversely affected. For example, if the price of one Component increases sharply and the others depreciate slightly or remain unchanged, the Basket Level may depreciate, which may cause the value of the Notes to decline. Moreover, a sharp decrease in the price of one or more of the Components relative to the others may cause the Basket Level, during the term of the Notes, or Final Basket Level to decline below the Initial Basket Level and, therefore, limit the Cash Settlement Value to the principal of your Notes.

You must rely on your own evaluation of the merits of an investment in the Notes.

In connection with your purchase of the Notes, we urge you to consult your own financial, tax and legal advisors as to the risks entailed by an investment in Notes and to investigate the Components and the Basket and not rely on our views in any respect. You should make such investigation as you deem appropriate as to the merits of an investment in the Notes. In the ordinary course of our business, we may from time to time express views on expected movements in the foreign currency markets in general and in the Components in particular. These views may vary over differing time horizons and are subject to change without notice. Moreover, other professionals who deal in the currency markets may at any time have views that differ significantly from ours.

The liquidity, trading value and Cash Settlement Value under the Notes could be affected by the actions of the governments of the United States and the countries in which the Basket currencies are the official currency.

Governments, from time to time, may not allow their currencies to float freely in response to economic forces or, as is currently the case with China, may use a managed floating system. Moreover, governments, including those of the United States and the countries in which the Basket currencies are the official currencies, use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing the Notes is that their liquidity, trading value and Cash Settlement Value could be affected by the actions of sovereign governments which could change or interfere with currency valuation and the movement of currencies across borders. There will be no adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of any other development affecting the Basket or the U.S. dollar.

The Interdealer market in foreign currencies is an around-the-clock market; however, if a secondary market develops, the Notes may trade only during regular trading hours in the United States.

The interdealer market for foreign currencies is a global, around-the-clock market. Therefore, the hours of trading for the Notes may not conform to the hours during which the Components and the U.S. dollar are traded. To the extent that U.S. markets are closed while international markets remain open, significant movements may take place in the underlying foreign exchange markets that will not be reflected immediately in the price of the Notes. There is no systematic reporting of last-sale information for foreign currencies. Reasonable current bid and offer information is available in certain brokers' offices and to others who wish to subscribe for this information, but this information may not necessarily reflect the spot rate relevant for determining the value of the Notes. The absence of last-sale information and the limited availability of quotations to individual investors would make it difficult for many investors to obtain timely, accurate data about the state of the underlying foreign exchange markets.

Tax consequences.

The U.S. federal income tax consequences of an investment in Notes are uncertain. We intend to treat the Notes as short-term debt obligations subject to the rules governing foreign currency gain or loss for U.S. federal income tax purposes. See "Certain U.S. Federal Income Tax Considerations" below.

The historical performance of the Components is not an indication of the future performance of the Components.

The historical performance of the Components, which is included in this pricing supplement, should not be taken as an indication of the future performance of the Components. It is impossible to predict whether the value of the Components will fall or rise. The Components will be influenced by the complex and interrelated economic, financial, regulatory, geographical, judicial, political and other factors that can affect the capital markets generally and the currency trading markets in particular, and by various circumstances that can affect the value of a particular currency in relation to another currency.

The price at which you will be able to sell your Notes prior to maturity will depend on a number of factors and may be substantially less than you had originally invested.

If you wish to liquidate your investment in the Notes prior to maturity, your only alternative would be to sell them. At that time, there may be an illiquid market for Notes or no market at all. Even if you were able to sell your Notes, there are many factors outside of our control that may affect their trading value. We believe that the value of your Notes will be affected by the value and volatility of the Components, whether or not the Basket Level is greater than or equal to the Initial Basket Level, changes in interest rates in the international markets, the supply of and demand for the Notes and a number of other factors. Some of these factors are interrelated in complex ways; as a result, the effect of any one factor may be offset or magnified by the effect of another factor. The price, if any, at which you will be able to sell your Notes prior to maturity may be substantially less than the amount you originally invested if, at such time, the value of the Basket is less than, equal to or not sufficiently above the value of the Basket on the date you purchased the Notes. The following paragraphs describe the manner in which we expect the trading value of the Notes will be affected in the event of a change in a specific factor, assuming all other conditions remain constant.

- *Value of the Basket.* We expect that the trading value of the Notes will depend substantially on the amount, if any, by which the Basket Level at any given time is greater than the Initial Basket Level (i.e., by the amount, if any, of appreciation in the Basket Level against the U.S. dollar). If you decide to sell your Notes when the Basket Level is greater than the Initial Basket Level, you may nonetheless receive substantially less than the amount that would be payable at maturity based on that Basket Level because of expectations that the Basket Level will continue to fluctuate until the Final Basket Level is determined. Economic, financial and other developments that affect the Components may also affect the value of the Notes.
- *Volatility of the Components.* Volatility is the term used to describe the size and frequency of market fluctuations. Generally, if the volatility of the Components decreases, the trading value of the Notes will

decrease; and, if the volatility of the Components increases, the trading value of the Notes will increase. The effect of the volatility of the Components on the trading value of the Notes may not necessarily decrease over time during the term of the Notes.

- *Interest rates.* We expect that the trading value of the Notes will be affected by changes in interest rates in the international markets. In general, if U.S. interest rates increase, the value of outstanding debt securities tends to decrease; conversely, if U.S. interest rates decrease, the value of outstanding debt securities tends to increase. Interest rates also may affect the U.S. and international economies and, in turn, the Components and the value of the Basket, which would affect the value of the Notes.
- *Our credit ratings, financial condition and results of operations.* Actual or anticipated changes in our current credit ratings (A1 by Moody's Investor Service, Inc. and A by Standard & Poor's Rating Services), as well as our financial condition or results of operations may significantly affect the trading value of the Notes. However, because the return on the Notes is dependent upon factors in addition to our ability to pay our obligations under the Notes, such as the Basket Level, an improvement in our credit ratings, financial condition or results of operations is not expected to have a positive effect on the trading value of the Notes.
- *Time remaining to maturity.* A time premium results from expectations concerning the value of the Basket during the period prior to the maturity of the Notes. As the time remaining to the maturity of the Notes decreases, this time premium will likely decrease, potentially adversely affecting the trading value of the Notes.
- *Events involving the relevant currencies.* General economic, political, legal and other political conditions affecting the Components, and real or anticipated changes in those conditions or results, may affect the trading value of the Notes.
- *Size and liquidity of the secondary market.* The Notes will not be listed on any securities exchange; and there may not be a secondary market in the Notes, which may affect the price that you receive for your Notes upon any sale prior to maturity. If a secondary market does develop, there can be no assurance that there will be liquidity in the secondary market. If the secondary market for the Notes is limited, there may be a limited number of buyers for your Notes if you do not wish to hold your investment until maturity. This may affect the price you receive upon any sale of the Notes prior to maturity. Bear Stearns has advised us that they intend, under ordinary market conditions, to indicate prices for the Notes on request. However, we cannot guarantee that bids for outstanding Notes will be made in the future; nor can we predict the price at which any such bids will be made.

We want you to understand that the effect of one of the factors specified above, such as an increase in interest rates, may offset some or all of any change in the value of the Notes attributable to another factor, such as an increase in the Basket Level.

You have no rights to receive any Component.

Investing in the Notes will not make you a holder of any Component. The Notes will be paid in U.S. dollars, and you will have no right to receive delivery of a Component.

The Calculation Agent is our affiliate which could result in a conflict of interest.

Bear Stearns Forex Inc. will act as the Calculation Agent. The Calculation Agent will make certain determinations and judgments in connection with calculating the Basket Level, the Final Basket Level, or deciding whether a Market Disruption Event has occurred. You should refer to Description of the Notes Discontinuance of the Components, Adjustments to the Components and Market Disruption Events. Because Bear Stearns Forex Inc. is our affiliate, conflicts of interest may arise in connection with our affiliate performing its role as Calculation Agent.

Bear Stearns Forex Inc. and its affiliates may, at various times, engage in transactions involving the currencies to which the Basket relates for their proprietary accounts, and for other accounts under their management. These transactions, if effected in substantial size, may influence the value of such currencies, and therefore the value of the Basket. BSIL, an affiliate of Bear Stearns, will also be the counterparty to the hedge of our obligations under the Notes. You should refer to Use of Proceeds and Hedging. Accordingly, under certain circumstances, conflicts of interest may arise between Bear Stearns Forex Inc.'s responsibilities as Calculation Agent with respect to the Notes and BSIL's obligations under our hedge.

Trading and other transactions by us or our affiliates could affect the prices of the Components, the level of the Basket, the trading value of the Notes or the amount you may receive at maturity.

We and our affiliates may from time to time buy or sell the Components or derivative instruments related to the Components for our own accounts in connection with our normal business practices or in connection with hedging our obligations under the Notes. These trading activities may present a conflict of interest between your interest in the Notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions, including block trades, for our other customers and in accounts under our management. The transactions, if effected in substantial size, could affect the prices of those Components or the level of the Basket in a manner that would be adverse to your investment in the Notes. See the section Use of Proceeds and Hedging.

Hedging activities we or our affiliates may engage in may affect the prices of the Components and, accordingly, increase or decrease the trading value of the Notes prior to maturity and the Cash Settlement Value you would receive at maturity. To the extent that we or any of our affiliates has a hedge position in either of the Components, or derivative or synthetic instruments related to the Components, we or any of our affiliates may liquidate a portion of such holdings at or about the time of the maturity of the Notes. Depending on, among other things, future market conditions, the aggregate amount and the composition of such hedge positions are likely to vary over time. Profits or losses from any of those positions cannot be ascertained until the position is closed out and any offsetting position or positions are taken into account. Although we have no reason to believe that any of those activities will have a material effect on the prices of the Components, we cannot assure you that these activities will not affect such prices and the trading value of the Notes prior to maturity or the Cash Settlement Value payable at maturity.

In addition, we or any of our affiliates may purchase or otherwise acquire a long or short position in the Notes. We or any of our affiliates may hold or resell the Notes.

We or any of our affiliates may also issue, underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments with returns indexed to the Components. By introducing competing products into the marketplace in this manner, we or our affiliates could adversely affect the value of the Notes.

One or more of our affiliates have published, and may in the future publish, research reports regarding the currencies to which the Basket relates. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing, holding or selling the Notes. Any of these activities may affect the trading value of the Notes. Similarly, we may in the past or may in the future issue Notes that permit a purchaser to take a different view with respect to the movements of the Components that do the notes (e.g., to take a bearish rather than a bullish view).

The Cash Settlement Value you receive on the Notes may be delayed or reduced upon the occurrence of a Market Disruption Event, or an Event of Default.

If the Calculation Agent determines that, on the Calculation Date, a Market Disruption Event has occurred or is continuing, the determination of the value of one or more Components by the Calculation Agent may be deferred. You should refer to the section Description of the Notes Market Disruption Events.

If the Calculation Agent determines that an Event of Default (as defined below) has occurred, a holder of the Notes will only receive an amount equal to the trading value of the Notes on the date of such Event of Default, adjusted by an amount equal to any losses, expenses and costs to us of unwinding any underlying hedging or funding arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. You should refer to the section Description of the Notes Event of Default and Acceleration.

You should decide to purchase the Notes only after carefully considering the suitability of the Notes in light of your particular financial circumstances. You should also carefully consider the tax consequences of investing in the Notes. You should refer to the section Certain U.S. Federal Income Tax Considerations and discuss the tax implications with your own tax advisor.

DESCRIPTION OF THE NOTES

The following description of the Notes (referred to in the accompanying prospectus supplement as the Currency Indexed Notes) supplements the description of the Notes in the accompanying prospectus supplement and prospectus. This is a summary and is not complete. You should read the indenture, dated as of May 31, 1991, as amended (the Indenture), between us and JPMorgan Chase Bank, N.A. (formerly, The Chase Manhattan Bank), as trustee (the Trustee). A copy of the Indenture is available as set forth under the section of the prospectus entitled Where You Can Find More Information.

General

The Notes are part of a single series of debt securities under the Indenture described in the accompanying prospectus supplement and prospectus designated as Medium-Term Notes, Series B. The Notes are unsecured and will rank equally with all of our unsecured and unsubordinated debt, including the other debt securities issued under the Indenture. Because we are a holding company, the Notes will be effectively subordinated to the claims of creditors of our subsidiaries.

The aggregate principal amount of the Notes is specified on the cover. The Notes will mature on the Maturity Date and do not provide for earlier redemption. The Notes will be issued only in fully registered form, and in minimum denominations of \$1,000; provided, however, that the minimum purchase for any purchaser domiciled in a member state of the European Union shall be \$100,000. Initially, the Notes will be issued in the form of one or more global securities registered in the name of DTC or its nominee, as described in the accompanying prospectus supplement and prospectus. When we refer to Note or Notes in this pricing supplement, we mean \$1,000 principal amount of Notes. The Notes will not be listed on any securities exchange.

You should refer to the section Certain U.S. Federal Income Tax Considerations, for a discussion of certain federal income tax considerations to you as a holder of the Notes.

Future Issuances

Under certain limited circumstances, and at our sole discretion, we may offer further issuances of the Notes. These further issuances, if any, will be consolidated to form a single series with the Notes and will have the same CUSIP number and will trade interchangeably with the Notes immediately upon settlement. Any additional issuance will increase the aggregate principal amount of the outstanding Notes of this series, plus the aggregate principal amount of any Notes bearing the same CUSIP number that are issued pursuant to (i) any 30-day option we grant to Bear, Stearns & Co. Inc., and (ii) any future issuances of Notes bearing the same CUSIP number. The price of any additional offerings will be determined at the time of pricing of each offering, which will be a function of the prevailing market conditions and level of the Basket at the time of the relevant sale.

Interest

We will not make any periodic payments of interest on the Notes.

Payment at Maturity

We have designed the Notes for investors who want to protect their investment by receiving at least 100% of the principal amount of their Notes at maturity, while also having an opportunity to participate in [40.00 - 50.00]% of the potential increase in the value of the Basket against the U.S. dollar if the Final Basket Level is greater than the Initial Basket Level (i.e., if the value of the Basket appreciates against the U.S. dollar). At maturity, we will pay you the Cash Settlement Value, an amount in cash per Note, in U.S. dollars, that is based upon the Final Basket Level in relation to the Initial Basket Level. The Notes will allow you to participate in only [40.00 - 50.00]% of the potential appreciation in the Basket. The Notes will not allow you to participate in the full amount of any such appreciation. Because the Notes are principal protected if held to maturity, the Cash Settlement Value will equal the principal amount of Notes, plus the greater of

\$0.00, and

\$1,000 x [40.00-50.00]% x (Final Basket Level-1).

The Final Basket Level will be determined by the Calculation Agent and will equal the percentage change in the Basket on the Calculation Date, determined as follows:

$$\left(\frac{\text{JPY Final}}{\text{JPY Initial}} + \frac{\text{INR Final}}{\text{INR Initial}} + \frac{\text{KRW Final}}{\text{KRW Initial}} + \frac{\text{CNY Final}}{\text{CNY Initial}} + \frac{\text{SGD Final}}{\text{SGD Initial}} + \frac{\text{TWD Final}}{\text{TWD Initial}} \right)^{\frac{1}{6}}$$

JPY Initial is equal to the JPY exchange rate at approximately 10:00 am New York time on the Pricing Date divided by 100, expressed as number of U.S. dollars per 100 Japanese Yen (Bloomberg: JPYUSD <Currency>), as determined by the Calculation Agent.

JPY Final is equal to the JPY exchange rate at approximately 10:00 am New York time on the Calculation Date divided by 100, expressed as number of U.S. dollars per 100 Japanese Yen (Bloomberg: JPYUSD <Currency>), as determined by the Calculation Agent.

INR Initial is equal to the INR exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Indian Rupee (Bloomberg: INRUSD <Currency>), as determined by the Calculation Agent.

INR Final is equal to the INR exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Indian Rupee (Bloomberg: INRUSD <Currency>), as determined by the Calculation Agent.

KRW Initial is equal to the KRW exchange rate at approximately 10:00 am New York time on the Pricing Date divided by 100, expressed as number of U.S. dollars per 100 Korean Won (Bloomberg: KRWUSD <Currency>), as determined by the Calculation Agent.

KRW Final is equal to the KRW exchange rate at approximately 10:00 am New York time on the Calculation Date divided by 100, expressed as number of U.S. dollars per 100 Korean Won (Bloomberg: KRWUSD <Currency>), as determined by the Calculation Agent.

CNY Initial is equal to the CNY exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Chinese Yuan (Bloomberg: CNYUSD <Curncy>), as determined by the Calculation Agent.

CNY Final is equal to the CNY exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Chinese Yuan (Bloomberg: CNYUSD <Curncy>), as determined by the Calculation Agent.

SGD Initial is equal to the SGD exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one Singapore Dollar (Bloomberg: SGDUSD <Curncy>), as determined by the Calculation Agent.

SGD Final is equal to the SGD exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one Singapore Dollar (Bloomberg: SGDUSD <Curncy>), as determined by the Calculation Agent.

TWD Initial is equal to the TWD exchange rate at approximately 10:00 am New York time on the Pricing Date, expressed as number of U.S. dollars per one New Taiwan Dollar (Bloomberg: TWDUSD <Curncy>), as determined by the Calculation Agent.

TWD Final is equal to the TWD exchange rate at approximately 10:00 am New York time on the Calculation Date, expressed as number of U.S. dollars per one New Taiwan Dollar (Bloomberg: TWDUSD <Curncy>), as determined by the Calculation Agent.

The Basket is comprised of six Asian currencies: (1) the Japanese yen (JPY); (2) the Indian rupee (INR); (3) the Korean won (KRW); (4) the Chinese renminbi (yuan) (CNY); (5) the Singapore dollar (SGD); and (6) the New Taiwan dollar (TWD). (JPY, INR, KRW, CNY, SGD and TWD are each a Component and collectively the Basket .) The weighting of each Component is fixed at 1/6 or approximately 16.67% and will not change, unless any Component is modified during the term of the Notes.

The Basket Level equals:

$$\left(\frac{JPY_n}{JPY \text{ Initial}} + \frac{INR_n}{INR \text{ Initial}} + \frac{KRW_n}{KRW \text{ Initial}} + \frac{CNY_n}{CNY \text{ Initial}} + \frac{SGD_n}{SGD \text{ Initial}} + \frac{TWD_n}{TWD \text{ Initial}} \right) \frac{1}{6}$$

where, *n* is equal to the respective currency exchange rate at approximately 10:00 am New York time on the applicable Currency Business Day, as determined by reference to the applicable Bloomberg screen described in Final Basket Level above.

The Initial Basket Level equals 100.

The Pricing Date of the Notes is March [], 2006.

The Settlement Date of the Notes is March [], 2006.

The Calculation Date of the Notes is March [], 2007, or, if that day is not a Currency Business Day, the next Currency Business Day shall be the Calculation Date. If there is a Currency Disruption Event or a discontinuance of one or more Components or the Calculation Agent is unable to determine the Final Basket Level or a Successor Component for two consecutive Currency Business Days, the Final Basket Level shall be determined as described in Description of the Notes.

The Maturity Date of the Notes is March [], 2007.

A Currency Business Day will be a day, as determined by the Calculation Agent in its sole discretion, other than a Saturday or Sunday in the U.S., on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centers in each of the countries in which the currencies are the official currencies.

Illustrative Examples:

The following table demonstrating the hypothetical Cash Settlement Value of a Note is based on the assumptions outlined below. The table does not purport to be representative of every possible scenario concerning increases or decreases in the Basket. You should not construe this table as an indication or assurance of the expected performance of the Notes. Actual returns may be different. This table demonstrating the hypothetical Cash Settlement Value of a Note is based on the following assumptions:

- Investor purchases \$1,000 aggregate principal amount of Notes at the initial public offering price of \$1,000.
- Investor holds the Notes to maturity.
- The Initial Basket Level is equal to 100.00.
- The Notes allow you to participate in [45.00]% of the potential increase in the Basket Level against the U.S. dollar.
- All returns are based on a 18-month term; pre-tax basis.

No Market Disruption Events or Events of Default occur during the term of the Notes.

				Percentage Return
				per Note (45% of
				Percentage Change
Initial Basket Level	Hypothetical Basket Level	Percentage Change in the Basket	Cash Settlement Value per Note	in the Basket if positive)
100	160	60%	\$1,270	27%
100	150	50%	\$1,225	23%
100	140	40%	\$1,180	18%
100	130	30%	\$1,135	14%
100	120	20%	\$1,090	9%
100	110	10%	\$1,045	5%
100	100	0%	\$1,000	0%
100	90	-10%	\$1,000	0%
100	80	-20%	\$1,000	0%
100	70	-30%	\$1,000	0%
100	60	-40%	\$1,000	0%
100	50	-50%	\$1,000	0%
100	40	-60%	\$1,000	0%
100	30	-70%	\$1,000	0%
100	20	-80%	\$1,000	0%
100	10	-90%	\$1,000	0%
100	0	-100%	\$1,000	0%

Discontinuance of a Component

If the Calculation Agent, in its sole discretion, determines that a Component has been removed from circulation or otherwise discontinued and banks dealing in foreign exchange and foreign currency deposits in the Component have commenced trading a successor or substitute currency substantially similar to the Component that the Calculation Agent determines, in its sole discretion, to be comparable to the Component (the Successor Currency) (the number of U.S. dollars which can be exchanged for one unit of such Successor Currency on the relevant Calculation Date being referred to herein as the Successor Component), then the Final Basket Level will be determined by

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reference to the Successor Component at the time determined by the Calculation Agent on the markets for the Successor Currency on the Calculation Date.

If the Calculation Agent determines that any Successor Component shall be utilized for purposes of calculating the Final Basket Level, the Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at the Final Basket Level.

Upon any selection by the Calculation Agent of a Successor Component, the Calculation Agent will notify us and the Trustee, who will provide notice to you. If a Successor Component is selected by the Calculation Agent, the Successor Component will be used as a substitute for the Component for all purposes, including for purposes of calculating the Cash Settlement Value and determining whether a Market Disruption Event exists.

If the Calculation Agent, in its sole discretion, determines that (i) it is unable to determine the Final Basket Level or Successor Component for two consecutive Currency Business Days, or (ii) that a Component has been removed from circulation or otherwise discontinued and that no Successor Component is available at such time, the Calculation Agent will determine, in its sole discretion, the value of the Component to be used for the Final Basket Level. Notwithstanding the foregoing, if a Component has been removed from circulation or otherwise discontinued, and the Calculation Agent determines that no Successor Component is available at such time and no Successor Component is likely to become available, the Calculation Agent may, in its sole discretion, (i) at maturity, calculate the Final Basket Level without regard to that Component, or (ii) accelerate the Maturity Date for the Notes, calculate the Final Basket Level as specified above and calculate the Cash Settlement Value based upon such Final Basket Level.

Market Disruption Events

If there is a Market Disruption Event with respect to a Component on the date on which the Final Basket Level is to be determined, that Component will be determined on the basis of the first succeeding Currency Business Day on which there is no Market Disruption Event. In no event, however, will the date with respect to which that Component is determined be a date that is more than two Currency Business Days following the original date that, but for the Market Disruption Event, would have been utilized to determine the Final Basket Level. In that case, the second Currency Business Day will be deemed to be the Calculation Date, notwithstanding the Market Disruption Event, and the Calculation Agent will determine the Final Basket Level on that second Currency Business Day in accordance with the method of calculating the Final Basket Level in effect prior to the Market Disruption Event (that would have prevailed but for such suspension or limitation) as of that second Currency Business Day.

A Market Disruption Event means any of the following events, as determined by the Calculation Agent, in its sole discretion:

(a) the occurrence or existence of any condition or event (other than an event described in (b) below) which the Calculation Agent determines is material that, at any time, disrupts or impairs (as determined by the Calculation Agent in its sole discretion) the ability of market participants in general through legal channels to (A) convert a Component or any Successor Currency into U.S. dollars, (B) deliver U.S. dollars from accounts within the local jurisdiction for the Component or any Successor Currency, to accounts outside such jurisdiction, or (C) to deliver a Component or any Successor Currency between accounts within the local jurisdiction to a person that is a non-resident of such jurisdiction; or

(b) any other event, the Calculation Agent determines in its sole discretion, that materially interferes with our ability or our affiliates' ability to unwind all or a material portion of a hedge with respect to the Notes that we or our affiliates have effected or may effect.

Redemption; Defeasance

The Notes are not subject to redemption before maturity, and are not subject to the defeasance provisions described in the section Description of Debt Securities Defeasance in the accompanying prospectus.

Events of Default and Acceleration

If an Event of Default (as defined in the accompanying prospectus) with respect to any Notes has occurred and is continuing, then the amount payable to you, as a beneficial owner of a Note, upon any acceleration permitted by the Notes will be equal to the Cash Settlement Value as though the date of early repayment were the Maturity Date of the Notes, adjusted by an amount equal to any losses, expenses and costs to us of unwinding any underlying or related hedging or funding arrangements, all as determined by the Calculation Agent in its sole and absolute discretion. If a bankruptcy proceeding is commenced in respect of us, the claims of the holder of a Note may be limited under Title 11 of the United States Code.

Same-Day Settlement and Payment

Settlement for the Notes by Bear Stearns will be made in immediately available funds. Payments of the Cash Settlement Value will be made by us in immediately available funds, so long as the Notes are maintained in book-entry form.

Calculation Agent

Bear Stearns Forex Inc. will be the Calculation Agent for the Notes. All determinations made by Bear Stearns Forex Inc. as Calculation Agent will be at its sole discretion and will, in the absence of manifest error, be conclusive for all purposes and binding on you and us. Because we are the issuer of the Notes and our subsidiary is the Calculation Agent, potential conflicts of interest may exist between you and us, including with respect to certain determinations and judgments that Bear Stearns Forex Inc. must make in determining the Cash Settlement Value. Bear Stearns Forex Inc. is obligated to carry out its duties and functions as Calculation Agent in good faith and using its reasonable judgment.

DESCRIPTION OF THE BASKET

General

We obtained all information regarding the Components contained in this pricing supplement from publicly available information without independent verification. The consequences of a discontinuation of the Components are described below. We do not assume any responsibility for the accuracy or completeness of any information relating to the Components.

The currencies that will comprise the Basket are the Japanese yen (JPY), the Indian rupee (INR), the Korean won (KRW), the Chinese renminbi (yuan) (CNY), the Singapore dollar (SGD) and the New Taiwan dollar (TWD). The exchange rates used to determine the Initial Basket Level and Final Basket Level are foreign exchange spot prices that measure the relative values of the Components against the U.S. dollar expressed as the number of U.S. dollars which can be exchanged for one unit of the applicable Component. If the applicable Component depreciates against the U.S. dollar, the Exchange Rate decreases, because it takes fewer U.S. dollars to purchase one unit of the Component. If the value of the Component appreciates against the U.S. dollar, the price of the Component increases, because it takes more U.S. dollars to purchase one unit of the Component.

The weighting of each Component is fixed at 1/6 or approximately 16.67% and will not change, unless any Component is modified during the term of the Notes.

Historical Data on the Components

The tables below were constructed using historical data regarding the prices of the Components. The historical data is for illustrative purposes and is not indicative of the future performance of the Components or the future value of the Notes. While the prices of the Components will determine the value of the Basket, it is impossible to predict whether the value of the Basket will rise or fall during the term of the Notes. Trading prices of the Components will be influenced by both the complex and interrelated political, economic, financial and other factors that can affect the currency markets generally and the markets for the Components in particular. Any historical upward or downward trend in the value of the Components during any period set forth below is not an indication that the Components are

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more or less likely to increase or decrease at any time during the term of the Notes. All information in the tables that follow was obtained from Bloomberg, without independent verification.

The tables below set forth the highest and lowest daily levels during the applicable quarter, as well as the end-of-quarter closing levels of the Components for each quarter beginning with January 1, 2001 (expressed as the number of U.S. dollars which can be exchanged for one unit of the respective Component).

Japanese yen.

	High	Low	Period End
2001			
First Quarter	0.88063	0.79133	0.79164
Second Quarter	0.84531	0.78815	0.80205
Third Quarter	0.86330	0.79290	0.83644
Fourth Quarter	0.83784	0.75723	0.75953
2002			
First Quarter	0.79051	0.73190	0.75344
Second Quarter	0.84449	0.74716	0.83633
Third Quarter	0.86546	0.80502	0.82146
Fourth Quarter	0.84520	0.79567	0.84160
2003			
First Quarter	0.85930	0.82050	0.84655
Second Quarter	0.86885	0.82560	0.83480
Third Quarter	0.90795	0.82870	0.89680
Fourth Quarter	0.93560	0.89620	0.93265
2004			
First Quarter	0.96315	0.89065	0.95905
Second Quarter	0.96600	0.87055	0.91940
Third Quarter	0.92940	0.88905	0.90868
Fourth Quarter	0.98140	0.89726	0.97442
2005			
First Quarter	0.98328	0.92863	0.93332
Second Quarter	0.95951	0.90102	0.90151
Third Quarter	0.91908	0.87959	0.88121
Fourth Quarter	0.88464	0.82379	0.84937
2006			
First Quarter (through March [], 2006)			

Indian rupee.

	High	Low	Period End
2001			
First Quarter	0.02158	0.01639	0.02145
Second Quarter	0.02173	0.02046	0.02126
Third Quarter	0.02128	0.01749	0.02089
Fourth Quarter	0.02106	0.02067	0.02072
2002			
First Quarter	0.02455	0.01546	0.02049
Second Quarter	0.02130	0.02000	0.02045
Third Quarter	0.02233	0.01903	0.02067
Fourth Quarter	0.02632	0.02024	0.02090

	High	Low	Period End
2003			
First Quarter	0.02130	0.02020	0.02105
Second Quarter	0.02155	0.00000	0.02110
Third Quarter	0.02260	0.00000	0.02185
Fourth Quarter	0.02210	0.02160	0.02190
2004			
First Quarter	0.02270	0.02190	0.02300
Second Quarter	0.02300	0.02160	0.02175
Third Quarter	0.02230	0.02150	0.02175
Fourth Quarter	0.02302	0.02166	0.02300
2005			
First Quarter	0.02309	0.02196	0.02285
Second Quarter	0.02311	0.02280	0.02297
Third Quarter	0.02316	0.02266	0.02272
Fourth Quarter	0.02270	0.02157	0.02220
2006			
First Quarter (through March [], 2006)			

Korean won.

	High	Low	Period End
2001			