

MORGAN STANLEY
Form 424B2
March 28, 2019

CALCULATION OF REGISTRATION FEE

<i>Title of Each Class of Securities Offered</i>	<i>Maximum Aggregate Offering Price</i>	<i>Amount of Registration Fee</i>
Jump Notes with Auto-Callable Feature due 2026	\$250,000	\$30.30

March 2019

Pricing Supplement No. 1,656

Registration Statement Nos. 333-221595; 333-221595-01

Dated March 26, 2019

Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

Structured Investments

Opportunities in Equities, Bonds and Alternative Investments

Jump Notes with Auto-Callable Feature due March 31, 2026

Based on the Value of the Morgan Stanley MAP Trend Index

Fully and Unconditionally Guaranteed by Morgan Stanley

The notes are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The notes will pay no interest and will have the terms described in the accompanying product supplement and prospectus, as supplemented and modified by this document. The notes will be automatically redeemed if the index closing value on any annual determination date is greater than or equal to the then-applicable redemption threshold level (which will increase over the term of the notes), for an early redemption payment that will increase over the term of the notes and that will correspond to a return of approximately 9.15% *per annum*, as described below. No further payments will be made on the notes once they have been redeemed, and the investor will not participate in any appreciation of the underlying index if the notes are redeemed early. At maturity, if the notes have not previously been redeemed and the final index value is greater than the initial index value, investors will receive the state principal amount *plus* 1-to-1 upside performance of the underlying index. However, if the notes are not automatically redeemed prior to maturity and the final index value is less than or equal to the initial index value, investors will receive only the stated principal amount of their investment, without any positive return on the notes.

The Morgan Stanley MAP Trend Index (the “underlying index”) was established by Morgan Stanley on March 7, 2017 and employs a rules-based quantitative strategy (the “Index Methodology”) that combines a risk-weighted approach to portfolio construction with a momentum-based, or trend-following, asset allocation methodology to construct a notional portfolio. In addition, the strategy imposes an overall volatility-targeting feature upon the resulting portfolio. The goal of the underlying index is to seek positive return opportunities in different market environments based upon recent trends in the underlying assets. The investment assumption underlying the allocation strategy is two-fold: that historical volatility of the underlying assets can be used to risk-weight a portfolio, and that past trends are likely to continue to be a good indicator of the future performance of that portfolio

The components of the underlying index consist of (i) 20 U.S.-listed exchange traded funds (“ETFs”), representing U.S. and non-U.S. equities, fixed income securities, commodities and real estate, and (ii) the Morgan Stanley Two Year Treasury Index (collectively, the “Index Components”). The notional portfolio constructed by the Index Methodology of Index Components is referred to as the “Asset Portfolio.” The Asset Portfolio will consist of long-only positions in each Index Component, and each Index Component except for the Morgan Stanley Two Year Treasury Index is subject to a maximum exposure cap. The targeted volatility for the underlying index is 5% (the “Volatility Target”).

The underlying index is rebalanced each Strategy Business Day (the “Daily Rebalancing”). Upon each Daily Rebalancing for the underlying index, the Index Methodology uses the pre-assigned Risk Budget assigned to each ETF (as set forth under “Annex A – Morgan Stanley MAP Trend Index – Index Components”) and the volatility for each ETF to make initial base allocations. The Index Methodology then calculates a signal based on the upward or downward trend of each ETF (the “Trend Signal”). The index calculates each Trend Signal by observing two moving averages, one short-term and one long-term, over different look-back periods for each respective ETF. A Trend Signal that converges toward one indicates an upward trend and a Trend Signal that converges toward zero indicates a downward trend. Once the Trend Signal is calculated for each ETF, the previously determined base allocations are scaled by the Trend Signal by allocating more upward-trending securities to the Asset Portfolio. The magnitude of each position taken by the underlying index following the Trend Signal adjustment is then scaled to the Volatility Target based on a pro-rata volatility-scaling that seeks to achieve a balanced level of volatility in the underlying index’s exposure to each of the ETFs.

The underlying index is calculated on an excess return basis, and therefore the level reflects the weighted return of the Asset Portfolio reduced by the return on an equivalent cash investment receiving the 3-month LIBOR. The underlying index performance is further reduced by a servicing cost of 0.85% per annum calculated on a daily basis. For more information, see “Annex A—Morgan Stanley MAP Trend Index” beginning on page 28 and the “Risk Factors” beginning on page 9.

These long-dated notes are for investors who are concerned about principal risk but seek exposure to a multiple asset-linked index, who are willing to accept that the underlying index’s Volatility Target feature may reduce upside performance in bullish markets, and who are willing to forgo current income in exchange for the possibility of receiving an early redemption payment or payment at maturity greater than the stated principal amount if the underlying index closes at or above the applicable redemption threshold level or above the initial index value, as applicable, on an annual determination date. The notes are notes issued as part of MSFL’s Series A Global Medium-Term Notes program.

All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These notes are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

FINAL TERMS

Issuer: Morgan Stanley Finance LLC
Guarantor: Morgan Stanley
Issue price:

Stated principal amount: \$1,000 per note (see “Commissions and issue price” below)
Aggregate principal amount: \$1,000 per note
Pricing date: \$250,000
 March 26, 2019
Original issue date: March 29, 2019 (3 business days after the pricing date)
Maturity date: March 31, 2026
Interest: None
Underlying index: Morgan Stanley MAP Trend Index
 If, on any annual determination date (other than the final determination date), the index closing value of the underlying index is **greater than or equal to** the then-applicable redemption threshold level, the notes will be automatically redeemed for the applicable early redemption payment on the related early redemption date. No further payments will be made on the notes once they have been redeemed.
Early redemption: The early redemption payment will be an amount in cash per stated principal amount (corresponding to a return of approximately 9.15% per annum) for each annual determination date, as follows:
Early redemption payment: 1st determination date:
 \$1,091.50
 2nd determination date: 5th determination date:
 \$1,183.00 \$1,457.50
 3rd determination date: 6th determination date:
 \$1,274.50 \$1,549.00
 4th determination date:
 \$1,366.00
 No further payments will be made on the notes once they have been redeemed.
Redemption threshold levels: 1st determination date: 102.50% of the initial index value
 2nd determination date: 105.00% of the initial index value
 3rd determination date: 107.50% of the initial index value
 4th determination date: 110.00% of the initial index value
 5th determination date: 112.50% of the initial index value

6th determination date: 115.00% of the initial index value

If the notes have not previously been redeemed, you will receive at maturity a cash payment as follows:

· If the final index value is **greater than** the initial index value:

Payment at maturity:

$\$1,000 + (\$1,000 \times \text{index percent change})$

· If the final index value is **less than or equal to** the initial index value:

\$1,000

Estimated value on the pricing date: \$954.90 per note. See “Investment Summary” beginning on page 3.

	Agent’s		
Commissions and issue price:	Price to public	commissions	Proceeds to us⁽²⁾
	and fees⁽¹⁾		
Per note	\$1,000	\$41.75	\$958.25
Total	\$250,000	\$10,437.50	\$239,562.50

Selected dealers and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of \$41.75 for each note they sell. See “Supplemental information regarding plan of distribution; (1) conflicts of interest.” For additional information, see “Plan of Distribution (Conflicts of Interest)” in the accompanying product supplement.

(2) See “Use of proceeds and hedging” on page 25.

The notes involve risks not associated with an investment in ordinary debt securities. See “Risk Factors” beginning on page 9.

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

The notes are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related product supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see “Additional Terms of the Notes” and Additional Information About the Notes” at the end of this document.

As used in this document, “we,” “us” and “our” refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

Product Supplement for Equity-Linked Notes dated November 16, 2017 Prospectus dated November 16, 2017

Morgan Stanley Finance LLC

Jump Notes with Auto-Callable Feature due March 31, 2026

Based on the Value of the Morgan Stanley MAP Trend Index

Terms continued from previous page:

Index percent change: (final index value – initial index value) / initial index value

Initial index value: 220.38, which is the index closing value on the pricing date

Final index value: The index closing value on the final determination date
1st determination date: March 27, 2020

2nd determination date: March 26, 2021

3rd determination date: March 28, 2022

Determination dates: 4th determination date: March 27, 2023

5th determination date: March 26, 2024

6th determination date: March 26, 2025

Final determination date: March 26, 2026

The determination dates are subject to postponement for non-index business days and certain market disruption events.

Early redemption dates: The third business day following the relevant determination date

CUSIP: 61768DV36

ISIN: US61768DV362

Listing: The notes will not be listed on any securities exchange.

Agent: Morgan Stanley & Co. LLC (“MS & Co.”), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See “Supplemental information regarding plan of distribution; conflicts of interest.”

Morgan Stanley Finance LLC

Jump Notes with Auto-Callable Feature due March 31, 2026

Based on the Value of the Morgan Stanley MAP Trend Index

Investment Summary

Jump Notes with Auto-Callable Feature

The Jump Notes with Auto-Callable Feature due March 31, 2026 Based on the Value of the Morgan Stanley MAP Trend Index (the “notes”) provide investors:

an opportunity to gain exposure to the Morgan Stanley MAP Trend Index

the repayment of principal at maturity, subject to our credit risk

the possibility of receiving an early redemption payment or payment at maturity greater than the stated principal amount if the underlying index closes at or above the applicable redemption threshold level or above the initial index value, as applicable, on an annual determination date

no exposure to any decline of the underlying index if the notes are held to maturity

At maturity, if the notes have not previously been redeemed and the underlying index has depreciated or has not appreciated at all, you will receive the stated principal amount of \$1,000 per note, without any positive return on your investment.

All payments on the notes, including any early redemption payment and the repayment of principal at maturity, are subject to our credit risk.

Maturity: Approximately 7 years

Interest: None

Automatic early redemption annually, beginning after one year: If, on any annual determination date, the index closing value of the underlying index is greater than or equal to the applicable

redemption threshold level, the notes will be automatically redeemed for the early redemption payment on the related early redemption date. No further payments will be made on the notes once they have been redeemed.

· 1st determination date: March 27, 2020

· 2nd determination date: March 26, 2021

· 3rd determination date: March 28, 2022

· 4th determination date: March 27, 2023

· 5th determination date: March 26, 2024

· 6th determination date: March 26, 2025

Final determination date: March 26, 2026

· 1st determination date: 102.50% of the initial index value

· 2nd determination date: 105.00% of the initial index value

· 3rd determination date: 107.50% of the initial index value

· 4th determination date: 110.00% of the initial index value

· 5th determination date: 112.50% of the initial index value

· 6th determination date: 115.00% of the initial index value

Redemption threshold levels:

Early redemption payment:

The early redemption payment will be an amount in cash per stated principal amount (corresponding to a return of approximately 9.15% *per annum*) for each annual determination date, as follows:

- 1st determination date: \$1,091.50
- 2nd determination date: \$1,183.00
- 3rd determination date: \$1,274.50
- 4th determination date: \$1,366.00
- 5th determination date: \$1,457.50
- 6th determination date: \$1,549.00

If the notes have not previously been redeemed, you will receive at maturity a cash payment as follows:

Payment at maturity:

- If the final index value is **greater than** the initial index value:

$\$1,000 + (\$1,000 \times \text{index percent change})$

Morgan Stanley Finance LLC

Jump Notes with Auto-Callable Feature due March 31, 2026

Based on the Value of the Morgan Stanley MAP Trend Index

- If the final index value is **less than or equal to** the initial index value:

\$1,000

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Morgan Stanley Finance LLC

Jump Notes with Auto-Callable Feature due March 31, 2026

Based on the Value of the Morgan Stanley MAP Trend Index

The Morgan Stanley MAP Trend Index

The Morgan Stanley MAP Trend Index has been developed by and is calculated, published and maintained by Morgan Stanley & Co. LLC. MAP stands for “Multi-Asset Portfolio.” The underlying index employs a rules-based quantitative strategy that combines a risk-weighted approach to portfolio construction with a momentum-based, or trend-following, asset allocation methodology to construct a notional portfolio. In addition, the strategy imposes an overall volatility-targeting feature upon the resulting portfolio.

The goal of the underlying index is to maximize returns for a given level of risk based upon recent trends in the underlying assets. The investment assumption underlying the allocation strategy is two-fold: that historical volatility of the underlying assets can be used to risk-weight a portfolio, and that past trends are likely to continue to be a good indicator of the future performance of that portfolio.

The components of the underlying index consist of (i) 20 U.S.-listed exchange traded funds (“ETFs”), representing U.S. and non-U.S. equities, fixed income securities, commodities and real estate, and (ii) the Morgan Stanley Two Year Treasury Index. The notional portfolio constructed by the Index Methodology of Index Components is referred to as the Asset Portfolio. The Asset Portfolio will consist of long-only positions in each Index Component, and each Index Component except for the Morgan Stanley Two Year Treasury Index is subject to a maximum exposure cap. The targeted volatility for the Index is 5%.

The underlying index is calculated on an excess return basis, and therefore the level is determined by the weighted return of the Asset Portfolio reduced by the return on an equivalent cash investment receiving the 3-month LIBOR. The underlying index performance is further reduced by a servicing cost of 0.85% per annum calculated on a daily basis.

The underlying index is rebalanced each Strategy Business Day. Upon each Daily Rebalancing for the underlying index, the Index Methodology uses the pre-assigned Risk Budget assigned to each ETF and the volatility for each ETF to make initial base allocations. The Index Methodology then calculates a signal based on the upward or downward trend of each ETF. The underlying index calculates each Trend Signal by observing two moving averages, one short-term and one long-term, over different look-back periods for each respective ETF. A Trend Signal that converges toward one indicates an upward trend and a Trend Signal that converges toward zero indicates a downward trend. Once the Trend Signal is calculated for each ETF, the previously determined base allocations are scaled by the Trend Signal by allocating more upward-trending securities to the Asset Portfolio. The magnitude of each position taken by the underlying index following the Trend Signal adjustment is then scaled to the Volatility Target based on a pro-rata volatility-scaling that seeks to achieve a balanced level of volatility in the underlying index’s exposure to each

of the ETFs. Once the composition of the Asset Portfolio is determined, the index value is equivalent to the sum of each Index Component's market price less the 3-month LIBOR excess return cost and the 0.85% per annum servicing cost.

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Based on the Value of the Morgan Stanley MAP Trend Index

The original issue price of each note is \$1,000. This price includes costs associated with issuing, selling, structuring and hedging the notes, which are borne by you, and, consequently, the estimated value of the notes on the pricing date is less than \$1,000. We estimate that the value of each note on the pricing date is \$954.90.

What goes into the estimated value on the pricing date?

In valuing the notes on the pricing date, we take into account that the notes comprise both a debt component and a performance-based component linked to the underlying index. The estimated value of the notes is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying index, instruments based on the underlying index, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

What determines the economic terms of the notes?

In determining the economic terms of the notes, including the early redemption payment amounts and the applicable redemption threshold levels, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the notes would be more favorable to you.

What is the relationship between the estimated value on the pricing date and the secondary market price of the notes?

The price at which MS & Co. purchases the notes in the secondary market, absent changes in market conditions, including those related to the underlying index, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the notes are not fully deducted upon issuance, for a period of up to 12 months following the issue date, to the extent that MS & Co. may buy or sell the notes in the secondary market, absent changes in market conditions, including those related to the underlying index, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the notes, and, if it once chooses to make a market, may cease doing so at any time.

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Based on the Value of the Morgan Stanley MAP Trend Index

Key Investment Rationale

Jump Notes with Auto-Callable Feature offer investors potential returns based on the performance of the underlying index and provide for the repayment of principal at maturity. They are for investors who are concerned about principal risk but seek exposure to a multiple asset-linked index, who are willing to accept that the underlying index's volatility target feature may reduce upside performance in bullish markets, and who are willing to forgo current income in exchange for the possibility of receiving an early redemption payment or payment at maturity greater than the stated principal amount if the underlying index closes at or above the applicable redemption threshold level or above the initial index value, as applicable, on an annual determination date.

The following scenarios are for illustrative purposes only to demonstrate how an automatic early redemption payment or the payment at maturity (if the notes have not previously been redeemed) are calculated, and do not attempt to demonstrate every situation that may occur.

Scenario 1: The notes are redeemed prior to maturity

Starting on March 27, 2020, when the underlying index closes at or above the applicable redemption threshold level on any annual determination date, the notes will be automatically redeemed for the applicable early redemption payment on the related early redemption date, corresponding to a return of approximately 9.15% *per annum*. Investors do not participate in any appreciation of the underlying index.

Scenario 2: The notes are not redeemed prior to maturity, and investors receive a positive return at maturity

This scenario assumes that the underlying index closes below the applicable redemption threshold level on each annual determination date. Consequently, the notes are not redeemed prior to maturity. On the final determination date, the underlying index closes above the initial index value. At maturity, investors will receive the state principal amount *plus* 1-to-1 upside performance of the underlying index.

Scenario 3: The notes are not redeemed prior to maturity, and investors receive the stated principal amount at maturity

This scenario assumes that the underlying index closes below the applicable redemption threshold level on each annual determination date. Consequently, the notes are not redeemed prior to maturity. On the final determination date, the underlying index closes at or below the initial index value. At maturity, investors will receive a cash payment equal to the stated principal amount of \$1,000, without any positive return on the notes.

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Hypothetical Examples

The following hypothetical examples are for illustrative purposes only. Whether the notes are redeemed prior to maturity will be determined by reference to the index closing value of the underlying index on each annual determination date, and the payment at maturity, if the notes are not redeemed early, will be determined by reference to the index closing value on the final determination date. The actual initial index value and redemption threshold levels are set forth on the cover of this document. Some numbers appearing in the examples below have been rounded for ease of analysis. All payments on the notes are subject to our credit risk. The below examples are based on the following terms:

Stated Principal Amount: \$1,000

Hypothetical Initial Index Value: 200

1st determination date: 205, which is 102.50% of the hypothetical initial index value

2nd determination date: 210, which is 105.00% of the hypothetical initial index value

Hypothetical Redemption Threshold Levels:

3rd determination date: 215, which is 107.50% of the hypothetical initial index value

4th determination date: 220, which is 110.00% of the hypothetical initial index value

5th determination date: 225, which is 112.50% of the hypothetical initial index value

6th determination date: 230, which is 115.00% of the hypothetical initial index value

Early Redemption Payment: The early redemption payment will be an amount in cash per stated principal amount (corresponding to a return of approximately 9.15% *per annum*) for each annual determination date, as follows:

· 1st determination date: \$1,091.50

· 2nd determination date: \$1,183.00

· 3rd determination date: \$1,274.50

· 4th determination date: \$1,366.00

· 5th determination date: \$1,457.50

- 6th determination date: \$1,549.00

No further payments will be made on the notes once they have been redeemed.

If the notes have not previously been redeemed, you will receive at maturity a cash payment as follows:

- If the final index value is **greater than** the initial index value:

Payment at Maturity: $\$1,000 + (\$1,000 \times \text{index percent change})$

- If the final index value is **less than or equal to** the initial index value:

\$1,000

Automatic Call:

Example 1 — the notes are redeemed following the second determination date (which occurs in March 2021)

Date	Index Closing Value	Payment (per note)
1 st Determination Date	200 (below the applicable redemption threshold level, notes are not redeemed)	--
2 nd Determination Date	280 (at or above the applicable redemption threshold level, notes are automatically redeemed)	\$1,183.00

In this example, the index closing value on the first determination date is below the applicable redemption threshold level, and the index closing value on the second determination date is at or above the applicable redemption threshold level. Therefore the notes are automatically redeemed on the second early redemption date. Investors will receive \$1,183.00 per note on the related early redemption date, corresponding to an annual return of approximately 9.15%. No further payments will be made on the notes once they have been redeemed, and investors do not participate in the appreciation of the underlying index.

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Payment at Maturity

In the following examples, the index closing value on each annual determination date is less than the applicable redemption threshold level, and, consequently, the notes are not automatically redeemed prior to, and remain outstanding until, maturity.

Example 1 — the final index value is above the initial index value

Date	Index Closing Value	Payment (per note)
1 st Determination Date	190 (below the applicable redemption threshold level, notes are not redeemed)	--
2 nd Determination Date	200 (below the applicable redemption threshold level, notes are not redeemed)	--
3 rd Determination Date	195 (below the applicable redemption threshold level, notes are not redeemed)	--
4 th Determination Date	201 (below the applicable redemption threshold level, notes are not redeemed)	--
5 th Determination Date	200 (below the applicable redemption threshold level, notes are not redeemed)	--
6 th Determination Date	202 (below the applicable redemption threshold level, notes are not redeemed)	--
		= \$1,000 + (\$1,000 x index percent change)
Final Determination Date	220 (above the initial index value)	= \$1,000 + \$100 = \$1,100
		Payment at maturity = \$1,100

In this example, the index closing value is below the applicable redemption threshold level on each of the determination dates before the final determination date, and therefore the notes are not redeemed prior to maturity. On the final determination date, the underlying index has appreciated 10% from the hypothetical initial index value. At maturity, investors receive the stated principal amount *plus* the product of the stated principal amount *times* the index

percent change. Because the underlying index has appreciated 10% from the hypothetical index value, the payment at maturity is \$1,100 per note.

Example 2 — the final index value is at or below the initial index value

Date	Index Closing Value	Payment (per note)
1 st Determination Date	190 (below the applicable redemption threshold level, notes are not redeemed)	--
2 nd Determination Date	200 (below the applicable redemption threshold level, notes are not redeemed)	--
3 rd Determination Date	195 (below the applicable redemption threshold level, notes are not redeemed)	--
4 th Determination Date	201 (below the applicable redemption threshold level, notes are not redeemed)	--
5 th Determination Date	200 (below the applicable redemption threshold level, notes are not redeemed)	--
6 th Determination Date	202 (below the applicable redemption threshold level, notes are not redeemed)	--
Final Determination Date	180 (at or below the initial index value)	Payment at maturity = \$1,000

In this example, the index closing value is below the applicable redemption threshold level on each of the determination dates before the final determination date, and therefore the notes are not redeemed prior to maturity. On the final determination date, the final index value is at or below the initial index value, and accordingly, investors receive a payment at maturity equal to the stated principal amount of \$1,000 per note, without any positive return on the notes.

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Risk Factors

The following is a non-exhaustive list of certain key risk factors for investors in the notes. For further discussion of these and other risks you should read the section entitled "Risk Factors" in the accompanying product supplement and the accompanying prospectus. You should also consult with your investment, legal, tax, accounting and other advisers in connection with your investment in the notes.

The notes do not pay interest and may not pay more than the stated principal amount at maturity. If the notes are not redeemed prior to maturity and the index percent change is less than or equal to 0%, you will receive only the stated principal amount of \$1,000 for each note you hold at maturity. As the notes do not pay any interest, if the notes have not been automatically redeemed prior to maturity and the underlying index does not appreciate sufficiently over the term of the notes, the overall return on the notes (the effective yield to maturity) may be less than the amount that would be paid on a conventional debt security of ours of comparable maturity. The notes have been designed for investors who are willing to forgo market floating interest rates in exchange for the possibility of receiving an early redemption payment or payment at maturity greater than the stated principal amount, based on the performance of the underlying index.

If the notes are automatically redeemed prior to maturity, the appreciation potential of the notes is limited by the fixed early redemption payment specified for each of the first six annual determination dates. If the notes are automatically redeemed following any annual determination date, the appreciation potential of the notes is limited to the fixed early redemption payment specified for each such determination date. No further payments will be made on the notes once they have been redeemed, and you will not participate in any appreciation of the underlying index if the notes are redeemed early.

The automatic early redemption feature may limit the term of your investment to as short as approximately one year. If the notes are redeemed early, you may not be able to reinvest at comparable terms or returns. The term of your investment in the notes may be limited to as short as approximately one year by the automatic early redemption feature of the notes. If the notes are redeemed prior to maturity, you may be forced to invest in a lower interest rate environment and may not be able to reinvest at comparable terms or returns.

The redemption threshold level increases progressively over the term of the notes. The notes will be redeemed only if the index closing value of the underlying index increases from the initial index value to be greater than or equal to the then-applicable redemption threshold level on one of the first six annual determination dates. Even if the value of the underlying index appreciates over the term of the notes, it may not appreciate sufficiently for the notes to be redeemed early (including because the redemption threshold level increases progressively over the term of the notes).

The market price of the notes will be influenced by many unpredictable factors. Several factors will influence the value of the notes in the secondary market and the price at which MS & Co. may be willing to purchase or sell the notes in the secondary market, including the value of the underlying index at any time, the volatility (frequency and magnitude of changes in value) of the underlying index, dividend rate on the exchange traded funds (“ETFs”) underlying the index, interest and yield rates in the market, time remaining until the notes mature, geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying index or equities markets generally and which may affect the final index value of the underlying index and any actual or anticipated changes in our credit ratings or credit spreads. Generally, the longer the time remaining to maturity, the more the market price of the notes will be affected by the other factors described above. The value of the underlying index may be, and has recently been, volatile, and we can give you no assurance that the volatility will lessen. See “Hypothetical Retrospective and Historical Information” below. You may receive less, and possibly significantly less, than the stated principal amount per note if you try to sell your notes prior to maturity.

The notes are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the notes. You are dependent on our ability to pay all amounts due on the notes at maturity and therefore you are subject to our credit risk. The notes are not guaranteed by any other entity. If we default on our obligations under the notes, your investment would be at risk

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and you could lose some or all of your investment. As a result, the market value of the notes prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the notes.

As a finance subsidiary, MSFL has no independent operations and will have no independent assets. As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank *n* *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

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There are risks associated with the underlying index.

The level of the underlying index can go down as well as up. There can be no assurance that the underlying index will achieve positive returns. The underlying index tracks the performance of a rules-based investment methodology that selects a hypothetical portfolio of Underlying Assets to track. The performance of the underlying index will depend on the performance of that hypothetical portfolio *minus* the sum of the 3-month LIBOR and a servicing cost of 0.85% per annum. If the hypothetical portfolio declines in value, the index value will also decline. Even if the hypothetical portfolio increases in value, the index value will nevertheless decline if the increase in the value of the portfolio is not sufficient to overcome the deduction of the 3-month LIBOR and the servicing cost of 0.85% per annum. Accordingly, no assurance can be given that the underlying index will be successful or outperform any alternative strategy that might be employed in respect of the Index Components.

The base allocation of ETFs in the Asset Portfolio is determined in reference to each ETF's Risk Budget and volatility. The base allocation of each ETF in the Asset Portfolio is determined in proportion to its pre-set Risk Budget. The Risk Budget was set by the Strategy Sponsor, does not change during the life of the underlying index and there is no guarantee that the Risk Budget allocated to each ETF is the optimal allocation. A higher or lower Risk Budget could result in increased investment in an ETF that performs poorly or insufficient investment in an ETF that performs well over the life of the underlying index. The base allocations of each ETF in the Asset Portfolio are then scaled relative to the other ETFs in the Asset Portfolio according to their volatility. The base allocation of each ETF can be higher or lower than its Risk Budget (However, after the entirety of the underlying index calculation is complete, no ETF's exposure will exceed its maximum exposure cap.) Volatility calculations based on historical volatility presume that historical volatility is an accurate indication of current volatility. However, there is a time lag associated with the volatility calculation. There is no guarantee that the volatility in the preceding period is representative of the current volatility of the ETFs. Because the underlying index calculates realized volatility over

approximately a one-year period, it may be some period of time before a recent increase in the volatility of the ETFs is sufficiently reflected in the calculation of realized volatility to cause a compensating change to the base allocation in the Asset Portfolio. Moreover, there is no guarantee that the one year look-back period for volatility utilized by the underlying index produces the most accurate measure of current volatility. Accordingly, no assurance can be given that each ETF's Risk Budget and calculated volatility will result in the optimal base allocation.

There are risks associated with the underlying index's momentum investment strategy. The underlying index is constructed using what is generally known as a momentum-based investment strategy. Momentum-based investing generally seeks to capitalize on positive trends in the prices of assets. As such, the composition of the underlying index is based on the historical performance of the ETFs over both long-term and short-term periods. However, there is no guarantee that trends existing in the preceding periods will continue in the future. A momentum-based strategy is different from a

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strategy that seeks long-term exposure to a notional portfolio consisting of constant components with fixed weights. The underlying index may fail to realize gains that could occur as a result of holding assets that have experienced price declines, but after which experience a sudden price spike. As a result, if market conditions do not represent a continuation of prior observed trends, the level of the underlying index, which is rebalanced based on prior trends, may decline. Additionally, even when the values of the ETFs tracked by the underlying index are trending downwards, the underlying index will continue to be composed of those ETFs until the next rebalancing. Furthermore, the equity and alternative asset classes of ETFs in the underlying index seek to capitalize on potential counter-trends in the short term. This could potentially result in a failure to maximize return on an ETF in the equity or alternative asset classes that consistently trends upward over the life of the underlying index. In this scenario, while the Trend Signal will be 0.5 because the spot horizon is always above the long-term horizon, it will never result in a Trend Signal of 1 because the short-term horizon value from 1 Strategy Business Day prior will consistently exceed the spot horizon value from 5 Strategy Business Days prior. This will result in substantially lower returns than if one were to hold an interest in the underlying ETF itself. Alternatively, this strategy could result in over-exposure to a steadily declining ETF. The Trend Signal in these asset classes will remain at 1 and the underlying index will remain fully exposed to an ETF's decline until the ETF begins trending up and the short-term horizon exceeds the spot horizon or continues declining such that the spot horizon is below the long-term horizon. Even if the spot horizon falls below the long-term horizon, the Trend Signal will be 0.5 and the underlying index will not fully divest its position until the spot horizon of the ETF is down compared to both the long-term horizon and the short-term horizon. No assurance can be given that the investment strategy used to construct the underlying index will outperform any alternative index that might be constructed from the Index Components.

Low volatility in the underlying index is not synonymous with low risk in an investment linked to the underlying index. For example, even if the volatility of the underlying index were to be in line with the Volatility Target, the index level may decrease over time, which may result in a zero return on the notes.

While the underlying index has a Volatility Target of 5%, there can be no guarantee, even if the Asset Portfolio is rebalanced daily, that the realized volatility of the underlying index will not be less than or greater than 5%. In fact, the historical volatility of the underlying index, based on simulated returns, has generally been between 4% and 6%. Although the underlying index aims to ensure that its realized volatility does not exceed 5%, there is no guarantee that it will successfully do so. There is a time lag associated with the underlying index's volatility control adjustments. Because realized volatility is measured over either approximately the prior month or two months for purposes of the volatility control feature, it may be some period of time before a recent increase in the volatility of the index ETFs is sufficiently reflected in the calculation of realized volatility to cause a compensating reallocation in the Asset Portfolio. During the intervening period, if the increased volatility is associated with a significant decline in the value of the index ETFs, the underlying index may in turn experience a significant decline without the reduction in exposure to the Index ETFs that the volatility control feature is intended to trigger. Moreover, the index ETFs during the earlier part of the relevant volatility period may be different than the current index ETFs, and if the earlier index ETFs were significantly less volatile than the current index ETFs, the underlying index may be slow to adjust to significant volatility in the current index ETFs. Furthermore, the fact that the underlying index applies a 5% volatility constraint in the selection of the Asset Portfolio is no assurance that the resulting selected portfolio will not experience volatility that is significantly greater than 5% in the future. An Asset Portfolio may experience greater volatility in the future because future market conditions may differ from past

market conditions.

There can be no assurance that the actual volatility of the underlying index will be lower than the volatility of any or all of the Index Components. The underlying index's exposure to each Index Component is adjusted through a volatility-scaling mechanism that seeks to target a volatility of 5% for the underlying index. However, as the volatility-scaling mechanism looks to trends that have occurred in the past to then make adjustments to future positions, it is unlikely that the underlying index will

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achieve the target volatility in any Index Component for any given period of time. The actual volatility achieved by the underlying index overall, as well as the volatility achieved for each Index Component, will likely differ – perhaps significantly – from the Volatility Target.

The volatility target feature of the underlying index may dampen its performance in bullish markets. The underlying index is designed to achieve a Volatility Target of 5% regardless of the direction of price movements in the market. Therefore, in bullish markets, if the realized volatility is higher than the Volatility Target, the adjustments to the Asset Portfolio of the underlying index through Daily Rebalancing might dampen the performance of the underlying index. The selection of the Index Components, as well as the Volatility Target feature, may cause the underlying index to underperform one or more of the Index Components.

The value of the underlying index and any instrument linked to the underlying index may increase or decrease due to a number of factors, many of which are beyond our control. The nature and weighting of the ETFs can vary significantly, and no assurance can be given as to the allocation of any ETF at any time.

The future performance of the underlying index may bear little or no relation to the historical or hypothetical retrospective performance of the underlying index. Among other things, the trading prices of the ETFs and the dividends paid on the ETFs will impact the level and the volatility of the underlying index. It is impossible to predict whether the level of the underlying index will rise or fall. The fact that a given allocation among the Asset Portfolio performed well over any look-back period does not mean that such allocation will continue to perform well in the future. Future market conditions may differ from past market conditions, and the conditions that may have caused the favorable historical performance may no longer exist. Furthermore, by continually seeking to track the Asset Portfolio that would have been the best-performing portfolio (subject to constraints) over a look-back period, the underlying index may perpetually be too late, and it may perpetually “buy high.” By the time the underlying index hypothetically invests in a portfolio of ETFs, the ETFs in that portfolio may already have experienced significant appreciation. The underlying index may therefore perpetually make hypothetical investments in portfolios when they are expensive, which may lead to poor returns.

The underlying index is particularly susceptible to “choppy” markets. Past performance is particularly likely to be a poor indicator of future performance in “choppy” markets, which are characterized by short-term volatility and the absence of consistent long-term performance trends. In such markets, strategies that use past performance as an indicator of future performance, such as that followed by the underlying index, are subject to “whipsaws,” which occur when the market reverses and does the opposite of what is indicated by past performance. The underlying index may experience significant declines in such markets.

The underlying index has fixed weighting constraints. The index applies limits to the weight that may be assigned to each ETF. These limits are fixed and may skew the allocations among the ETFs in a way that reduces the potential performance of the underlying index. For example, because of the weighting constraints, the underlying index may not allocate all of its exposure to the single ETF with the best performance over the prior six months, even if that

ETF had a realized volatility of less than 5%. Instead, the weighting constraints require the underlying index to spread its exposure over all the ETFs, even if one or more of those ETFs had unfavorable returns over the relevant look-back period. Additionally, the weighting constraints mean that the underlying index must have some exposure to all of the ETFs at all times, even when there is no Asset Portfolio that would be expected to appreciate because all are in decline. The underlying index will not take a “short” position in any Index Component, even if the relevant Index Component displays a negative performance over the relevant look-back period.

The underlying index was established on March 7, 2017 and therefore has a very limited history. The performances of the underlying index and some of the component data have been retrospectively simulated for the period from September 22, 2003 to March 7, 2017. As such, performance for periods prior to the establishment of the underlying index has been retrospectively

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