

MORGAN STANLEY IQ

PERFORMANCE AUTOCALLABLE ON A
GLOBAL INDEX BASKET (GBP)

INTELLIGENT INVESTMENTS

5 YEARS (03/2017)

ISIN: XS0737529148

FOR PROFESSIONAL INVESTORS ONLY

Performance Autocallable

The Performance Autocallable on a Global Index Basket offers the opportunity to realise an attractive income based on the performance of the five leading stock market indices of the Eurozone, USA, UK, France and the Netherlands. The Notes may suit investors who are looking to generate income even if some of the underlying indices experience a moderately negative performance during the term.

How do the Notes work?

Annual Income

On each annual observation date, the performance of all indices is observed, and a coupon level is assigned to each index depending on its performance. The annual coupon payment is then dependent on the average assigned coupon levels of all the indices:

- ▶ For any index that is at or above its initial index level on the observation date, a fixed coupon level of 10.2% is assigned.
- ▶ For any index that is below its initial level, but at or above 50% of its initial level, a fixed coupon level of 2% is assigned.
- ▶ For any index that is below 50% of its initial level, its actual performance is assigned. For example, if an index were to be at 40% of its initial level, a performance of -60% would be recorded for that index.

If the average of the assigned coupon levels is zero or negative, no coupon will be paid out for that year

Early Redemption

If, on any observation date, all indices are at or above their initial level, the Notes will redeem early at 100% of Denomination and investors receive any relevant coupon for that year.

Repayment at Maturity

If there has been no early redemption on any of the previous Observation Dates, the Final Redemption Amount at maturity depends on the performance of all 5 indices. There are two scenarios:

- ▶ All 5 Indices are at or above 50% of their Initial Levels
The Notes redeem at 100%, and investors also receive the respective coupon payment in the final year.
- ▶ One or more of the Indices is below 50% of their Initial Level
Investors receive any potential coupon for that year. However, capital is at risk and capital redemption is dependant on the performance of the worst-performing index. For example, if the worst-performing index is at 30% of its initial level at maturity, investors receive 30% of their invested capital.

Global index basket

Index	Country/Region
EURO STOXX 50	Eurozone
S&P 500	United States of America
FTSE 100	United Kingdom
CAC 40	France
AEX	Netherlands

Sample coupon payment scenarios

Index	Positive scenario		Neutral scenario		Negative scenario	
	Index Level (as % of Initial)	Assigned Coupon	Index Level (as % of Initial)	Assigned Coupon	Index Level (as % of Initial)	Assigned Coupon
1	125%	10.2%	115%	10.2%	102%	10.2%
2	116%	10.2%	100%	10.2%	95%	2%
3	108%	10.2%	95%	2%	75%	2%
4	97%	2%	92%	2%	48%	-52%
5	76%	2%	86%	2%	40%	-60%
	Coupon Payment 6.92%		Coupon Payment 5.28%		Coupon Payment 0%	

Key advantages

- ▶ Potential for attractive annual income returns and early redemption. Investors can receive coupons of up to 10.2% p.a. based on the performance of 5 leading stock market indices.
- ▶ Potential for coupons even if the underlying indices fall slightly. A coupon of 2% is assigned to each index that is below its initial level, but at or above 50% of its initial level.
- ▶ A degree of protection in falling markets. Capital is protected at maturity if all the indices are at or above 50% of their initial level. Else, capital is at risk on a 1:1 basis in line with the performance of the worst-performing index.

Key risks

- ▶ Limited income potential. The notes offer the opportunity for a maximum income of 10.2% per annum only. Investors do not participate directly in any capital growth in the indices.
- ▶ No capital protection. If there is no early redemption, capital repayment at maturity depends on the performance of all 5 Underlying Indices and could be zero if one Underlying Index is more than 50% below its Initial Level at maturity. In this case, capital repayment depends on the worst-performing index.
- ▶ The redemption amounts described are provided only at maturity or in the case of early redemption. If the notes are not held until redemption, the price will depend on numerous factors, including the level and volatility of the Underlying Indices, the remaining time to maturity, interest rates and the perception of the Issuer's credit quality, and may be below Par.
- ▶ Credit risk. Although the Notes are designed to provide the returns described, this depends on the ability of the Issuer Morgan Stanley & Co. International Plc. to meet their financial obligations.

Product category

Capital protection	Conditional capital protection	Participation
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Maturity

short-term			medium-term				long-term		
1	2	3	4	5	6	7	8	9	10
YEARS									

Underlying expectation

falling	flat	rising
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About Morgan Stanley

- ▶ Founded 1935 in New York.
- ▶ 62,000 employees globally in 1,300 offices in 42 countries.
- ▶ Total Assets of USD 795 billion.¹
- ▶ Tier 1 capital ratio of approximately 15.1%.²
- ▶ #1 in Mergers and Acquisitions (M&A) and #2 in Initial Public Offerings (IPOs) worldwide.¹
- ▶ Leading in Wealth Management with client assets of USD 1.6 trillion.¹

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Terms

Issuer: Morgan Stanley & Co. International plc. (United Kingdom)

Issuer Rating: A (S&P), A2 (Moody's)

Maturity: 5 Years

Specified Denomination (Par): GBP 1,000

Issue price: 100% of the Specified Denomination (percentage)

Underlying Indices:

Index	Bloomberg	Currency
EURO STOXX 50	SX5E Index	EUR
S&P 500	SPX Index	USD
FTSE 100	UKX Index	GBP
CAC 40	CAC Index	EUR
AEX	AEX Index	EUR

Annual Income: On each Observation Date and the Determination Date, the official closing level of each Underlying Index is recorded. For any index that is at or above its Initial Level, a coupon level of 10.2% is assigned. For any index that is below its Initial Level, but at or above 50% of its Initial Level, a coupon level of 2% is assigned. Else, the performance of the index is assigned.

The annual income is then the arithmetic average of the five assigned coupon levels, floored at 0%

Early Redemption: If on any Observation Date, the official closing levels of all five Underlying Indices are at or above the relevant Initial Level, the Notes will terminate early and investors will be repaid their investment in full together with that year's Annual Income

Initial Level: For each Underlying Index, the official closing level on Trade Date

Final Level: For each Underlying Index, the official closing level on the Determination Date

Final Redemption Amount: If no Early Redemption has occurred, the Final Redemption Amount will be calculated as follows:

1. If, on the Determination Date, the Final Level of each Underlying Index is at or above 50% of its Initial Level, 100% of Par per Note plus that year's Annual Income;
2. If, on Determination Date, the Final Level of any Underlying Index is below 50% of its Initial Level, 100% * Par per Note + Worst Performance

Worst Performance: The performance of the Underlying Index with the lowest performance, as measured by the formula (Final Level / Initial Level - 1)

Trade Date: 9 March 2012

Issue Date: 16 March 2012

Subscription Period: 16 January 2012 - 9 March 2012³

Observation Dates: 11 March 2013, 10 March 2014, 9 March 2015, 9 March 2016

Determination Date: 9 March 2017

Maturity Date: 14 March 2017, subject to Early Redemption and adjustment if the Determination Date is adjusted

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¹ Source: Morgan Stanley Earnings Release 3 / 2011. ² 20 October 2011, under Basel I.

³ the Issuer has the right to terminate the subscription period at any point.