

**Supplement No. 3 dated 26 March 2014 to the  
Base Prospectus for Index linked Notes and Certificates dated 27 June 2013**

**MORGAN STANLEY & CO. INTERNATIONAL PLC**  
*(incorporated with limited liability in England and Wales)*

**MORGAN STANLEY B.V.**  
*(incorporated with limited liability in The Netherlands)*

and

**MORGAN STANLEY**  
*(incorporated under the laws of the State of Delaware in the United States of America)*  
as Guarantor

**Euro 2,000,000,000 German Programme for Medium Term Notes and Certificates  
(Programme for the Issuance of Notes and Certificates)**

## MORGAN STANLEY IQ

This supplement No. 3 to the Original Base Prospectus (as defined below) (the "**Supplement No. 3**") is prepared in connection with the EUR 2,000,000,000 German Programme for Medium Term Notes and Certificates (Programme for the Issuance of Notes and Certificates) (the "**Programme**") of Morgan Stanley & Co. International plc ("**MSI plc**") and Morgan Stanley B.V. ("**MSBV**" and MSI plc and MSBV, each an "**Issuer**" and, together, the "**Issuers**") and is supplemental to, and should be read in conjunction with, the base prospectus for index linked notes and certificates dated 27 June 2013 as supplemented by supplement No.1 dated 25 September 2013 and supplement No.2 dated 20 December 2013 (the "**Original Base Prospectus**") in respect of the Programme.

Notes issued by MSBV will benefit from a guarantee dated on or around 27 June 2013 (the "**Guarantee**") by Morgan Stanley ("**Morgan Stanley**" or the "**Guarantor**").

This Supplement No. 3 is a supplement within the meaning of article 13 of the Luxembourg Act on Securities Prospectuses (*loi relative aux prospectus pour valeurs mobilières*) which implements article 16 of the Prospectus Directive. Unless otherwise stated or the context otherwise requires, terms defined in the Original Base Prospectus have the same meaning when used in this Supplement No. 3. As used herein "**Base Prospectus**" means the Original Prospectus as supplemented by the Supplement No. 3.

The Original Base Prospectus has been and this Supplement No. 3 will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

In accordance with article 13 of the Luxembourg Act on Securities Prospectuses (*loi relative aux prospectus pour valeurs mobilières*), investors who have already submitted purchase orders in relation to instruments issued under the Programme prior to the publication of this Supplement No. 3 are entitled to withdraw their orders within two days of this Supplement No. 3 having been published (the "**Withdrawal Right End Date**") if not yet credited in their respective securities account for the instruments so subscribed. Withdrawal Right End Date means 28 March 2013. A withdrawal, if any, of an order must be communicated in writing to the relevant Issuer at its registered office specified in the Address List hereof.

## TABLE OF CONTENTS

|   |    |
|---|----|
| <b>IMPORTANT NOTICE</b> .....   | 3  |
| <b>RESPONSIBILITY STATEMENT</b> .....   | 4  |
| <b>SCOPE OF THIS SUPPLEMENT NO. 3</b> .....   | 5  |
| <b>AMENDMENTS TO THE ORIGINAL BASE PROSPECTUS</b> .....   | 6  |
| <b>Part 1: Amendments to the Cover Page</b> .....   | 6  |
| <b>Part 2: Amendments to the General Description of the Programme and the Notes</b> .....       | 7  |
| <b>Part 3: Amendments to the English version of the Terms and Conditions of the Notes</b> ..... | 8  |
| <b>Part 4: Amendments to the German version of the Terms and Conditions of the Notes</b> .....  | 12 |
| <b>Part 4: Amendments to the Taxation part</b> .....  | 16 |
| <b>ADDRESS LIST</b> .....   | 23 |

## IMPORTANT NOTICE

This Supplement No. 3 should be read and construed with the Original Base Prospectus and with any documents incorporated by reference therein and, in relation to any issue of Notes, with the relevant Final Terms. In the case of any inconsistency between (i) any statement contained in this Supplement No. 3 or any statement incorporated by reference into the Base Prospectus through this Supplement No. 3; and (ii) any other statement in or incorporated by reference in the Original Base Prospectus as supplemented, the statement contained in this Supplement No. 3 or the statement incorporated by reference into the Base Prospectus through this Supplement No. 3 shall prevail.

The amendments made by this Supplement No. 3 shall only apply to such Notes and Final Terms relating thereto which are issued and/or offered and/or placed on or after the date of approval of this Supplement No. 3.

Any managers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any managers as to the accuracy or completeness of the information contained in this Supplement No. 3 or any other information provided by the Issuers and the Guarantor in connection with the Programme.

No person has been authorised by any of the Issuers or the Guarantor to issue any statement which is not consistent with or not contained in this document, any other document entered into in relation to the Programme or any information supplied by the Issuers or the Guarantor or any information as in the public domain and, if issued, such statement may not be relied upon as having been authorised by the Issuers, the Guarantor or any managers.

The distribution of this Supplement No. 3, the Original Base Prospectus, any Final Terms, any simplified prospectus in the case Notes in Switzerland are not publicly distributed by their listing at SIX/Scoach/EUREX but by publishing a simplified prospectus ("**Simplified Prospectus**") pursuant to article 5 of the CISA and any offering material relating to the Notes and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Nobody may use this Supplement No. 3, the Original Base Prospectus or any Final Terms or any Simplified Prospectus for the purpose of an offer or solicitation if in any jurisdiction such use would be unlawful. In particular, this document may only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 does not apply. Additionally, Notes issued under this Programme will not be registered under the United States Securities Act of 1933, as amended. Therefore, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

For a more detailed description of some restrictions, see the paragraph "*Subscription and Sale*" of the Original Base Prospectus.

Neither this Supplement No. 3, the Original Base Prospectus nor any Final Terms nor any Simplified Prospectus constitute an offer to purchase any Notes and should not be considered as a recommendation by the Issuers, the Guarantor or any manager that any recipient of this Supplement No. 3, the Original Base Prospectus or any Final Terms or any Simplified Prospectus should purchase any Notes. Each such recipient shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of each of the Issuers and the Guarantor (see paragraph "*Risk Factors*" of the Original Base Prospectus).

## **RESPONSIBILITY STATEMENT**

Each of Morgan Stanley & Co. International plc, London, United Kingdom, Morgan Stanley B.V., Amsterdam, The Netherlands, and Morgan Stanley, Delaware, United States of America, assumes responsibility for the content of this Supplement No. 3 and declares that the information contained in this Supplement No. 3 is to the best of their respective knowledge in accordance with the facts and that no material circumstances have been omitted.

Dated: 26 March 2014

### **SCOPE OF THIS SUPPLEMENT NO. 3**

The scope of this Supplement No. 3 is to incorporate certain information which is required to list Notes/Certificates, *inter alia*, on the SeDeX market of the Italian Stock Exchange and/or on the EuroTLX SIM S.p.A. or other multilateral trading platforms in Italy which are regulated markets for the purpose of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets and financial instruments (MiFID). This Supplement No. 3 does not contain any information which relates to changes of the interest and/or redemption structure of any Notes/Certificates to be issued under the Base Prospectus.

## AMENDMENTS TO THE ORIGINAL BASE PROSPECTUS

Any wording of the Original Base Prospectus which is amended or newly inserted by this Supplement No. 3, is highlighted in yellow.

### Part 1: Amendments to the Cover Page

**A. On the cover page of the Original Base Prospectus, the following paragraph shall be deleted:**

“In relation to Notes issued under this Programme, application (i) has been made to the *Commission de Surveillance du Secteur Financier* (“**CSSF**”) as competent authority (the “**Competent Authority**”) for its approval of this Base Prospectus and (ii) will be made to the Frankfurt Stock Exchange and/or the Baden-Württemberg Stock Exchange in Stuttgart and/or the Luxembourg Stock Exchange for such Notes to be admitted to trading, either (i) on the regulated market (*regulierter Markt*), or (ii) on the unregulated market segment Scoach Premium of the Frankfurt Stock Exchange and/or on the unregulated market segment EUWAX of the Baden-Württemberg Stock Exchange (Stuttgart) and/or the Luxembourg Stock Exchange (*Bourse de Luxembourg*), as the case may be. In addition to the Frankfurt Stock Exchange and the Baden-Württemberg Stock Exchange in Stuttgart and the Official List of the Luxembourg Stock Exchange, Notes may be listed on further stock exchanges or may not be listed on any segment of any stock exchange or may not be admitted to trading on any unregulated market (e.g., a *Freiverkehr*) of any stock exchange, as may be determined by the relevant Issuer in relation to such issue of Notes. With regard to Notes which will neither be listed on the Luxembourg Stock Exchange and traded on the regulated market of the Luxembourg Stock Exchange nor be offered in Luxembourg, the CSSF is not the competent authority for such issue of Notes. Pursuant to Art. 7(7) of the *loi relative aux prospectus pour valeurs mobilières* (the Luxembourg law on prospectuses for securities), the CSSF assumes no responsibility as to the economic and financial soundness of any transaction under the Programme and the quality or solvency of the respective Issuer. The Issuer has applied for a notification of this Base Prospectus into the Federal Republic of Germany (“**Germany**”) and the Republic of Austria (“**Austria**”).”

**and shall be replaced as follows:**

“In relation to Notes issued under this Programme, application (i) has been made to the *Commission de Surveillance du Secteur Financier* (“**CSSF**”) as competent authority (the “**Competent Authority**”) for its approval of this Base Prospectus and (ii) will be made to the Frankfurt Stock Exchange and/or the Baden-Württemberg Stock Exchange in Stuttgart and/or the Luxembourg Stock Exchange **and/or the Italian Stock Exchange and/or the EuroTLX SIM S.p.A.** for such Notes to be admitted to trading, either (i) on the regulated market (*regulierter Markt*), or (ii) on the unregulated market segment Scoach Premium of the Frankfurt Stock Exchange and/or on the unregulated market segment EUWAX of the Baden-Württemberg Stock Exchange (Stuttgart) and/or the Luxembourg Stock Exchange (*Bourse de Luxembourg*) **or (iii) on the regulated markets (a) SeDeX of the Italian Stock Exchange and/or (b) the multilateral trading facility EuroTLX SIM S.p.A.,** as the case may be. In addition to the Frankfurt Stock Exchange and the Baden-Württemberg Stock Exchange in Stuttgart and the Official List of the Luxembourg Stock Exchange, Notes may be listed on further stock exchanges or may not be listed on any segment of any stock exchange or may not be admitted to trading on any unregulated market (e.g., a *Freiverkehr*) of any stock exchange, as may be determined by the relevant Issuer in relation to such issue of Notes **and, with respect to listings of Notes in Italy, such Notes may be listed on such other multilateral trading platforms in Italy which are regulated markets.** With regard to Notes which will neither be listed on the Luxembourg Stock Exchange and traded on the regulated market of the Luxembourg Stock Exchange nor be offered in Luxembourg, the CSSF is not the competent authority for such issue of Notes. Pursuant to Art. 7(7) of the *loi relative aux prospectus pour valeurs mobilières* (the Luxembourg law on prospectuses for securities), the CSSF assumes no responsibility as to the economic and financial soundness of any transaction under the Programme and the quality or solvency of the respective Issuer. The Issuer has applied for a notification of this Base Prospectus into the

Federal Republic of Germany (“Germany”) and the Republic of Austria (“Austria”) and the Republic of Italy (“Italy”).”

## Part 2: Amendments to the General Description of the Programme and the Notes

**B. In the part “GENERAL DESCRIPTION OF THE PROGRAMME AND THE NOTES” under the heading “General” on page 132 of the Original Base Prospectus, the following paragraph shall be deleted:**

“Under the Programme, the Issuers may from time to time issue Notes denominated in any currency as determined by the relevant Issuer. The Programme provides for issuances of Notes, from time to time, up to a total limit of EUR 2,000,000,000 or the equivalent amount in another currency. The Programme is comprised of various base prospectuses, each base prospectus providing for issuances of different structures of Notes.”

**and shall be replaced as follows:**

“Under the Programme, the Issuers may from time to time issue Notes denominated in any currency as determined by the relevant Issuer, except for Notes to be listed in Italy, *inter alia* on the SeDeX market of the Italian Stock Exchange which must denominate in Euro only. The Programme provides for issuances of Notes, from time to time, up to a total limit of EUR 2,000,000,000 or the equivalent amount in another currency. The Programme is comprised of various base prospectuses, each base prospectus providing for issuances of different structures of Notes.”

**C. In the part “GENERAL DESCRIPTION OF THE PROGRAMME AND THE NOTES” under the heading “Admission of the Programme” on page 134 of the Original Base Prospectus, the following paragraph shall be deleted:**

“In relation to Notes issued under this Programme, application has been made (i) to the CSSF as Competent Authority for its approval of this Base Prospectus and (ii) will be made (a) to the Frankfurt Stock Exchange and/or the Baden-Württemberg Stock Exchange in Stuttgart and/or the Luxembourg Stock Exchange (*Bourse de Luxembourg*) for such Notes to be admitted to trading, either (i) on the regulated market (*regulierter Markt*), or (ii) on the unregulated market segment *Scoach Premium* of the Frankfurt Stock Exchange and/or on the unregulated market segment *EUWAX* of the Baden-Württemberg Stock Exchange (Stuttgart) and/or the Luxembourg Stock Exchange (*Bourse de Luxembourg*), as the case may be.”

**and shall be replaced as follows:**

“In relation to Notes issued under this Programme, application has been made (i) to the CSSF as Competent Authority for its approval of this Base Prospectus and (ii) will be made to the Frankfurt Stock Exchange and/or the Baden-Württemberg Stock Exchange in Stuttgart and/or the Luxembourg Stock Exchange (*Bourse de Luxembourg*) and/or the Italian Stock Exchange and/or the EuroTLX SIM S.p.A. for such Notes to be admitted to trading, either (i) on the regulated market (*regulierter Markt*), or (ii) on the unregulated market segment *Scoach Premium* of the Frankfurt Stock Exchange and/or on the unregulated market segment *EUWAX* of the Baden-Württemberg Stock Exchange (Stuttgart) and/or the Luxembourg Stock Exchange (*Bourse de Luxembourg*) or (iii) on the regulated markets (a) SeDeX of the Italian Stock Exchange and/or (b) the multilateral trading facility EuroTLX SIM S.p.A., as the case may be.

In addition to listings of Notes on the SeDeX market of the Italian Stock Exchange and on the EuroTLX SIM S.p.A., Notes may be listed on such other multilateral trading platforms in Italy which are regulated markets.”

**D. In the part “GENERAL DESCRIPTION OF THE PROGRAMME AND THE NOTES” under the heading “Notification of the Base Prospectus” on page 134 of the Original Base Prospectus, the following paragraph shall be deleted:**

“The Issuers have applied for a notification of the Base Prospectus into Germany and Austria.”

**and shall be replaced as follows:**

“The Issuers have applied for a notification of the Base Prospectus into Germany, Austria and Italy.”

**E. In the part “GENERAL DESCRIPTION OF THE PROGRAMME AND THE NOTES” under the heading “Consent to the use of the Base Prospectus” on page 144 of the Original Base Prospectus, the following paragraph shall be deleted:**

“Such consent may be given to one or more (individual consent) specified financial intermediary/intermediaries, as stated in the Final Terms, and, next to the Grand Duchy of Luxembourg, for the following member states, into which the Base Prospectus has been notified: the Federal Republic of Germany and/or the Republic of Austria.”

**and shall be replaced as follows:**

“Such consent may be given to one or more (individual consent) specified financial intermediary/intermediaries, as stated in the Final Terms, and, next to the Grand Duchy of Luxembourg, for the following member states, into which the Base Prospectus has been notified: the Federal Republic of Germany and/or the Republic of Austria and/or Italy.”

### Part 3: Amendments to the English version of the Terms and Conditions of the Notes

**F. In the part “TERMS AND CONDITIONS OF THE NOTES AND RELATED INFORMATION” in section “GENERAL OPTION II – General TERMS AND CONDITIONS OF MORGAN STANLEY B.V.” on page 169 of the Original Base Prospectus, in “§1 (Currency. Denomination. Form. Clearing System)” the whole paragraph “(1) Currency. Denomination. Form” shall be deleted and replaced as follows:**

“(1) *Currency. Denomination. Form.* This Series of [Notes] [Certificates] (the “[Notes] [Certificates]”) of Morgan Stanley B.V. (the “Issuer”) is issued in [*Insert in the case of Notes: an aggregate principal amount of [currency]<sup>1</sup> (the “Currency” or “[abbreviation of currency]”) [amount]<sup>2</sup> (in words: [principal amount in words])*] on [*issue date*]<sup>3</sup> (the “Issue Date”) and is divided in denominations of [*denominations*]<sup>4</sup> (the “Specified Denomination”)[*Insert in the case of Certificates: [insert number of units]<sup>5</sup> units quoted in [currency]<sup>6</sup> (the “Currency” or “[abbreviation of currency]”) on [issue date]<sup>7</sup> (the “Issue Date”) and is divided in denominations of [denominations]<sup>8</sup> (the “Par Value”).*] [*In the case of [Notes] [Certificates] to be listed in Italy e.g. on the SeDeX market of the Italian Stock Exchange or on the EuroTLX SIM S.p.A., insert. In accordance with these Terms and Conditions, Holders have the right to demand from the Issuer payment of the Index Linked Redemption Amount (as defined in § 4a). The*

<sup>1</sup> In case of multi-issuances, insert relevant table which sets out the relevant Currency for each Series of Notes.

<sup>2</sup> In case of multi-issuances, insert relevant table which sets out the relevant aggregate principal amount for each Series of Notes.

<sup>3</sup> In case of multi-issuances, insert relevant table which sets out the relevant Issue Date for each Series of Notes.

<sup>4</sup> In case of multi-issuances, insert relevant table which sets out the relevant Specified Denomination/Par Value for each Series of Notes.

<sup>5</sup> In case of multi-issuances, insert relevant table which sets out the relevant number of units for each Series of Notes.

<sup>6</sup> In case of multi-issuances, insert relevant table which sets out the relevant Currency for each Series of Certificates.

<sup>7</sup> In case of multi-issuances, insert relevant table which sets out the relevant Issue Date for each Series of Certificates.

<sup>8</sup> In case of multi-issuances, insert relevant table which sets out the relevant Par Value for each Series of Notes.

aforementioned right of the Holder will be deemed to be automatically exercised at maturity [on the Expiry Date] without the requirement of an exercise notice (the **"Automatic Exercise"**) if the [Notes] [Certificates] are in the money at such date[.], unless the Holder provided the Fiscal Agent with the Waiver of Automatic Exercise (as defined below). The Waiver of Automatic Exercise may only be delivered to the Fiscal Agent and having effect in the case the Index Linked Redemption Amount represents a negative amount.

**"Waiver of Automatic Exercise"** means that the Holder may waive its automatic right of payment of the Index Linked Redemption Amount by delivering a waiver notice (the form of which is set out hereafter as **Annex 1**) (the **"Waiver Notice"**) that must be received by the Fiscal Agent by the Notice Date. The Waiver Notice shall specify:

- (i) the Series Number, the ISIN code and the number of [Notes] [Certificates] held by the Holder;
- (ii) the number of [Notes] [Certificates], equal at least to the Minimum Exercise Amount and multiples thereof, in respect of which Automatic Exercise is being waived by the Holder;
- (iii) the number of the account of the Holder with the intermediary adhering to Monte Titoli S.p.A. or any other relevant Clearing System where the [Notes] [Certificates] that are the subject of the waiver are held;
- (iv) name, address, telephone and fax number of the Holder.

Any Waiver Notice that has not been delivered in compliance with this paragraph and/or not received by the Fiscal Agent on or prior to the Notice Date shall be deemed invalid.

The Waiver Notice shall be sent via fax to the Fiscal Agent.

The Waiver Notice shall be deemed to have been received by the Fiscal Agent at the time indicated on the facsimile transmission report.

An incomplete Waiver Notice or a Waiver Notice which has not been timely sent shall be deemed to be void and ineffective. Any assessment relating to the validity, both from a substantial and a formal perspective, of the Waiver Notice will be performed by the Fiscal Agent and will be final and binding for both the Issuer and the Holder. Any Waiver Notice which, in accordance with the mentioned above, is deemed to be incomplete or not completed will be considered as void and ineffective.

In the event that such Waiver Notice is subsequently amended in such a way that is satisfactory to the Fiscal Agent, such Waiver Notice, as amended, will be deemed as a new Waiver Notice filed at the time such amendments are received by the Fiscal Agent.

When the Fiscal Agent deems the Waiver Notice to be invalid or incomplete, such Fiscal Agent undertakes to notify such invalidity or incompleteness to the relevant Holder as soon as practicable.

Notification of the Waiver Notice: the Holder, by way of sending the Waiver Notice, irrevocably exercises the right to waive the Automatic Exercise of the relevant [Note] [Certificate]. Waiver Notices may not be withdrawn after their receipt by the Fiscal Agent. After a Waiver Notice is sent, the [Note] [Certificate] to which it refers may no longer be transferred.]

whereas:

**"Notice Date"** means 10:00 CET of the [Exchange] Business Day immediately following the [Final] [relevant] [Index] Valuation Date.]

**["Minimum Exercise Amount" means [●].]**

**["Expiry Date" means [●][the date on which the [Notes] [Certificates] expire in accordance with the Rules of the Italian Stock Exchange].]**

**["Record Date" means [●][the date on which the Issuer determines who are the Holders entitled to receive the coupon].]"**

**G. In the part "TERMS AND CONDITIONS OF THE NOTES AND RELATED INFORMATION" in section "GENERAL OPTION II – General TERMS AND CONDITIONS OF MORGAN STANLEY B.V." on page 174 of the Original Base Prospectus, in "§10 (Substitution of the Issuer)" the whole paragraph (1) shall be deleted and replaced as follows:**

"(1) The Issuer (reference to which shall always include any previous substitute debtor) may and the Holders hereby irrevocably agree in advance that the Issuer may without any further prior consent of any Holder at any time, substitute any company (incorporated in any country in the world), which belongs to Morgan Stanley group at the time, for the Issuer as the principal debtor in respect of the [Notes] [Certificates] or undertake its obligations in respect of the [Notes] [Certificates] through any such company (any such company, the "Substitute Debtor"), provided that:

**[In the case of [Notes] [Certificates] to be listed in Italy e.g. on the SeDeX market of the Italian Stock Exchange or on the EuroTLX SIM S.p.A., insert: (a) the Issuer and/or the Guarantor (except in the case that the Guarantor itself is the Substitute Debtor) irrevocably and unconditionally guarantee the payment of all amounts payable by the Substitute Debtor in respect of the [Notes] [Certificates].]**

**[(a)][(b)]** such documents shall be executed by the Substituted Debtor and the Issuer as may be necessary to give full effect to the substitution (together the "Documents") and pursuant to which the Substitute Debtor shall undertake in favour of each Holder to be bound by these Terms and Conditions and the provisions of the agency agreement concluded by the Issuer and the Agents (the "Agency Agreement") as fully as if the Substitute Debtor had been named in the [Notes] [Certificates] and the Agency Agreement as the principal debtor in respect of the [Notes] [Certificates] in place of the Issuer and pursuant to which the Issuer and the Guarantor (if the Guarantor is not the Substituted Debtor) shall irrevocably and unconditionally guarantee in favour of each Holder the payment of all sums payable by the Substitute Debtor as such principal debtor (such guarantee of the Issuer herein referred to as the "Substitution Guarantee");

**[(b)][(c)]** the Documents shall contain a warranty and representation by the Substitute Debtor and the Issuer that the Substitute Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Issuer of the Substitution Guarantee in respect of the obligations of the Substitute Debtor, that the Substitute Debtor has obtained all necessary governmental and regulatory approvals and consents for the performance by the Substitute Debtor of its obligations under the Documents and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor and the Substitution Guarantee given by the Issuer are each valid and binding in accordance with their respective terms and enforceable by each Holder and that, in the case of the Substitute Debtor undertaking its obligations with respect to the [Notes] [Certificates] through a branch, the [Notes] [Certificates] remain the valid and binding obligations of such Substitute Debtor; and

**[(c)][(d)]** §8 shall be deemed to be amended so that it shall also be an Event of Default under the said Condition if the Substitution Guarantee shall cease to be valid or binding on or enforceable against the Issuer."

H. In the part “TERMS AND CONDITIONS OF THE NOTES AND RELATED INFORMATION” in section “GENERAL OPTION II – General TERMS AND CONDITIONS OF MORGAN STANLEY B.V.” on page 175 of the Original Base Prospectus, in “§12 (Notices)” the whole paragraph (1) shall be deleted and replaced as follows:

“(1) Publication. All notices concerning the [Notes] [Certificates] shall be published on the Internet on website www.morganstanleyiq.de or in a leading daily newspaper having general circulation in Germany. This newspaper is expected to be the *Börsen-Zeitung*. Any notice so given will be deemed to have been validly given on the fifth day following the date of such publication (or, if published more than once, on the fifth day following the first such publication). **[In the case of [Notes] [Certificates] to be listed in Italy e.g. on the SeDeX market of the Italian Stock Exchange or on the EuroTLX SIM S.p.A., insert: All notices concerning the [Notes] [Certificates] shall be published in the Italian language on the Internet on the website [www.morganstanleyiq.de] [•]. [All notices to the Holders, in particular such regarding relevant events, shall be published and/or sent in accordance with the rules of the [Italian Stock Exchange][EuroTLX SIM S.p.A.][•] as amended from time to time.]**”

I. In the part “TERMS AND CONDITIONS OF THE NOTES AND RELATED INFORMATION” in section “GENERAL OPTION II – General TERMS AND CONDITIONS OF MORGAN STANLEY B.V.” on page 176 of the Original Base Prospectus, after “§14 (Language)” a new “Form of Waiver Notice” shall be included as follows:

**“[In the case of [Notes] [Certificates] to be listed in Italy e.g. on the SeDeX market of the Italian Stock Exchange or on the EuroTLX SIM S.p.A., insert:**

**Annex 1**

**Form of Waiver Notice**  
(on letterhead)

To: **[Fiscal Agent]**  
Fax No:  
Tel. No:  
Email:

**c/o**  
Morgan Stanley B.V.  
Fax No:  
Tel. No:  
Email:

**[Notes] [Certificates] dated ..... issued by Morgan Stanley B.V. under the EUR 2,000,000,000 German Programme for Medium Term Notes and Certificates**

The undersigned hereby waives its automatic right of early termination due to the occurrence of an Event of Default as set out in § 8 of the terms and conditions of the following [Notes] [Certificates]:

- Series Number of the [Notes] [Certificates] held by the Holder: **[insert Series number]**
- ISIN code of the [Notes] [Certificates] held by the Holder: **[insert ISIN code]**
- number of [Notes] [Certificates], equal at least to the Minimum Exercise Amount or multiples thereof, in respect of which Automatic Exercise is being waived by the Holder: **[insert number]**
- name, address, telephone and fax number of the Holder: **[insert details]**

The undersigned acknowledges that this waiver notice is null and void if it is not in compliance with the terms and conditions of the [Notes] [Certificates].

Place, date

Signature of the of the Holder]"

#### Part 4: Amendments to the German version of the Terms and Conditions of the Notes

**J. In the part "TERMS AND CONDITIONS OF THE NOTES AND RELATED INFORMATION" in section "GENERAL OPTION II – DEUTSCHE FASSUNG DER ALLGEMEINEN EMISSIONSBEDINGUNGEN VON MORGAN STANLEY B.V." on page 177 of the Original Base Prospectus, in "§1 (Währung. Stückelung. Form. Clearing Systeme)" the whole paragraph "(1) Währung. Stückelung. Form) shall be deleted and replaced as follows:**

"(1) *Währung. Stückelung. Form.* Diese Serie von Schuldverschreibungen (die "**Schuldverschreibungen**") der Morgan Stanley B.V. (die "**Emittentin**") wird in [**Währung**]<sup>9</sup> (die "**Währung**" oder "**[Kürzel der Währung]**") [**Im Falle von Schuldverschreibungen einfügen:** im Gesamtnennbetrag von [**Gesamtnennbetrag**] [**Gesamtnennbetrag**]<sup>10</sup> (in Worten: [**Gesamtnennbetrag in Worten**]) am [**Begebungstag**]<sup>11</sup> (der "**Begebungstag**") begeben und ist eingeteilt in Stückelungen von [**festgelegte Stückelungen**]<sup>12</sup> (die "**Nennbeträge**")][**im Falle von Zertifikaten einfügen:** in Stücken [**Anzahl der Stücke einfügen**] am [**Begebungstag einfügen**] (der "**Begebungstag**") begeben und ist eingeteilt in Stückelungen von [**Stückelung einfügen**] (der "**Nennwert**"). [**Im Falle von [Schuldverschreibungen] [Zertifikaten], die in Italien z.B. am SeDeX Markt der italienischen Wertpapierbörse oder am EuroTLX SIM S.p.A. gelistet werden, einfügen:** Die Gläubiger sind nach Maßgabe dieser Emissionsbedingungen berechtigt, von der Emittentin die Zahlung des Indexbezogenen Rückzahlungsbetrags (wie in § 4a definiert) zu verlangen. Das vorgenannte Recht des Gläubigers gilt bei Fälligkeit [am Ablaufdatum] als automatisch ausgeübt ohne dass es hierfür einer Kündigungserklärung bedarf (die "**Automatische Ausübung**") sofern die [**Schuldverschreibungen**] [**Zertifikate**] an diesem Tag 'in the money' sind[.][, es sei denn der Gläubiger stellt der Hauptzahlstelle einen Verzicht auf Automatische Kündigung (wie nachstehend definiert) zur Verfügung. Der Verzicht auf Automatische Kündigung kann der Hauptzahlstelle nur dann wirksam zur Verfügung gestellt werden, wenn der Indexbezogene Rückzahlungsbetrag einen negativen Betrag darstellt.

"**Verzicht auf Automatische Ausübung**" bedeutet, dass der Gläubiger auf sein Recht auf automatische Zahlung des Indexbezogenen Rückzahlungsbetrags verzichten kann, indem er der Hauptzahlstelle eine Verzichtserklärung (deren Form nachfolgend als **Anhang 1** abgedruckt wird) (die "**Verzichtserklärung**") zukommen lässt, die diese zum Benachrichtigungstag empfangen haben muss. Die Verzichtserklärung soll enthalten:

- (i) die Seriennummer, den ISIN Code und die Anzahl der [**Schuldverschreibungen**] [**Zertifikate**], die vom Gläubiger gehalten werden;
- (ii) die Anzahl der [**Schuldverschreibungen**] [**Zertifikate**], bezüglich derer auf die Automatische Ausübung durch den Gläubiger verzichtet wird; diese Anzahl muss

<sup>9</sup> Im Fall von Multi-Emissionen, maßgebliche Tabelle einfügen, die die maßgebliche Währung für jede Serie von Schuldverschreibungen beinhaltet.

<sup>10</sup> Im Fall von Multi-Emissionen, maßgebliche Tabelle einfügen, die den maßgeblichen Gesamtnennbetrag für jede Serie von Schuldverschreibungen beinhaltet.

<sup>11</sup> Im Fall von Multi-Emissionen, maßgebliche Tabelle einfügen, die den maßgeblichen Begebungstag für jede Serie von Schuldverschreibungen beinhaltet.

<sup>12</sup> Im Fall von Multi-Emissionen, maßgebliche Tabelle einfügen, die die maßgebliche festgelegte Stückelung für jede Serie von Schuldverschreibungen beinhaltet.

wenigstens dem Mindestausübungsbetrag oder einem ganzzahligen Vielfachen hiervon entsprechen;

(iii) die Kontonummer des Gläubigers bei dem Intermediär, der Monte Titoli S.p.A. oder jedem anderen maßgeblichen Clearing System bei dem die [Schuldverschreibungen] [Zertifikate], die Gegenstand des Verzichts sind, verwahrt werden, angeschlossen ist;

(iv) Name, Adresse, Telefon- und Faxnummer des Gläubigers.

Jede Verzichtserklärung, die nicht gemäß diesem Absatz am oder vor dem Benachrichtigungstag zugestellt und/oder nicht von der Hauptzahlstelle empfangen wurde gilt als unwirksam.

Die Verzichtserklärung ist per Fax an die Hauptzahlstelle zu senden.

Die Verzichtserklärung gilt als der Hauptzahlstelle zu dem Zeitpunkt zugegangen, der als Zeitpunkt auf dem Fax-Übertragungsbericht angezeigt wird.

Eine unvollständige Verzichtserklärung oder eine Verzichtserklärung, die nicht pünktlich gesendet wurde, ist nichtig und unwirksam. Jegliche Einschätzung zur Wirksamkeit der Verzichtserklärung, sowohl substantieller als auch formeller Art, wird durch die Hauptzahlstelle getroffen und ist endgültig und bindend für die Emittentin und die Gläubiger. Jede Verzichtserklärung, die wie vorstehend beschrieben für unvollständig oder nicht vollständig befunden wird, ist nichtig und unwirksam.

Für den Fall, dass eine solche Verzichtserklärung nachträglich in für die Hauptzahlstelle zufriedenstellender Weise geändert wird, wird diese Verzichtserklärung als neue Verzichtserklärung behandelt, die als zu dem Zeitpunkt eingegangen gilt, an dem die Änderungen der Hauptzahlstelle zugehen.

Sollte die Hauptzahlstelle die Verzichtserklärung für unwirksam oder unvollständig befinden, wird die Hauptzahlstelle den betreffenden Gläubiger über die Unwirksamkeit oder Unvollständigkeit so schnell wie praktikabel in Kenntnis setzen.

Benachrichtigung über die Verzichtserklärung: Der Gläubiger, übt, indem er die Verzichtserklärung sendet, unwiderruflich sein Recht auf den Verzicht der Automatischen Ausübung [der][des] betreffenden [Schuldverschreibung] [Zertifikats] aus. Verzichtserklärungen können nicht widerrufen werden, nachdem die Hauptzahlstelle sie empfangen hat. Nachdem eine Verzichtserklärung gesendet wurde, kann [die Schuldverschreibung] [das Zertifikat], auf das sie sich bezieht, nicht mehr übertragen werden.]

Wobei:

„**Benachrichtigungstag**“ bezeichnet 10:00 Uhr (CET) des [Börsen-] Geschäftstags, der unmittelbar auf den [Finalen] [maßgeblichen] [Index-]Bewertungstag folgt.]

„**Mindestausübungsbetrag**“ bezeichnet [•.]

„**Ablaufdatum**“ bezeichnet [•][das Datum an dem die [Schuldverschreibungen] [Zertifikate] gemäß den Regeln der italienischen Wertpapierbörse ablaufen.]

„**Stichtag**“ bezeichnet [•][das Datum an dem die Emittentin die für den Erhalt der Zinsen berechtigten Gläubiger bestimmt.]”

K. In the part “TERMS AND CONDITIONS OF THE NOTES AND RELATED INFORMATION” in section “GENERAL OPTION II – DEUTSCHE FASSUNG DER ALLGEMEINEN EMISSIONSBEDINGUNGEN VON MORGAN STANLEY B.V.” on page 182 of the Original Base Prospectus, in “§10 (Ersetzung der Emittentin)” the whole paragraph (1) shall be deleted and replaced as follows:

“(1) Die Emittentin (oder jede Schuldnerin, welche die Emittentin ersetzt) ist jederzeit berechtigt, ohne weitere Zustimmung der Gläubiger ein Unternehmen, welches zu diesem Zeitpunkt dem Morgan Stanley-Konzern angehört, (mit Geschäftssitz in irgendeinem Land weltweit) an ihrer Stelle als Hauptschuldnerin (die “Nachfolgeschuldnerin”) für alle Verpflichtungen aus und im Zusammenhang mit den [Schuldverschreibungen][Zertifikaten] einzusetzen, und die Gläubiger stimmen dieser Einsetzung hiermit unwiderruflich zu, vorausgesetzt, dass:

**[Im Falle von [Schuldverschreibungen] [Zertifikaten], die in Italien z.B. am SeDeX Markt der italienischen Wertpapierbörse oder am EuroTLX SIM S.p.A. gelistet werden, einfügen:** (a) die Emittentin und/oder die Garantin (es sei denn, die Garantin selbst ist die Nachfolgeschuldnerin) unwiderruflich und unbedingte Zahlung sämtlicher durch die Nachfolgeschuldnerin unter den [Schuldverschreibungen][Zertifikaten] zahlbaren Beträge zu Bedingungen garantiert/garantieren sicherstellen.]

[(a)][(b)] alle für die Wirksamkeit der Ersetzung notwendigen Dokumente (die “Dokumente”) von der Emittentin und der Nachfolgeschuldnerin unterzeichnet werden, entsprechend denen die Nachfolgeschuldnerin zu Gunsten jedes Gläubigers alle Verpflichtungen aus diesen Emissionsbedingungen und dem zwischen der Emittentin und den beauftragten Stellen abgeschlossenen agency agreement (das “Agency Agreement”) übernimmt, als sei sie von Anfang an Stelle der Emittentin Partei dieser Vereinbarungen gewesen, und entsprechend denen die Emittentin und die Garantin (soweit die Garantin nicht die Nachfolgeschuldnerin ist) zu Gunsten jedes Gläubigers unbedingte und unwiderruflich die Zahlung aller fälligen und durch die Nachfolgeschuldnerin als Hauptschuldner zahlbaren Beträge garantiert (wobei diese Garantie im Folgenden als “Ersetzungs-Garantie”) bezeichnet wird);

[(b)][(c)] die Dokumente ein unselbstständiges Garantieverprechen der Nachfolgeschuldnerin und der Emittentin enthalten, wonach die Nachfolgeschuldnerin und die Emittentin alle für die Ersetzung und die Abgabe der Ersetzungs-Garantie durch die Emittentin notwendigen Genehmigungen und Einverständniserklärungen von Regierungsstellen und Aufsichtsbehörden erhalten haben, wonach ferner die Nachfolgeschuldnerin alle für die Erfüllung ihrer Verpflichtungen aus den Dokumenten notwendigen Genehmigungen und Einverständniserklärungen von Regierungsstellen und Aufsichtsbehörden erhalten hat und wonach weiterhin sämtliche dieser Genehmigungen und Einverständniserklärungen in vollem Umfang gültig und wirksam sind und wonach zudem die Verpflichtungen der Nachfolgeschuldnerin und die Ersetzungs-Garantie jeweils gemäß ihren Bestimmungen wirksam und rechtsverbindlich und durch jeden Gläubiger durchsetzbar sind und wonach schließlich, wenn die Nachfolgeschuldnerin ihre Verbindlichkeiten an den Schuldverschreibungen durch eine Niederlassung erfüllt, die Nachfolgeschuldnerin selbst verpflichtet bleibt, und

[(c)][(d)] §8 dergestalt als ergänzt gilt, dass der Wegfall der Wirksamkeit, Rechtsverbindlichkeit oder Durchsetzbarkeit der Ersetzungs-Garantie gegenüber der Emittentin ein zusätzlicher Kündigungsgrund unter dieser Bestimmung ist.”

**L. In the part “TERMS AND CONDITIONS OF THE NOTES AND RELATED INFORMATION” in section “GENERAL OPTION II – DEUTSCHE FASSUNG DER ALLGEMEINEN EMISSIONSBEDINGUNGEN VON MORGAN STANLEY B.V.” on page 184 of the Original Base Prospectus, in “§12 (Mitteilungen)” the whole paragraph (1) shall be deleted and replaced as follows:**

“(1) *Bekanntmachung.* Alle die [Schuldverschreibungen][Zertifikate] betreffenden Mitteilungen sind im Internet auf der Website www.morganstanleyiq.de oder in einer führenden Tageszeitung mit allgemeiner Verbreitung in Deutschland zu veröffentlichen. Diese Tageszeitung wird voraussichtlich die *Börsen-Zeitung* sein. Jede derartige Mitteilung gilt mit dem fünften Tag nach dem Tag der Veröffentlichung (oder bei mehreren Veröffentlichungen mit dem fünften Tag nach dem Tag der ersten solchen Veröffentlichung) als wirksam erfolgt. **[Im Falle von [Schuldverschreibungen] [Zertifikaten], die in Italien z.B. am SeDeX Markt der italienischen Wertpapierbörse oder am EuroTLX SIM S.p.A. gelistet werden, einfügen:** Alle die [Schuldverschreibungen][Zertifikate] betreffenden Mitteilungen sind in der italienischen Sprache im Internet auf der Website [www.morganstanleyiq.de] [●] zu veröffentlichen. [Sämtliche Mitteilungen an die Gläubiger, insbesondere solche bezüglich maßgeblicher Ereignisse, sollen in Übereinstimmung mit den Regeln der [italienischen Wertpapierbörse][EuroTLX SIM S.p.A.][●], in der jeweils geltenden Fassung, veröffentlicht und/oder übermittelt werden.]”

**M. In the part “TERMS AND CONDITIONS OF THE NOTES AND RELATED INFORMATION” in section “GENERAL OPTION II – DEUTSCHE FASSUNG DER ALLGEMEINEN EMISSIONSBEDINGUNGEN VON MORGAN STANLEY B.V.” on page 185 of the Original Base Prospectus, after “§14 (Sprache)” a new “Form of Waiver Notice” shall be included as follows:**

**“[Im Falle von [Schuldverschreibungen] [Zertifikaten], die in Italien z.B. am SeDeX Markt der italienischen Wertpapierbörse oder am EuroTLX SIM S.p.A. gelistet werden, einfügen:**

**Anhang 1**

**Formular Verzichtserklärung**  
(auf Briefkopf)

An: **[Hauptzahlstelle]**  
Fax Nr.:  
Tel Nr.:  
Email:

c/o

Morgan Stanley B.V.  
Fax Nr.:  
Tel Nr.:  
Email:

[Schuldverschreibungen][Zertifikate] vom .....begeben von Morgan Stanley B.V. unter dem EUR 2.000.000.000 German Programme for Medium Term Notes and Certificates

Der Unterzeichner verzichtet hiermit auf sein Recht auf automatische vorzeitige Kündigung bei Eintritt eines Kündigungsgrundes, wie in § 8 der Emissionsbedingungen der folgenden [Schuldverschreibungen][Zertifikate] bestimmt,

- Seriennummer der vom Gläubiger gehaltenen [Schuldverschreibungen][Zertifikate]:  
**[Seriennummer einfügen]**

- ISIN Code der vom Gläubiger gehaltenen [Schuldverschreibungen][Zertifikate]: **[ISIN Code einfügen]**

- Anzahl von [Schuldverschreibungen][Zertifikaten], mindestens entsprechend dem Mindestausübungsbetrag oder einem ganzzahligen Vielfachen davon, bezüglich derer der Gläubiger auf die Automatische Ausübung verzichtet: **[Anzahl einfügen]**

- Name, Adresse, Telefon- und Faxnummer des Gläubigers: **[Angaben einfügen]**

Der Unterzeichner erklärt, dass diese Verzichtserklärung unwirksam ist, sofern sie nicht in Übereinstimmung mit den Emissionsbedingungen der [Schuldverschreibungen][Zertifikate] ist.

Ort, Datum

Unterschrift des Gläubigers”

#### Part 4: Amendments to the Taxation part

**N. In the part “TAXATION”, on page 392 of the Original Base Prospectus, the following paragraph shall be deleted:**

“The information provided below comprises information on German, Austrian, Luxembourg, Dutch, and English tax law, respectively, and practice currently applicable to the Notes. Transactions involving Notes (including purchases, transfers or redemptions), the accrual or receipt of any interest or premium payable on the Notes and the death of a Holder may have tax consequences for potential purchasers which may depend, amongst other things, upon the tax residence and/or status of the potential purchaser. Potential purchasers of Notes are therefore advised to consult their own tax advisers as to the tax consequences of transactions involving Notes and the effect of any tax laws in any jurisdiction in which they may be tax resident or otherwise liable to tax.”

**and shall be replaced as follows:**

“The information provided below comprises information on German, Austrian, Luxembourg, Dutch, English **and Italian** tax law, respectively, and practice currently applicable to the Notes. Transactions involving Notes (including purchases, transfers or redemptions), the accrual or receipt of any interest or premium payable on the Notes and the death of a Holder may have tax consequences for potential purchasers which may depend, amongst other things, upon the tax residence and/or status of the potential purchaser. Potential purchasers of Notes are therefore advised to consult their own tax advisers as to the tax consequences of transactions involving Notes and the effect of any tax laws in any jurisdiction in which they may be tax resident or otherwise liable to tax.”

**O. In the part “TAXATION”, on page 408 of the Original Base Prospectus, after “6. EU Directive on the Taxation of Savings Income” a new section “7. Tax regime in Italy” shall be included as follows:**

#### **“7. Tax regime in Italy**

**The information presented below represents a summary of the tax regime relating to the purchase, holding and sale of the Notes pursuant to current tax legislation in Italy and applying to investors. The following is not intended to be an exhaustive analysis of the tax consequences of purchasing, holding and selling the Notes. The tax regime relating to the purchase, holding and sale of the Notes presented below is based on current legislation and existing practice at**

the Date of the Prospectus which are liable to change, possibly with retroactive or retrospective effect, and accordingly consist of a mere introduction to the subject.

Investors are accordingly required to consult their own advisors with regard to the tax regime applicable in Italy to the purchase, holding and sale of the Notes.

The Holder shall be liable for all present and future taxes and duties that become payable by law on the Notes and/or the related interest, premiums and other income. As a consequence, all payments in respect of the Notes shall be made by the Issuer net of any withholding tax that may be applicable pursuant to prevailing legislation. More specifically the Holder shall be liable for all taxes payable on the interest, premiums and other income received or receivable from the Issuer or other parties intervening in the payment of such interest, premiums and other income, such as by way of mere example the substitutive tax (*imposta sostitutiva*) pursuant to Legislative Decree no. 239 of 1 April 1996 ("**Legislative Decree no. 239/1996**").

The information provided below takes into account the amendments to the taxation of earnings from capital and capital gains introduced by Law Decree 13 August 2011, No. 138, converted into Law 14 September 2011, No. 148 ("**Decree 138/2011**"), effective as of January 1, 2012, and with respect to stamp duties, by Law Decree 6 December 2011, No. 201, converted into Law 22 December 2011, No. 214 ("**Decree 201/2011**") and, by Law 27 December 2013, No. 147 ("**Law 147/2013**").

### **Earnings from capital**

Legislative Decree no. 239/1996 as subsequently amended and supplemented governs the fiscal treatment of interest, premiums and other income (including any differences between the issue and redemption prices, the "**Interest**") deriving from the Notes or similar securities issued, among others, by companies resident in Italy with shares traded on Italian regulated markets.

### **Investors resident in Italy**

If an investor resident in Italy is (i) a natural person holding the Notes who is not engaged in any business activities (unless he has elected for the "*risparmio gestito*" regime described in the Paragraph "Taxation of capital gains"), (ii) a partnership or similar subject, other than a *società in nome collettivo*, *società in accomandita semplice* or similar, as per article 5 of Presidential Decree no. 917 of 22 December 1986 (the "**TUIR**"), (iii) a private or public entity not carrying out commercial activities, (iv) an investor exempt from Italian corporate income tax, the Interest arising on the Notes is liable to a substitutive tax of 20%.

If an investor in category (i) or (iii) holds the Notes as part of engaging in business activities, the Interest is included in the computation of the investor's business income and the lieu tax may be deducted from the total amount of taxation on income due.

Pursuant to Legislative Decree no. 239/1996, the substitutive tax applies to banks, stock brokerage companies, fiduciary companies, securities brokerage firms and the other subjects expressly listed in specific decrees of the Minister for the Economy and Finance (the "**Intermediaries**", each being an "**Intermediary**").

If a resident investor is a corporation or a commercial entity (including permanent establishments in Italy of non-resident investors) and the Notes are deposited with an Intermediary, the Interest is not liable for substitutive tax but is included in the computation of the recipient's total income for corporate income tax purposes (and, in certain circumstances, depending on the nature of the investor, the recipient's income liable to IRAP - the regional tax on productive activities).

If the investor is a real estate investment fund the Interest is not liable to either substitutive tax or any other income tax paid by the fund. In all cases the recipient of income arising from the investment in real estate funds is liable to a 20% withholding tax that is treated either as a payment on account of income taxes or as a tax in lieu of income tax (depending on the recipient's legal form).

If the investor resident in Italy is an open-end or closed-end stock investment fund or a SICAV (open-end investment company) and the Notes are deposited with an Intermediary, the Interest accruing during the period of ownership is not liable to the above-mentioned lieu tax and no other lieu tax will be applicable to the management result of the fund or of the SICAV. In any event profits distributed by the fund or by the SICAV or perceived by certain categories of investors upon redemption and sale of the units will be subject to a 20% withholding tax (being it understood that such withholding may be definitive or on account of the final tax payment depending on the recipient's legal form).

If the investor is a pension fund (subject to the regime provided by article 17 of Legislative Decree no. 252 of 5 December 2005) and the Notes are not deposited with an Intermediary, the Interest accruing during the period of ownership is not liable to the above-mentioned lieu tax, but must be included in the result of the fund, recognised at the end of each tax period, liable to an ad hoc lieu tax of 11%.

If the Notes are not deposited with an Intermediary, the lieu tax is charged and withheld by each Intermediary that in any event intervenes in the payment of the Interest to the investor or, also in the capacity as purchaser, in the transfer of the Notes. If the Interest is paid directly by the Issuer it applies the lieu tax directly.

### **Non-resident investors**

No substitutive tax is due on the payment of Interest relating to Notes subscribed by investors who are not resident in Italy, if such are: (i) resident for tax purposes in a State that allows for an adequate exchange of information with Italy. The list of Countries that allow for an adequate exchange of information with Italy is included in the Ministerial Decree of 4 September 1996 as subsequently amended and supplemented. The law 24 December 2007, n. 244 (the "2008 Finance Law") provides that, on the basis of the requirements of article 168-bis of the TUIR, the Ministry for the Economy and Finance ("MEF") shall issue a decree that contains a list of countries that allow for an adequate exchange of information with Italy; the States and territories currently not included in the lists as per the ministerial decrees of 4 May 1999, 21 November 2001, 23 January 2002 and 4 September 1996 are considered included in that list for a period of five years from the date of the publication of the decree provided by article 168-bis of the TUIR in the Official Gazette; (ii) international entities and bodies established on the basis of international agreements ratified in Italy; (iii) foreign institutional investors, even if not subject to taxation, established in countries that allow for an adequate exchange of information with Italy; or (iv) central banks or entities that manage, *inter alia*, the official reserves of the State.

To benefit from this exemption the non-resident investor must: (i) directly or indirectly deposit the Notes with a bank or resident securities brokerage firm, or with a permanent establishment in Italy of a non-resident bank or securities brokerage firm that has direct electronic contact with the MEF; (ii) provide the depository, either prior to or on depositing the Notes, with a self-declaration in which the investor states that he is the actual beneficiary of the Interest and that he is in possession of the requirements to be able to benefit from the above exemption. This self-declaration must be completed by using the format required by the Ministerial Decree of 12 December 2001 and remains effective until revoked.

A self-declaration is not required if the investor is an international body established on the basis of international agreements ratified in Italy, or central banks or entities that manage, *inter alia*, the official reserves of the State; (iii) provide his personal details and the identification code of the security and the information required to calculate the interest, premiums and other income not liable to substitutive tax.

A substitutive tax of 20%, or the lower rate provided by any applicable double taxation avoidance treaties, is charged on the Interest paid to investors resident in countries that do not allow for an adequate exchange of information with Italy or which do not comply with at least one of the other conditions set out above.

### **Taxation of capital gains**

Capital gains deriving from the sale or redemption of the Notes form part of the investor's taxable income (and, in certain circumstances, depending on the nature of the investor, of the net production value for IRAP purposes) if realized by an Italian company or commercial entity (including permanent establishments in Italy of non-resident investors to which the Notes are connected) or by entrepreneurs resident in Italy that purchase the Notes as part of business activities.

If an investor resident in Italy is a natural person holding the Notes who is not engaged in any business activities, the capital gains realized on the sale or redemption of the Notes are liable to a lieu tax of 20%.

Under the "declaration regime", which is the regime which normally applies to non-resident natural persons not holding the Notes as part of business activities, the substitutive tax is due, net of the respective capital losses, on all the capital gains realized by the investor as the result of the sale or redemption of the securities occurring during the tax period. In this case resident investors must indicate the capital gains realized in each tax period, net of any capital losses, in their tax returns and settle the lieu tax together with their income taxes. Any capital losses exceeding the capital gains realized in the tax period may be carried forward to offset capital gains of the same nature realized in the following four tax periods. Pursuant to Decree 138/2011 capital losses realized as of 31 December 2011 may be carried forward to be offset against subsequent capital gains of the same nature for an overall amount of 62.5 per cent of the relevant capital losses.

Alternatively to the tax declaration regime, resident natural persons not holding the Notes as part of business activities may elect to pay the lieu tax separately for each capital gain realized on the sale or redemption of the securities (the "*risparmio amministrato*" regime). Taxation of capital gains under the *risparmio amministrato* regime is permitted provided (i) the Notes are deposited with an Italian bank, an SIM (*società di intermediazione mobiliare*) or an authorized financial intermediary and (ii) the investor has elected that regime. For the purpose of applying the lieu tax the depository of the Notes is required to consider each capital gain, positive difference or item of income received by the investor on the sale or redemption of the Notes, net of any capital losses, and is required to pay over the lieu tax to the tax authorities on behalf of the investor, by withholding the corresponding amount from the sums due to him or by using the funds made available for the purpose by the investor.

If the sale or redemption of the Notes leads to a capital loss under the *risparmio amministrato* regime, such loss may be deducted from any capital gains realized at a later date, within the same administration relationship, in the same tax period or in the following four tax periods. Under this regime the investor is not required to state the capital gains in his tax return.

The capital gains realized by an investor who is a natural person resident in Italy, who (i) does not hold the Notes as part of business activities, (ii) has engaged an Intermediary to manage his financial assets, including the Notes, and (iii) has made an election for the *risparmio gestito* regime, shall be included in the management result that has accrued in the tax period, even if this has not been realized. Such management result accrued as of 1 January 2012 is liable to a lieu tax of 20%, which is paid over by the Intermediary engaged for management purposes. Under this regime, if the management result that has accrued at the end of the tax period is negative, the amount may be offset against the management results achieved over the following tax periods, up to and including the fourth. Pursuant to Decree 138/2011 negative management results accrued as of 1 January 2012 may be carried forward to be offset against subsequent positive results of the same nature for a percentage of 62.5 per cent of the relevant amount. Under this regime there is no requirement for the investor to declare the capital gains realized in his tax return.

The capital gains realized by an investor that is an open-end or closed-end Italian investment fund, or a SICAV, will not be subject to lieu tax (see the Paragraph "Earnings from capital - Investors resident in Italy").

The capital gains realized by an investor that is an Italian pension fund (subject to the tax regime provided by Article 17 of Legislative Decree 5 December 2005, n. 252) must be included in the management result that has accrued at the end of the tax period and are liable to a lieu tax of 11% (see the Paragraph "Earnings from capital - Investors resident in Italy").

An investor that is a real estate investment fund is not liable to lieu tax on the realized capital gains.

Capital gains realized by an investor that is a real estate investment fund will not be subject to any lieu tax in the hands of the same fund. In all cases the recipient of income arising from the investment in real estate funds is liable to a 20% withholding tax.

The capital gains that derive from the sale or redemption of Notes traded on a regulated market, realized by non-resident investors who do not have a permanent establishment in Italy and to whom the Notes are effectively connected, are not liable to any tax in Italy.

The capital gains that derive from the sale or redemption of Notes not traded on a regulated market, realized by non-resident investors who do not have a permanent establishment in Italy and to whom the Notes are effectively connected, are not liable to any tax in Italy provided that the transferor (who is also the effective beneficiary of the respective credit) is: (i) resident in a State that allows for an adequate exchange of information with Italy (the list of countries that allow for an adequate exchange of information with Italy is included in the Ministerial Decree of 4 September 1996 as subsequently amended and supplemented. The 2008 Finance Law provides that, on the basis of the requirements of article 168-*bis* of the TUIR, the Ministry for the Economy and Finance shall issue a decree that contains a list of countries that allow for an adequate exchange of information with Italy); the States and territories currently not included in the lists as per the ministerial decrees of 4 May 1999, 21 November 2001, 23 January 2002 and 4 September 1996 are considered included in that list for a period of five years from the date of the publication of the decree provided by article 168-*bis* of the TUIR in the Official Journal; (ii) an international entity or body established on the basis of international agreements ratified in Italy; (iii) a foreign institutional investor, even if not subject to taxation, established in a country that allow for an adequate exchange of information with Italy; or (iv) a central bank or entity that manages, inter alia, the official reserves of the State.

If none of the above conditions is satisfied, the capital gains realized by investors who are not resident in Italy on the sale or redemption of Notes not traded on a regulated market are liable to a lieu tax of 20%.

In any case non-resident investors not having a permanent establishment in Italy, to whom a double taxation avoidance treaty with the Republic of Italy applies, who subject the capital gains realized on the sale or redemption of the Notes to taxation only in the State in which the investor is resident are not liable to tax on the capital gains realized.

### ***Inheritance and gift tax***

Under Decree Law no. 262 of 3 October 2006, converted with Law no. 286 of 24 November 2006, the free of charge transfer between living persons or on death of any asset (including bonds and any other debt security) is liable to tax at the following rates:

- a 4% rate is applied to transfers to a spouse and immediate family members, with an allowance of Euro 1,000,000 granted for each beneficiary;

- a 6% rate is applied to transfers to other relations up to the fourth degree of kindred and persons related by direct affinity, as well as to persons related by collateral affinity up to the third degree of kindred. If the beneficiaries of the bequest or legacy are brothers or sisters there is an allowance of Euro 100,000 on the value of the assets bequeathed, left or gifted;
- an 8% rate is applied for transfers to other parties.

If a beneficiary is disabled, tax is applied only on the amount exceeding Euro 1,500,000.

### **Tax on stock exchange transactions**

Pursuant to article 37 of Decree Law no. 248 of 31 December 2007, converted by Law no. 31 of 28 February 2008, the stamp duty on stock exchange transactions imposed under Royal Decree no. 3278 of 30 December 1923 has been lifted.

### **Stamp Duty**

Article 19 of Decree No. 201/2011 introduced a proportional stamp duty to be levied on an annual basis with respect to any periodic reporting communications which may be sent by a financial intermediary to its customers in respect of any financial product or instrument which are deposited on a voluntary basis with such financial intermediary (with the sole exclusion of pension funds and of sanitary funds). Pursuant to such provisions it is, *inter alia*, foreseen that a proportional stamp duty applies on the aggregate market value or – if no market value figure is available – on the nominal value or redemption amount of the same financial instrument. The rates applicable have been recently amended by Law 147/2013 as following:

- (i) 0.1 per cent on a yearly basis for 2012;
- (ii) 0.15 per cent on a yearly basis for 2013;
- (iii) 0.2 per cent on a yearly basis starting from 2014.

In any event the stamp duty can be no lower than € 34.20 (only for the year 2012 and 2013) and, it cannot exceed:

- (i) € 1,200.00 for the year 2012;
- (ii) € 4,500.00 for the year 2013 (in case the investor is not a natural person);
- (iii) € 14,000.00 for the year 2014 (in case the investor is not a natural person).

Please note that, pursuant to Law 147/2013, the minimum value of stamp duty cannot be applicable starting from 2014.

### **European Union Savings Tax Directive**

Pursuant to Council Directive no. 2003/48/EC, from 1 July 2005, each Member State of the European Union must provide the tax authorities of the other member States with information regarding the payment of interest (or similar income) by agents established within their territory to natural persons resident in other Member States, with the exception of Luxembourg and Austria. Such States shall adopt for a transitional period (unless in this period the mentioned States decide otherwise), a system that envisages the payment of a withholding tax at rates that vary over time up to 35%. The duration of the transitional period shall depend on reaching agreements on the exchange of information with certain other countries. Certain countries that are not members of the European Union, including Switzerland, have agreed to adopt regimes similar to those described (a system based on withholding tax as far as Switzerland is concerned) starting from the effective date of the directive.

***Implementation in Italy of the Directive on the taxation of savings income in the form of interest payments***

Italy implemented the European Directive on the taxation of savings income in the form of interest payments by means of Legislative Decree no. 84 of 18 April 2005, under which, provided a series of important conditions are satisfied, for interest paid from 1 July 2005 to natural persons who are the effective beneficiaries of the interest and are resident for fiscal purposes in another Member State, qualified Italian paying agents must provide the Tax Revenue Office with details of the interest paid and the personal details of the effective beneficiaries of the payment made. This information is sent by the Tax Revenue Office to the competent tax authorities of the foreign country of residence of the effective beneficiary of the payment.”

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