

Morgan Stanley

MORGAN STANLEY

(incorporated under the laws of the State of Delaware in the United States of America)

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 FINANCE LLC

(formed under the laws of the State of Delaware in the United States of America)

This registration document (including all documents incorporated by reference herein, the "**Registration Document**") has been approved by the Luxembourg Commission de Surveillance du Secteur Financier which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg, as a registration document issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of providing information during the period of twelve months after the date of approval of this Registration Document with regard to Morgan Stanley ("**Morgan Stanley**"), Morgan Stanley & Co. International plc ("**MSI plc**"), Morgan Stanley B.V. ("**MSBV**") and Morgan Stanley Finance LLC ("**MSFL**") as issuers or obligors in respect of debt or derivative securities.

Prospective investors should consider the factors relating to Morgan Stanley, MSI plc, MSBV and MSFL described in the section entitled "**Risk Factors**", commencing on page 2 of this Registration Document.

Each of the Responsible Persons accepts responsibility for the information contained in the relevant document and confirms that, to the best of its knowledge, having taken all reasonable care to ensure that such is the case, the information contained in the relevant document is in accordance with the facts and contains no omission likely to affect the import of such information. "Responsible Person" means (i) Morgan Stanley with regard to the Morgan Stanley registration document (the "Morgan Stanley Registration Document") which comprises this Registration Document with the exception of (A) Items 5 to 10 in the section entitled "Information Incorporated by Reference" set out at pages 20-27; and (B) the sections entitled "Description of Morgan Stanley & Co. International plc" and "Selected Financial Information of Morgan Stanley & Co. International plc" set out at pages 61-68; "Description of Morgan Stanley B.V." and "Selected Financial Information of Morgan Stanley B.V." set out at pages 69-72; and "Description of Morgan Stanley Finance LLC" and "Selected Financial Information of Morgan Stanley Finance LLC" set out at pages 73-75; (ii) MSI plc in relation to the MSI plc registration document (the "MSI plc Registration Document") which comprises this Registration Document with the exception of (A) Items 1 to 4 and 7 to 10 in the section entitled "Information Incorporated by Reference" set out at pages 20-27; and (B) the sections entitled "Description of Morgan Stanley" and "Selected Financial Information of Morgan Stanley" set out at pages 29-60; "Description of Morgan Stanley B.V." and "Selected Financial Information of Morgan Stanley B.V." set out at pages 69-72; "Description of Morgan Stanley Finance LLC" and "Selected Financial Information of Morgan Stanley Finance LLC" set out at pages 73-75; and "Subsidiaries of Morgan Stanley as of 31 December 2018" set out at page 76; (iii) MSBV with regard to the MSBV registration document (the "MSBV Registration Document") which comprises this Registration Document with the exception of (A) Items 1 to 6 and 9 to 10 in the section entitled "Information Incorporated by Reference" set out at pages 20-27; and (B) the sections entitled "Description of Morgan Stanley" and "Selected Financial Information of Morgan Stanley" set out at pages 29-60; "Description of Morgan Stanley & Co. International plc" and "Selected Financial Information of Morgan Stanley & Co. International plc" set out at pages 61-68; "Description of Morgan Stanley Finance LLC" and "Selected Financial Information of Morgan Stanley Finance LLC" set out at pages 73-75; and "Subsidiaries of Morgan Stanley as of 31 December 2018" set out at page 76; and (iv) MSFL with regard to the MSFL registration document (the "MSFL Registration Document") which comprises this Registration Document with the exception of (A) Items 1 to 8 in the section entitled "Information Incorporated by Reference" set out at pages 20-27; and (B) the sections entitled "Description of Morgan Stanley" and "Selected Financial Information of Morgan Stanley" set out at pages 29-60; "Description of Morgan Stanley & Co. International plc" and "Selected Financial Information of Morgan Stanley & Co. International plc" set out at pages 61-68; "Description of Morgan Stanley B.V." and "Selected Financial Information of Morgan Stanley B.V." set out at pages 69-72; and "Subsidiaries of Morgan Stanley as of 31 December 2018" set out at page 76.

MORGAN STANLEY

7 June 2019

Important Notices

The distribution of this Registration Document and the offering, sale and delivery of debt or derivative securities in certain jurisdictions may be restricted by law. Persons into whose possession this Registration Document comes are required by Morgan Stanley, MSI plc, MSBV and MSFL to inform themselves about and to observe any such restrictions.

This Registration Document is intended to form part of a prospectus prepared in compliance with the Prospectus Directive and relevant implementing measures and should be read and construed with any supplement hereto together with all documents incorporated by reference into it, the other parts of such relevant prospectus or, as the case may be, securities note containing disclosure in relation to any issue of debt or derivative securities by any of Morgan Stanley, MSI plc, MSBV or MSFL (or for which any of Morgan Stanley, MSI plc, MSBV or MSFL is an obligor) and, where appropriate, the final terms containing information with respect to such debt or derivative securities.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by any of Morgan Stanley, MSI plc, MSBV or MSFL, any trustee or any dealer appointed in relation to any issue of debt or derivative securities by Morgan Stanley, MSI plc, MSBV or MSFL or for which any of Morgan Stanley, MSI plc, MSBV or MSFL is an obligor.

This Registration Document does not constitute an offer of or an invitation to subscribe for or purchase any debt or derivative securities and should not be considered as a recommendation by any of Morgan Stanley, MSI plc, MSBV or MSFL that any recipient of this Registration Document should subscribe for or purchase any debt or derivative securities. Each recipient of this Registration Document will be taken to have made its own investigation and appraisal of Morgan Stanley, MSI plc, MSBV and MSFL and of the particular terms of any offered debt or derivative securities.

The distribution of this Registration Document and the offer or sale of securities issued by any of Morgan Stanley, MSI plc, MSBV or MSFL (or in relation to which Morgan Stanley, MSI plc, MSBV or MSFL is an obligor) may be restricted by law in certain jurisdictions. Persons into whose possession this Registration Document or any document incorporated by reference herein or any securities issued by Morgan Stanley, MSI plc, MSBV or MSFL (or for which Morgan Stanley, MSI plc, MSBV or MSFL is an obligor) come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of securities issued by any of Morgan Stanley, MSI plc, MSBV or MSFL (or for which Morgan Stanley, MSI plc, MSBV or MSFL is an obligor) and on the distribution of this Registration Document, including any document incorporated herein by reference, see the applicable description of arrangements relating to subscription and sale of the relevant debt or derivative securities in the relevant prospectus or securities note.

All references in this Registration Document to "Sterling" and "£" are to the lawful currency of the United Kingdom, all references to "U.S. dollars," "U.S.\$" and "\$" are to the lawful currency of the United States of America (the "U.S.") and all references to "euro", "€" and "EUR" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

CONTENTS

	Page
RISK FACTORS	2
INFORMATION INCORPORATED BY REFERENCE	20
DESCRIPTION OF MORGAN STANLEY	29
SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY	60
DESCRIPTION OF MORGAN STANLEY & CO. INTERNATIONAL PLC	61
SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY & CO. INTERNATIONAL PLC	68
DESCRIPTION OF MORGAN STANLEY B.V.....	69
SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY B.V.....	72
DESCRIPTION OF MORGAN STANLEY FINANCE LLC.....	73
SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY FINANCE LLC	75
SUBSIDIARIES OF MORGAN STANLEY* AS OF 31 DECEMBER 2018.....	76
INDEX OF DEFINED TERMS	77

RISK FACTORS

Prospective investors should read the entire Registration Document and any relevant securities note (and where appropriate, any relevant final terms and summary). Words and expressions defined elsewhere in this Registration Document have the same meanings in this section.

Prospective investors should consider the factors described below and consult with their own professional advisers if they consider it necessary. Each of Morgan Stanley, MSI plc, MSBV and MSFL believes that the factors described below represent the principal risks with respect to each of Morgan Stanley, MSI plc, MSBV and MSFL.

Risks Relating to Morgan Stanley, MSI plc, MSBV and MSFL

Morgan Stanley is the ultimate parent company of the Morgan Stanley group of companies (Morgan Stanley and its consolidated subsidiaries, the "**Morgan Stanley Group**"). Each of MSBV, MSI plc and MSFL belongs to the Morgan Stanley Group.

All material assets of MSBV are obligations of one or more of the Morgan Stanley Group companies and securities issued by MSBV and MSFL are guaranteed by Morgan Stanley.

There are substantial inter-relationships between MSI plc and Morgan Stanley as well as other Morgan Stanley Group companies, including the provision of funding, capital services and logistical support to or by MSI plc, as well as common or shared business or operational platforms or systems, including employees.

The principal risks with respect to Morgan Stanley described below will also represent (together with the risk factors specific to such entities as described below) the principal risks with respect to MSI plc, MSBV and MSFL, either as individual entities or as part of the Morgan Stanley Group.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by Morgan Stanley.

Morgan Stanley's results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors, including changes in asset values.

Morgan Stanley's results of operations have been in the past and may, in the future, be materially affected by market fluctuations due to global financial markets, economic conditions, changes to the global trade policies and tariffs and other factors, including the level and volatility of equity, fixed income and commodity prices, the level and term structure of interest rates, inflation and currency values, and the level of other market indices. The results of Morgan Stanley's Institutional Securities business segment, particularly results relating to Morgan Stanley's involvement in primary and secondary markets for all types of financial products, are subject to substantial market fluctuations due to a variety of factors that Morgan Stanley cannot control or predict with great certainty. These fluctuations impact results by causing variations in business flows and activity and in the fair value of securities and other financial products. Fluctuations also occur due to the level of global market activity, which, among other things, affects the size, number and timing of investment banking client assignments and transactions and the realisation of returns from Morgan Stanley's principal investments. During periods of unfavourable market or economic conditions, the level of individual investor participation in the global markets, as well as the level of client assets, may also decrease, which would negatively impact the results of Morgan Stanley's Wealth Management business segment. In addition, fluctuations in global market activity could impact the flow of investment capital into or from assets under management or supervision and the way customers allocate capital among money market, equity, fixed income or other investment alternatives, which could negatively impact Morgan Stanley's Investment Management business segment.

The value of Morgan Stanley's financial instruments may be materially affected by market fluctuations. Market volatility, illiquid market conditions and disruptions in the credit markets may make it extremely difficult to value and monetise certain of Morgan Stanley's financial instruments, particularly during periods of market displacement. Subsequent valuations in future periods, in light of factors then prevailing, may result in significant changes in the values of these instruments and may adversely impact historical or

prospective fees and performance-based fees (also known as incentive fees, which include carried interest) in respect of certain businesses. In addition, at the time of any sales and settlements of these financial instruments, the price Morgan Stanley ultimately realises will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of Morgan Stanley's financial instruments, which may have an adverse effect on its results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale. Morgan Stanley's risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. However, severe market events have historically been difficult to predict and Morgan Stanley could realise significant losses if extreme market events were to occur.

Holding large and concentrated positions may expose Morgan Stanley to losses.

Concentration of risk may reduce revenues or result in losses in Morgan Stanley's market-making, investing, block trading, underwriting and lending businesses in the event of unfavourable market movements, or when market conditions are more favourable for its competitors. Morgan Stanley commits substantial amounts of capital to these businesses, which often results in its taking large positions in the securities of, or making large loans to, a particular issuer or issuers in a particular industry, country or region.

Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to Morgan Stanley.

Morgan Stanley is exposed to the risk that third parties that are indebted to it will not perform their obligations.

Morgan Stanley incurs significant credit risk exposure through its Institutional Securities business segment. This risk may arise from a variety of business activities, including, but not limited to: extending credit to clients through various lending commitments; entering into swap or other derivative contracts under which counterparties have obligations to make payments to Morgan Stanley; providing short- or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; posting margin and/or collateral and other commitments to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties; and investing and trading in securities and loan pools whereby the value of these assets may fluctuate based on realised or expected defaults on the underlying obligations or loans.

Morgan Stanley also incurs credit risk in its Wealth Management business segment lending to mainly individual investors, including, but not limited to, margin- and securities-based loans collateralised by securities, residential mortgage loans and home equity lines of credit.

While Morgan Stanley believes current valuations and reserves adequately address its perceived levels of risk, adverse economic conditions may negatively impact its clients and its credit exposures. In addition, as a clearing member of several central counterparties, Morgan Stanley finances its customer positions and could be held responsible for the defaults or misconduct of its customers. Although Morgan Stanley regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

A default by a large financial institution could adversely affect financial markets.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships among the institutions. Increased centralisation of trading activities through particular clearing houses, central agents or exchanges as required by provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") may increase Morgan Stanley's concentration of risk with respect to these entities. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses or

defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing houses, clearing agencies, exchanges, banks and securities firms, with which Morgan Stanley interacts on a daily basis and, therefore, could adversely affect Morgan Stanley.

Operational Risk

Operational risk refers to the risk of loss, or of damage to Morgan Stanley's reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (e.g., fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). Morgan Stanley may incur operational risk across the full scope of its business activities, including revenue-generating activities (e.g., sales and trading) and support and control groups (e.g., information technology and trade processing). Legal, regulatory and compliance risk is included in the scope of operational risk and is discussed below under "*Legal, Regulatory and Compliance Risk*".

Morgan Stanley is subject to operational risks, including a failure, breach or other disruption of its operations or security systems or those of Morgan Stanley's third parties (or third parties thereof), which could adversely affect its businesses or reputation.

Morgan Stanley's businesses are highly dependent on its ability to process and report, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. Morgan Stanley may introduce new products or services or change processes or reporting, including in connection with new regulatory requirements, resulting in new operational risk that Morgan Stanley may not fully appreciate or identify. The trend toward direct access to automated, electronic markets and the move to more automated trading platforms has resulted in the use of increasingly complex technology that relies on the continued effectiveness of the programming code and integrity of the data to process the trades. Morgan Stanley relies on the ability of its employees, consultants, its internal systems and systems at technology centres maintained by unaffiliated third parties to operate its different businesses and process a high volume of transactions. Additionally, Morgan Stanley is subject to complex and evolving laws and regulations governing cybersecurity, privacy and data protection, which may differ and potentially conflict, in various jurisdictions.

As a major participant in the global capital markets, Morgan Stanley faces the risk of incorrect valuation or risk management of its trading positions due to flaws in data, models, electronic trading systems or processes or due to fraud or cyber attack.

Morgan Stanley also faces the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries it uses to facilitate its lending, securities and derivatives transactions. In the event of a breakdown or improper operation of Morgan Stanley's or a direct or indirect third party's systems (or third parties thereof) or processes or improper or unauthorised action by third parties, including consultants and subcontractors or Morgan Stanley's employees, Morgan Stanley could suffer financial loss, an impairment to its liquidity position, a disruption of its businesses, regulatory sanctions or damage to its reputation. In addition, the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses, and the increased importance of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could materially impact Morgan Stanley's ability to conduct business. Furthermore, the concentration of company and personal information held by a handful of third parties increases the risk that a breach at a key third party may cause an industry-wide data breach that could significantly increase the cost and risk of conducting business.

Despite the business contingency and security plans Morgan Stanley has in place, there can be no assurance that such plans fully mitigate all potential risks to Morgan Stanley. Morgan Stanley's ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its business and the communities where Morgan Stanley is located, which are concentrated in the New York metropolitan area, London, Hong Kong and Tokyo, as well as Mumbai, Budapest, Glasgow and Baltimore. This may include a disruption involving physical site access, cybersecurity incidents, terrorist activities, disease pandemics, catastrophic events, natural disasters, extreme weather events, electrical outage, environmental hazard, computer servers, communications or other services Morgan Stanley uses, its employees or third parties with whom Morgan Stanley conducts business.

Although Morgan Stanley employs backup systems for its data, those backup systems may be unavailable following a disruption, the affected data may not have been backed up or may not be recoverable from the

backup, or the backup data may be costly to recover, which could adversely affect Morgan Stanley's business.

A cyber attack, information or security breach or a technology failure could adversely affect Morgan Stanley's ability to conduct its business, manage its exposure to risk or result in disclosure or misuse of confidential or proprietary information and otherwise adversely impact its results of operations, liquidity and financial condition, as well as cause reputational harm.

Morgan Stanley maintains a significant amount of personal information on its customers, clients, employees and certain counterparties that Morgan Stanley is required to protect under various state, federal and international data protection and privacy laws. These laws may be in conflict with one another, or courts and regulators may interpret them in ways that Morgan Stanley had not anticipated or that adversely affect Morgan Stanley's business.

Cybersecurity risks for financial institutions have significantly increased in recent years in part because of the proliferation of new technologies, the use of the internet and mobile telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organised crime, hackers, terrorists and other external extremist parties, including foreign state actors, in some circumstances as a means to promote political ends. In addition to the growing sophistication of certain parties, the commoditisation of cyber tools which are able to be weaponised by less sophisticated actors has led to an increase in the exploitation of technological vulnerabilities. Any of these parties may also attempt to fraudulently induce employees, customers, clients, vendors or other third parties or users of Morgan Stanley's systems to disclose sensitive information in order to gain access to its data or that of Morgan Stanley's employees or clients. Cybersecurity risks may also derive from human error, fraud or malice on the part of its employees or third parties, including third party providers, or may result from accidental technological failure. In addition, third parties with whom Morgan Stanley does business, their service providers, as well as other third parties with whom Morgan Stanley's customers do business, may also be sources of cybersecurity risks, particularly where activities of customers are beyond Morgan Stanley's security and control systems. There is no guarantee that the measures Morgan Stanley takes will provide absolute security or recoverability given the techniques used in cyber attacks are complex and frequently change, and may not be able to be anticipated.

Like other financial services firms, Morgan Stanley and its third party providers continue to be the subject of unauthorised access attacks, mishandling or misuse of information, computer viruses or malware, cyber attacks designed to obtain confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, denial of service attacks, data breaches and other events. There can be no assurance that such unauthorised access, mishandling or misuse of information or cyber incidents will not occur in the future, and they could occur more frequently and on a more significant scale.

A cyber attack, information or security breach or a technology failure of Morgan Stanley or of a third party could jeopardise its or its clients', employees', partners', vendors' or counterparties' personal, confidential, proprietary or other information processed and stored in, and transmitted through, its and its third parties' computer systems. Furthermore, such events could cause interruptions or malfunctions in Morgan Stanley's, its clients', employees', partners', vendors', counterparties' or third parties' operations, as well as the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of Morgan Stanley, of its employees, of its customers or of other third parties. Any of these events could result in reputational damage with Morgan Stanley's clients and the market, client dissatisfaction, additional costs to Morgan Stanley to maintain and update its operational and security systems and infrastructure, regulatory investigations, litigation or enforcement, or regulatory fines or penalties, any of which could adversely affect Morgan Stanley's business, financial condition or results of operations.

Given Morgan Stanley's global footprint and the high volume of transactions Morgan Stanley processes, the large number of clients, partners, vendors and counterparties with which Morgan Stanley does business, and the increasing sophistication of cyber attacks, a cyber attack, information or security breach could occur and persist for an extended period of time without detection. Morgan Stanley expects that any investigation of a cyber attack would be inherently unpredictable and that it would take time before the completion of any investigation and before there is availability of full and reliable information. During such time Morgan Stanley would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all or any of which would further increase the costs and consequences of a cyber attack.

While many of Morgan Stanley's agreements with partners and third party vendors include indemnification provisions, Morgan Stanley may not be able to recover sufficiently, or at all, under such provisions to adequately offset any losses Morgan Stanley may incur. In addition, although Morgan Stanley maintains insurance coverage that may, subject to policy terms and conditions, cover certain aspects of cyber and information security risks, such insurance coverage may be insufficient to cover all losses.

The cost of managing cyber and information security risks and attacks along with complying with new and increasingly expansive regulatory requirements could adversely affect Morgan Stanley's results of operations and business.

Liquidity Risk

Liquidity risk refers to the risk that Morgan Stanley will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity risk also encompasses Morgan Stanley's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten its viability as a going concern. Liquidity risk also encompasses the associated funding risks triggered by the market or idiosyncratic stress events that may negatively affect Morgan Stanley's liquidity and may impact its ability to raise new funding.

Liquidity is essential to Morgan Stanley's businesses and Morgan Stanley relies on external sources to finance a significant portion of its operations.

Liquidity is essential to Morgan Stanley's businesses. Morgan Stanley's liquidity could be negatively affected by its inability to raise funding in the long-term or short-term debt capital markets or its inability to access the secured lending markets. Factors that Morgan Stanley cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, including concerns regarding fiscal matters in the U.S. and other geographic areas, could impair Morgan Stanley's ability to raise funding. In addition, Morgan Stanley's ability to raise funding could be impaired if investors or lenders develop a negative perception of Morgan Stanley's long-term or short-term financial prospects due to factors such as an incurrence of large trading losses, a downgrade by the rating agencies, a decline in the level of its business activity, or if regulatory authorities take significant action against Morgan Stanley or its industry, or Morgan Stanley discovers significant employee misconduct or illegal activity. If Morgan Stanley is unable to raise funding using the methods described above, it would likely need to finance or liquidate unencumbered assets, such as its investment portfolios or trading assets, to meet maturing liabilities. Morgan Stanley may be unable to sell some of its assets, or it may have to sell assets at a discount to market value, either of which could adversely affect Morgan Stanley's results of operations, cash flows and financial condition.

Morgan Stanley's borrowing costs and access to the debt capital markets depend on its credit ratings.

The cost and availability of unsecured financing generally are impacted by Morgan Stanley's long-term and short-term credit ratings. The rating agencies continue to monitor certain issuer specific factors that are important to the determination of Morgan Stanley's credit ratings, including governance, the level and quality of earnings, capital adequacy, liquidity and funding, risk appetite and management, asset quality, strategic direction and business mix. Additionally, the rating agencies will look at other industry-wide factors such as regulatory or legislative changes, macro-economic environment, and perceived levels of third party support, and it is possible that they could downgrade Morgan Stanley's ratings and those of similar institutions.

Morgan Stanley's credit ratings also can have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is a key consideration, such as over-the-counter ("OTC") and other derivative transactions, including credit derivatives and interest rate swaps. In connection with certain OTC trading agreements and certain other agreements associated with Morgan Stanley's Institutional Securities business segment, Morgan Stanley may be required to provide additional collateral to, or immediately settle any outstanding liability balance with, certain counterparties in the event of a credit ratings downgrade. Termination of Morgan Stanley's trading and other agreements could cause Morgan Stanley to sustain losses and impair its liquidity by requiring it to find other sources of financing or to make significant cash payments or securities movements. The additional collateral or termination payments which may occur in the event of a future credit rating downgrade vary by contract and can be based on ratings by either or both of Moody's Investors Services, Inc. ("**Moody's**") and S&P Global Ratings ("**S&P**").

Morgan Stanley is a holding company and depends on payments from its subsidiaries.

Morgan Stanley has no operations and depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations. Regulatory, tax restrictions or elections and other legal restrictions may limit Morgan Stanley's ability to transfer funds freely, either to or from its subsidiaries. In particular, many of Morgan Stanley's subsidiaries, including its bank and broker-dealer subsidiaries, are subject to laws, regulations and self-regulatory organisation rules that limit, as well as authorise regulatory bodies to block or reduce the flow of funds to Morgan Stanley, or that prohibit such transfers or dividends altogether in certain circumstances, including steps to "ring fence" entities by regulators outside of the U.S. to protect clients and creditors of such entities in the event of financial difficulties involving such entities. These laws, regulations and rules may hinder Morgan Stanley's ability to access funds that it may need to make payments on its obligations. Furthermore, as a bank holding company, Morgan Stanley may become subject to a prohibition or to limitations on its ability to pay dividends. The Board of Governors of the Federal Reserve System (the "**Federal Reserve**"), the Office of the Comptroller of the Currency ("**OCC**") and the Federal Deposit Insurance Corporation ("**FDIC**") have the authority, and under certain circumstances the duty, to prohibit or to limit the payment of dividends by the banking organisations they supervise, including Morgan Stanley and its U.S. bank subsidiaries, Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association (collectively, "**U.S. Bank Subsidiaries**").

Morgan Stanley's liquidity and financial condition have in the past been, and in the future could be, adversely affected by U.S. and international markets and economic conditions.

Morgan Stanley's ability to raise funding in the long-term or short-term debt capital markets or the equity markets, or to access secured lending markets, has in the past been, and could in the future be, adversely affected by conditions in the U.S. and international markets and economies. In particular, Morgan Stanley's cost and availability of funding in the past have been, and may in the future be, adversely affected by illiquid credit markets and wider credit spreads. Significant turbulence in the U.S., the European Union and other international markets and economies could adversely affect Morgan Stanley's liquidity and financial condition and the willingness of certain counterparties and customers to do business with Morgan Stanley.

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation Morgan Stanley may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. It also includes compliance with anti-money laundering, anti-corruption and terrorist financing rules and regulations.

The financial services industry is subject to extensive regulation, and changes in regulation will impact Morgan Stanley's business.

Like other major financial services firms, Morgan Stanley is subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by regulators and exchanges in each of the major markets where Morgan Stanley conducts its business. These laws and regulations significantly affect the way Morgan Stanley does business and can restrict the scope of its existing businesses and limit its ability to expand its product offerings and pursue certain investments.

The regulation of major financial firms, including Morgan Stanley, as well as of the markets in which Morgan Stanley operates, is extensive and subject to ongoing change. Morgan Stanley is, or will become, subject to (among other things) wide-ranging regulation and supervision, intensive scrutiny of its businesses and any plans for expansion of those businesses, limitations on new activities, a systemic risk regime that imposes heightened capital and liquidity and funding requirements and other enhanced prudential standards, resolution regimes and resolution planning requirements, requirements for maintaining minimum amounts of total loss-absorbing capacity and external long-term debt, restrictions on activities and investments imposed by a section of the Bank Holding Company Act of 1956, as amended (the "**BHC Act**") added by the Dodd-Frank Act referred to as the "**Volcker Rule**", comprehensive derivatives regulation, market structure regulation, tax regulations, antitrust laws, trade and transaction reporting obligations, and broadened fiduciary obligations. In some areas, regulatory standards are subject to final

rulemaking or transition periods or may otherwise be revised in whole or in part. Ongoing implementation of, or changes in, laws and regulations could materially impact the profitability of Morgan Stanley's businesses and the value of assets it holds, expose it to additional costs, require changes to business practices or force it to discontinue businesses, adversely affect its ability to pay dividends and repurchase its stock, or require it to raise capital, including in ways that may adversely impact its shareholders or creditors. In addition, regulatory requirements that are being imposed by foreign policymakers and regulators may be inconsistent or conflict with regulations that Morgan Stanley is subject to in the U.S. and may adversely affect it. Morgan Stanley expects legal and regulatory requirements to be subject to ongoing change for the foreseeable future, which may result in significant new costs to comply with new or revised requirements as well as to monitor for compliance on an ongoing basis.

The application of regulatory requirements and strategies in the U.S. or other jurisdictions to facilitate the orderly resolution of large financial institutions may pose a greater risk of loss for Morgan Stanley's security holders, and subject Morgan Stanley to other restrictions.

Pursuant to the Dodd-Frank Act, Morgan Stanley is required to periodically submit to the Federal Reserve and the FDIC a resolution plan that describes its strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of material financial distress or failure. If the Federal Reserve and the FDIC were to jointly determine that Morgan Stanley's resolution plan submission was not credible or would not facilitate an orderly resolution, and if Morgan Stanley were unable to address any deficiencies identified by the regulators, Morgan Stanley or any of its subsidiaries may be subject to more stringent capital, leverage, or liquidity requirements or restrictions on its growth, activities, or operations, or after a two year period, Morgan Stanley may be required to divest assets or operations.

In addition, provided that certain procedures are met, Morgan Stanley can be subject to a resolution proceeding under the orderly liquidation authority under Title II of the Dodd-Frank Act with the FDIC being appointed as receiver. The FDIC's power under the orderly liquidation authority to disregard the priority of creditor claims and treat similarly situated creditors differently in certain circumstances, subject to certain limitations, could adversely impact holders of Morgan Stanley's unsecured debt.

Further, because both Morgan Stanley's resolution plan contemplates a single point of entry ("SPOE") strategy under the U.S. Bankruptcy Code and the FDIC has proposed an SPOE strategy through which it may apply its orderly liquidation authority powers, Morgan Stanley believes that the application of an SPOE strategy is the reasonably likely outcome if either its resolution plan were implemented or a resolution proceeding were commenced under the orderly liquidation authority. An SPOE strategy generally contemplates the provision of additional capital and liquidity by Morgan Stanley to certain of its subsidiaries so that such subsidiaries have the resources necessary to implement the resolution strategy, and Morgan Stanley has entered into a secured amended and restated support agreement with its material entities, as defined in Morgan Stanley's 2017 resolution plan pursuant to which it would provide such capital and liquidity.

Under the secured amended and restated support agreement, upon the occurrence of a resolution scenario, including one in which an SPOE strategy is used, Morgan Stanley will be obligated to contribute or loan on a subordinated basis all of its contributable material assets, other than shares in subsidiaries of Morgan Stanley and certain intercompany payables, to provide capital and liquidity, as applicable, to its material entities. The obligations of Morgan Stanley under the secured amended and restated support agreement are in most cases secured on a senior basis by the assets of Morgan Stanley (other than shares in subsidiaries of Morgan Stanley). As a result, claims of Morgan Stanley's material entities against the assets of Morgan Stanley (other than shares in subsidiaries of Morgan Stanley) are effectively senior to unsecured obligations of Morgan Stanley. Such unsecured obligations are at risk of absorbing losses of Morgan Stanley and its subsidiaries. In further development of Morgan Stanley's SPOE strategy, Morgan Stanley has created a wholly owned, direct subsidiary, MS Holdings LLC ("**Funding IHC**"), to serve as a resolution funding vehicle. Morgan Stanley expects that, prior to the submission of its 2019 resolution plan by 1 July 2019, Morgan Stanley will contribute certain of its assets to the Funding IHC and enter into an updated secured amended and restated support agreement with the Funding IHC as well as certain other subsidiaries to facilitate the execution of its SPOE strategy. Similar to the existing secured amended and restated support agreement, the updated secured amended and restated support agreement will obligate Morgan Stanley to transfer capital and liquidity, as revised, to the Funding IHC, and that Morgan Stanley and/or the Funding IHC will recapitalize and provide liquidity to material entities in the event of Morgan Stanley's material financial distress or failure. Although an SPOE strategy, whether applied pursuant to Morgan Stanley's resolution plan or in a resolution proceeding under the orderly liquidation authority, is intended to result in

better outcomes for creditors overall, there is no guarantee that the application of an SPOE strategy, including the provision of support to Morgan Stanley's material entities pursuant to the secured amended and restated support agreement, will not result in greater losses for holders of Morgan Stanley's securities compared to a different resolution strategy for the firm.

Regulators have taken and proposed various actions to facilitate an SPOE strategy under the U.S. Bankruptcy Code, the orderly liquidation authority or other resolution regimes. For example, the Federal Reserve requires top-tier bank holding companies of U.S. global systemically important banks, including Morgan Stanley, to maintain minimum amounts of equity and eligible long-term debt ("**total loss-absorbing capacity**" or "**TLAC**") in order to ensure that such institutions have enough loss-absorbing resources at the point of failure to be recapitalised through the conversion of debt to equity or otherwise by imposing losses on eligible TLAC where the SPOE strategy is used. The combined implication of the SPOE resolution strategy and the TLAC requirement is that Morgan Stanley's losses will be imposed on the holders of eligible long-term debt and other forms of eligible TLAC issued by Morgan Stanley before any losses are imposed on the holders of the debt securities of Morgan Stanley's operating subsidiaries or before putting U.S. taxpayers at risk.

In addition, certain jurisdictions, including the United Kingdom ("**U.K.**") and other European Union ("**E.U.**") jurisdictions, have implemented, or are in the process of implementing, changes to resolution regimes to provide resolution authorities with the ability to recapitalise a failing entity organised in such jurisdiction by writing down certain unsecured liabilities or converting certain unsecured liabilities into equity. Such "bail-in" powers are intended to enable the recapitalisation of a failing institution by allocating losses to its shareholders and unsecured creditors. Non-U.S. regulators are also considering requirements that certain subsidiaries of large financial institutions maintain minimum amounts of total loss-absorbing capacity that would pass losses up from the subsidiaries to Morgan Stanley and, ultimately, to security holders of Morgan Stanley in the event of failure.

Morgan Stanley may be prevented from paying dividends or taking other capital actions because of regulatory constraints or revised regulatory capital standards.

Morgan Stanley is subject to comprehensive consolidated supervision, regulation and examination by the Federal Reserve, which requires Morgan Stanley to submit, on an annual basis, a capital plan describing proposed dividend payments to shareholders, proposed repurchases of its outstanding securities and other proposed capital actions that it intends to take. The Federal Reserve may object to, or otherwise require Morgan Stanley to modify, such plan, or may object or require modifications to a resubmitted capital plan, any of which would adversely affect shareholders. In addition, beyond review of the plan, the Federal Reserve may impose other restrictions or conditions on Morgan Stanley that prevent it from paying or increasing dividends, repurchasing securities or taking other capital actions that would benefit shareholders. Finally, the Federal Reserve may change regulatory capital standards to impose higher requirements that restrict Morgan Stanley's ability to take capital actions or may modify or impose other regulatory standards that increase Morgan Stanley's operating expenses and reduce its ability to take capital actions.

The financial services industry faces substantial litigation and is subject to extensive regulatory and law enforcement investigations, and Morgan Stanley may face damage to its reputation and legal liability.

As a global financial services firm, Morgan Stanley faces the risk of investigations and proceedings by governmental and self-regulatory organisations in all countries in which it conducts its business. Investigations and proceedings initiated by these authorities may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. In addition to the monetary consequences, these measures could, for example, impact Morgan Stanley's ability to engage in, or impose limitations on, certain of its businesses. These investigations and proceedings, as well as the amount of penalties and fines sought, continue to impact the financial services industry and certain U.S. and international governmental entities have brought criminal actions against, or have sought criminal convictions, pleas or deferred prosecution agreements from, financial institutions. Significant regulatory or law enforcement action against Morgan Stanley could materially adversely affect its business, financial condition or results of operations or cause it significant reputational harm, which could seriously harm its business. The Dodd-Frank Act also provides compensation to whistleblowers who present the United States Securities and Exchange Commission (the "**SEC**") or the United States Commodity Futures Trading Commission (the "**CFTC**") with information related to securities or commodities law violations that leads to a successful enforcement action. As a result of this compensation, it is possible Morgan Stanley could face an increased number of investigations by the SEC or CFTC.

Morgan Stanley has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, as well as investigations or proceedings brought by regulatory agencies, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal or regulatory actions include claims for substantial compensatory and/or punitive damages, claims for indeterminate amounts of damages, or may result in penalties, fines, or other results adverse to Morgan Stanley. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or are in financial distress. In other cases, including antitrust litigation, Morgan Stanley may be subject to claims for joint and several liability with other defendants for treble damages or other relief related to alleged conspiracies involving other institutions. Like any large corporation, Morgan Stanley is also subject to risk from potential employee misconduct, including non-compliance with policies and improper use or disclosure of confidential information, or improper sales practices or conduct.

Morgan Stanley may be responsible for representations and warranties associated with residential and commercial real estate loans and may incur losses in excess of its reserves.

Morgan Stanley originates loans secured by commercial and residential properties. Further, Morgan Stanley securitises and trades in a wide range of commercial and residential real estate and real estate-related whole loans, mortgages and other real estate and commercial assets and products, including residential and commercial mortgage-backed securities. In connection with these activities, Morgan Stanley has provided, or otherwise agreed to be responsible for, certain representations and warranties. Under certain circumstances, Morgan Stanley may be required to repurchase such assets or make other payments related to such assets if such representations and warranties were breached. Morgan Stanley has also made representations and warranties in connection with its role as an originator of certain commercial mortgage loans that it securitised in commercial mortgage-backed securities.

Morgan Stanley currently has several legal proceedings related to claims for alleged breaches of representations and warranties. If there are decisions adverse to Morgan Stanley in those legal proceedings, it may incur losses substantially in excess of its reserves. In addition, Morgan Stanley's reserves are based, in part, on certain factual and legal assumptions. If those assumptions are incorrect and need to be revised, Morgan Stanley may need to adjust its reserves substantially.

Morgan Stanley's commodities activities and investments subject it to extensive regulation, and environmental risks and regulation that may expose it to significant costs and liabilities.

In connection with the commodities activities in its Institutional Securities business segment, Morgan Stanley executes transactions involving the storage, transportation and market-making of several commodities, including metals, natural gas, electric power, environmental attributes and other commodity products. In addition, Morgan Stanley is an electricity power marketer in the U.S. and owns a minority interest in Heidmar Holdings LLC, which owns a group of companies that provide international marine transportation and U.S. marine logistics services. These activities subject Morgan Stanley to extensive energy, commodities, environmental, health and safety and other governmental laws and regulations.

Although Morgan Stanley has attempted to mitigate its environmental risks by, among other measures, limiting the scope of activities involving storage and transportation, adopting appropriate policies and procedures, and implementing emergency response programs, these actions may not prove adequate to address every contingency. In addition, insurance covering some of these risks may not be available, and the proceeds, if any, from insurance recovery may not be adequate to cover liabilities with respect to particular incidents. As a result, Morgan Stanley's financial condition, results of operations and cash flows may be adversely affected by these events.

During the past several years, intensified scrutiny of certain energy markets by federal, state and local authorities in the U.S. and abroad and by the public has resulted in increased regulatory and legal enforcement, litigation and remedial proceedings involving companies conducting the activities in which Morgan Stanley is engaged. In addition, enhanced regulation of OTC derivatives markets in the U.S. and the E.U., as well as similar legislation proposed or adopted elsewhere, will impose significant costs and requirements on Morgan Stanley's commodities derivatives activities. Morgan Stanley may incur substantial costs or loss of revenue in complying with current or future laws and regulations and its overall businesses and reputation may be adversely affected by the current legal environment. In addition, failure to comply with these laws and regulations may result in substantial civil and criminal fines and penalties.

A failure to address conflicts of interest appropriately could adversely affect Morgan Stanley's businesses and reputation.

As a global financial services firm that provides products and services to a large and diversified group of clients, including corporations, governments, financial institutions and individuals, Morgan Stanley faces potential conflicts of interest in the normal course of business. For example, potential conflicts can occur when there is a divergence of interests between Morgan Stanley and a client, among clients, between an employee on the one hand and Morgan Stanley or a client on the other, or situations in which Morgan Stanley may be a creditor of a client. Morgan Stanley has policies, procedures and controls that are designed to identify and address potential conflicts of interest, and utilises various measures, such as the use of disclosure, to manage these potential conflicts. However, identifying and mitigating potential conflicts of interest can be complex and challenging and can become the focus of media and regulatory scrutiny. Indeed, actions that merely appear to create a conflict can put Morgan Stanley's reputation at risk even if the likelihood of an actual conflict has been mitigated. It is possible that potential conflicts could give rise to litigation or enforcement actions, which may lead to Morgan Stanley's clients being less willing to enter into transactions in which a conflict may occur and could adversely affect Morgan Stanley's businesses and reputation.

Morgan Stanley's regulators have the ability to scrutinise its activities for potential conflicts of interest, including through detailed examinations of specific transactions. For example, Morgan Stanley's status as a bank holding company supervised by the Federal Reserve subjects it to direct Federal Reserve scrutiny with respect to transactions between Morgan Stanley's U.S. Bank Subsidiaries and their affiliates. Further, the Volcker Rule subjects Morgan Stanley to regulatory scrutiny regarding certain transactions between Morgan Stanley and its clients.

Uncertainties and ambiguities as to the interpretation and application of the U.S. Tax Cuts and Jobs Act ("Tax Act") could adversely affect Morgan Stanley.

The Tax Act, enacted on 22 December 2017, significantly revised U.S. corporate income tax law by reducing the corporate income tax rate to 21%, partially or wholly eliminating tax deductions for certain expenses and implementing a modified territorial tax system. The modified territorial tax system includes a one-time transition tax on deemed repatriated earnings of non-U.S. subsidiaries and also imposes a minimum tax on global intangible low tax income ("GILTI") and an alternative base erosion and anti-abuse tax ("BEAT") on U.S. corporations with operations outside of the U.S.

The U.S. Treasury Department has issued proposed regulations on certain provisions in the Tax Act, some of which are not yet finalised and are therefore subject to change. In addition, there continue to be a number of uncertainties and ambiguities as to the interpretation and application of many of the provisions in the Tax Act, including the provisions relating to the modified territorial tax system, GILTI, and the BEAT. In the absence of further guidance on these issues, Morgan Stanley use what it believes are reasonable interpretations and assumptions in applying the Tax Act for purposes of determining its tax balances and results of operations, which may change as Morgan Stanley receive additional clarification and implementation guidance and as the interpretation of the Tax Act evolves over time. Morgan Stanley expects that the U.S. Treasury Department will continue to issue additional guidance on the application of various provisions in the Tax Act. It is possible that such additional guidance or positions taken by the IRS in an audit could differ from the interpretations and assumptions that Morgan Stanley previously made, which could have a material adverse effect on Morgan Stanley's results of operations and financial condition.

Risk Management

Morgan Stanley's risk management strategies, models and processes may not be fully effective in mitigating its risk exposures in all market environments or against all types of risk.

Morgan Stanley has devoted significant resources to develop its risk management capabilities and expects to continue to do so in the future. Nonetheless, Morgan Stanley's risk management strategies, models and processes, including its use of various risk models for assessing market exposures and hedging strategies, stress testing and other analysis, may not be fully effective in mitigating Morgan Stanley's risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. As Morgan Stanley's businesses change and grow, and the markets in which Morgan Stanley operates evolve, its risk management strategies, models and processes may not always adapt with those changes.

Some of Morgan Stanley's methods of managing risk are based upon its use of observed historical market behaviour and management's judgment. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. In addition, many models Morgan Stanley uses are based on assumptions or inputs regarding correlations among prices of various asset classes or other market indicators and therefore cannot anticipate sudden, unanticipated or unidentified market or economic movements, which could cause Morgan Stanley to incur losses.

Management of market, credit, liquidity, operational, model, legal, regulatory and compliance risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective. Morgan Stanley's trading risk management strategies and techniques also seek to balance its ability to profit from trading positions with its exposure to potential losses. While Morgan Stanley employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the timing of such outcomes. For example, to the extent that Morgan Stanley's trading or investing activities involve less liquid trading markets or are otherwise subject to restrictions on sales or hedging, Morgan Stanley may not be able to reduce its positions and therefore reduce its risk associated with such positions. Morgan Stanley may, therefore, incur losses in the course of its trading or investing activities.

Expected replacement of London Interbank Offered Rate and replacement or reform of other interest rates could adversely affect Morgan Stanley's business, financial condition and results of operations.

Central banks around the world, including the Federal Reserve, have commissioned working groups of market participants and official sector representatives with the goal of finding suitable replacements for LIBOR and replacements or reforms of other interest rate benchmarks, such as EURIBOR and EONIA (collectively, the "IBORs"). It is expected that a transition away from the widespread use of such rates to alternative rates based on observable market transactions and other potential interest rate benchmark reforms will occur over the course of the next few years. For example, the United Kingdom Financial Conduct Authority ("FCA"), which regulates LIBOR, has announced that it has commitments from panel banks to continue to contribute to LIBOR through the end of 2021, but that it will not use its powers to compel contributions beyond such date. Accordingly, there is considerable uncertainty regarding the publication of LIBOR beyond 2021.

On 3 April 2018, the Federal Reserve Bank of New York commenced publication of three reference rates based on overnight U.S. Treasury repurchase agreement transactions, including the Secured Overnight Financing Rate, which has been recommended as an alternative to U.S. dollar LIBOR by the Alternative Reference Rates Committee. Further, the Bank of England is publishing a reformed Sterling Overnight Index Average, comprised of a broader set of overnight Sterling money market transactions, which has been selected by the Working Group on Sterling Risk-Free Reference Rates as the alternative rate to Sterling LIBOR. Central bank-sponsored committees in other jurisdictions, including Europe, Japan and Switzerland, have, or are expected to, select alternative reference rates denominated in other currencies.

The market transition away from IBORs to alternative reference rates is complex and could have a range of adverse impacts on Morgan Stanley's business, financial condition and results of operations. In particular, any such transition or reform could:

- adversely impact the pricing, liquidity, value of, return on and trading for a broad array of financial products, including any IBOR-linked securities, loans and derivatives that are included in Morgan Stanley's financial assets and liabilities;
- require extensive changes to documentation that governs or references IBOR or IBOR-based products, including, for example, pursuant to time-consuming renegotiations of existing documentation to modify the terms of outstanding securities and related hedging transactions;
- result in inquiries or other actions from regulators in respect of Morgan Stanley's preparation and readiness for the replacement of IBOR with one or more alternative reference rates;
- result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of provisions in IBOR-based products such as fallback language or other related provisions, including in the case of fallbacks to the alternative reference rates, any economic, legal,

operational or other impact resulting from the fundamental differences between the IBORs and the various alternative reference rates;

- require the transition and/or development of appropriate systems and analytics to effectively transition Morgan Stanley's risk management processes from IBOR-based products to those based on one or more alternative reference rates in a timely manner, including by quantifying value and risk for various alternative reference rates, which may prove challenging given the limited history of the proposed alternative reference rates; and
- cause Morgan Stanley to incur additional costs in relation to any of the above factors.

Depending on several factors including those set forth above, Morgan Stanley's business, financial condition and results of operations could be materially adversely impacted by the market transition or reform of certain benchmarks. Other factors include the pace of the transition to replacement or reformed rates, the specific terms and parameters for and market acceptance of any alternative reference rate, prices of and the liquidity of trading markets for products based on alternative reference rates, and Morgan Stanley's ability to transition and develop appropriate systems and analytics for one or more alternative reference rates.

Competitive Environment

Morgan Stanley faces strong competition from other financial services firms which could lead to pricing pressures that could materially adversely affect its revenue and profitability.

The financial services industry and all aspects of Morgan Stanley's businesses are intensely competitive, and Morgan Stanley expects them to remain so. Morgan Stanley competes with commercial banks, brokerage firms, insurance companies, exchanges, electronic trading and clearing platforms, financial data repositories, sponsors of mutual funds, hedge funds, energy companies, financial technology firms and other companies offering financial or ancillary services in the U.S., globally and digitally or through the internet. Morgan Stanley competes on the basis of several factors, including transaction execution, capital or access to capital, products and services, innovation, technology, reputation, risk appetite and price. Over time, certain sectors of the financial services industry have become more concentrated, as institutions involved in a broad range of financial services have left businesses, been acquired by or merged into other firms or have declared bankruptcy. Such changes could result in Morgan Stanley's remaining competitors gaining greater capital and other resources, such as the ability to offer a broader range of products and services and geographic diversity, or new competitors may emerge. Morgan Stanley has experienced and may continue to experience pricing pressures as a result of these factors and as some of its competitors seek to obtain market share by reducing prices or providing more favourable terms of business. In addition, certain of Morgan Stanley's competitors may be subject to different, and, in some cases, less stringent, legal and regulatory regimes, than Morgan Stanley is, thereby putting it at a competitive disadvantage. Some new competitors in the financial technology sector have sought to target existing segments of Morgan Stanley's businesses that could be susceptible to disruption by innovative or less regulated business models.

Automated trading markets may adversely affect Morgan Stanley's business and may increase competition.

Morgan Stanley has experienced intense price competition in some of its businesses in recent years. In particular, the ability to execute securities, derivatives and other financial instrument trades electronically on exchanges, swap execution facilities, and other automated trading platforms has increased the pressure on bid-offer spreads, commissions, markups or comparable fees. The trend toward direct access to automated, electronic markets will likely continue and will likely increase as additional markets move to more automated trading platforms. Morgan Stanley has experienced and it is likely that it will continue to experience competitive pressures in these and other areas in the future as some of its competitors may seek to obtain market share by reducing bid-offer spreads, commissions, markups or comparable fees.

Morgan Stanley's ability to retain and attract qualified employees is critical to the success of its business and the failure to do so may materially adversely affect its performance.

Morgan Stanley's people are its most important resource and competition for qualified employees is intense. If Morgan Stanley is unable to continue to attract and retain highly qualified employees, or do so at levels or in forms necessary to maintain its competitive position, or if compensation costs required to attract and

retain employees become more expensive, Morgan Stanley's performance, including its competitive position, could be materially adversely affected. The financial industry has experienced and may continue to experience more stringent regulation of employee compensation, including limitations relating to incentive-based compensation, clawback requirements and special taxation, which could have an adverse effect on Morgan Stanley's ability to hire or retain the most qualified employees.

International Risk

Morgan Stanley is subject to numerous political, economic, legal, tax, operational, franchise and other risks as a result of its international operations which could adversely impact its businesses in many ways.

Morgan Stanley is subject to political, economic, legal, tax, operational, franchise and other risks that are inherent in operating in many countries, including risks of possible nationalisation, expropriation, price controls, capital controls, exchange controls, increased taxes and levies and other restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability. In many countries, the laws and regulations applicable to the securities and financial services industries are uncertain and evolving, and it may be difficult for Morgan Stanley to determine the exact requirements of local laws in every market. Morgan Stanley's inability to remain in compliance with local laws in a particular market could have a significant and negative effect not only on its business in that market but also on its reputation generally. Morgan Stanley is also subject to the risk that transactions it structures might not be legally enforceable in all cases.

Various emerging market countries have experienced severe political, economic or financial disruptions, including significant devaluations of their currencies, defaults or potential defaults on sovereign debt, capital and currency exchange controls, high rates of inflation and low or negative growth rates in their economies. Crime and corruption, as well as issues of security and personal safety, also exist in certain of these countries. These conditions could adversely impact Morgan Stanley's businesses and increase volatility in financial markets generally.

The emergence of a disease pandemic or other widespread health emergency, or concerns over the possibility of such an emergency as well as natural disasters, terrorist activities or military actions, could create economic and financial disruptions in emerging markets and other areas throughout the world, and could lead to operational difficulties (including travel limitations) that could impair Morgan Stanley's ability to manage its businesses around the world.

As a U.S. company, Morgan Stanley is required to comply with the economic sanctions and embargo programs administered by the U.S. Treasury's Office of Foreign Assets Control and similar multi-national bodies and governmental agencies worldwide, as well as applicable anti-corruption laws in the jurisdictions in which Morgan Stanley operates, such as the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act. A violation of a sanction, embargo program, or anti-corruption law could subject Morgan Stanley, and individual employees, to a regulatory enforcement action as well as significant civil and criminal penalties.

The U.K.'s anticipated withdrawal from the E.U. could adversely affect Morgan Stanley.

It is difficult to predict the future of the U.K.'s relationship with the E.U., the uncertainty of which may increase the volatility in the global financial markets in the short- and medium-term and may negatively disrupt regional and global financial markets. Additionally, depending on the outcome, such uncertainty may adversely affect the manner in which Morgan Stanley operates certain of its businesses in Europe.

On 23 June 2016, the U.K. electorate voted to leave the E.U. On 29 March 2017, the U.K. invoked Article 50 of the Lisbon Treaty, which triggered a two-year period, subject to extension (which would need the unanimous approval of the E.U. Member States), during which the U.K. government negotiated a form of withdrawal agreement with the E.U. The U.K. government and the E.U. have agreed to delay the U.K.'s scheduled withdrawal from the E.U. until 31 October 2019. Absent any further changes to this time schedule, the U.K. is expected to leave the E.U. by 31 October 2019 at the latest.

The proposed withdrawal agreement includes a transition period until December 2020 and provides that the U.K. will leave the E.U. single market and will seek a phased period of implementation for a new U.K.-E.U. relationship that may cover the legal and regulatory framework applicable to financial institutions with significant operations in Europe, such as the Firm.

The withdrawal agreement was rejected by the U.K. Parliament on 15 January 2019 and on two subsequent occasions. As a result, the terms and conditions of the anticipated withdrawal from the E.U. remain uncertain. Discussions are ongoing within the U.K. Parliament on the negotiated withdrawal agreement and the alternatives to it, and between the U.K. government and the E.U.

The ongoing political uncertainty in relation to the proposed withdrawal agreement in the U.K. means there is a risk that these arrangements may not be ready for implementation by 31 October 2019 or that there will be no transition period. Potential effects of the U.K. exit from the E.U. and potential mitigation actions may vary considerably depending on the timing of withdrawal, the nature of any transition, implementation or successor arrangements, and the future trading arrangements between the U.K. and the E.U.

If the withdrawal agreement (or any alternative agreement) is not agreed and as a result no transition period applies, Morgan Stanley's U.K. licensed entities may be unable to rely on E.U. passporting rights to provide services in a number of E.U. jurisdictions beginning on the date the U.K. leaves the E.U., absent further regulatory relief. Even if a transition period is agreed, Morgan Stanley's U.K. licensed entities may lose their rights to provide services in a number of E.U. jurisdictions after such transition period unless the new U.K.-E.U. relationship provides for such rights.

In order to prepare for this risk, Morgan Stanley is taking steps to make changes to our European operations in an effort to ensure that it can continue to provide cross-border banking and investment and other services in E.U. Member States without the need for separate regulatory authorisations in each member state. However, as a result of the political uncertainty described above, it is currently unclear what the final post-Brexit structure of Morgan Stanley's European operations will be. Given the potential negative disruption to regional and global financial markets, and depending on the extent to which Morgan Stanley may be required to make material changes to its European operations beyond those currently planned, Morgan Stanley's results of operations and business prospects could be negatively affected.

Acquisition, Divestiture and Joint Venture Risk

Morgan Stanley may be unable to fully capture the expected value from acquisitions, divestitures, joint ventures, minority stakes or strategic alliances.

In connection with past or future acquisitions, divestitures, joint ventures, minority stakes or strategic alliances (including with Mitsubishi UFJ Financial Group, Inc.), Morgan Stanley faces numerous risks and uncertainties combining, transferring, separating or integrating the relevant businesses and systems, including the need to combine or separate accounting and data processing systems and management controls and to integrate relationships with clients, trading counterparties and business partners. In the case of joint ventures and minority stakes, Morgan Stanley is subject to additional risks and uncertainties because it may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under its control.

In addition, conflicts or disagreements between Morgan Stanley and any of its joint venture partners may negatively impact the benefits to be achieved by the relevant joint venture.

There is no assurance that any of Morgan Stanley's acquisitions or divestitures will be successfully integrated or disaggregated or yield all of the positive benefits anticipated. If Morgan Stanley is not able to integrate or disaggregate successfully its past and future acquisitions or dispositions, there is a risk that its results of operations, financial condition and cash flows may be materially and adversely affected.

Certain of Morgan Stanley's business initiatives, including expansions of existing businesses, may bring Morgan Stanley into contact, directly or indirectly, with individuals and entities that are not within its traditional client and counterparty base and may expose it to new asset classes and new markets. These business activities expose Morgan Stanley to new and enhanced risks, greater regulatory scrutiny of these activities, increased credit-related, sovereign and operational risks, and reputational concerns regarding the manner in which these assets are being operated or held.

For more information regarding the regulatory environment in which Morgan Stanley operates, see also "*Supervision and Regulation*" on page 2 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2018, which has been incorporated by reference on page 22 of this Registration Document.

Risk factors specific to MSBV, MSFL and MSI plc

All material assets of MSBV are obligations of one or more companies in the Morgan Stanley Group and MSBV's ability to perform its obligations is dependent upon such companies fulfilling their obligations to MSBV.

All material assets of MSBV are obligations of (or securities issued by) one or more Morgan Stanley Group companies. If any of these Morgan Stanley Group companies incurs losses with respect to any of its activities (irrespective of whether those activities relate to MSBV or not) the ability of such company to fulfil its obligations to MSBV could be impaired, thereby exposing holders of securities issued by MSBV to a risk of loss. Should this circumstance materialise, the payment obligations of MSBV under the terms of the securities would be guaranteed by Morgan Stanley.

Risks relating to insolvency proceedings in the Netherlands.

The validity or enforceability of any documents or any legal act (*rechtshandeling*) forming part thereof or contemplated thereby in relation to any securities issued by MSBV are subject to and limited by the protection afforded by Netherlands law to creditors whose interests have been adversely affected pursuant to the rules of Netherlands law relating to (x) unlawful acts (*onrechtmatige daden*) based on Section 6:162 et seq. of the Netherlands Civil Code (*Burgerlijk Wetboek*) and (y) fraudulent conveyance or preference (*actio pauliana*) within the meaning of Section 3:45 of the Netherlands Civil Code (*Burgerlijk Wetboek*). Furthermore, in the event of any insolvency proceedings being opened in the Netherlands in relation to MSBV, Dutch laws in relation to bankruptcy proceedings, in particular Section 42 et seq. of the Netherlands Bankruptcy Act (*Faillissementswet*) in relation to fraudulent conveyance or preference (*actio pauliana*) would apply.

As a finance subsidiary, MSFL has no independent operations and is expected to have no independent assets.

The principal risks with respect to Morgan Stanley will also represent the principal risks with respect to MSFL, either as an individual entity or as part of the Morgan Stanley Group.

MSFL has no independent operations beyond the issuance and administration of its securities and is expected to have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of the 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 *pari passu* with all other outstanding unsecured and unsubordinated obligations of Morgan Stanley present and future, but, in the event of insolvency, only to the extent permitted by laws affecting creditors' rights. 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.

There are substantial inter-relationships between MSI plc and other Morgan Stanley Group companies.

Morgan Stanley is the holding company of a global financial services group. MSI plc is one of the principal operating companies in the Morgan Stanley Group. MSI plc itself provides a wide range of financial and securities services. There are substantial inter-relationships between MSI plc and Morgan Stanley as well as other companies in the Morgan Stanley Group, including the provision of funding, capital, services and logistical support to or by MSI plc, as well as common or shared business or operational platforms or systems, including employees. As a consequence of such inter-relationships, and of the participation of both MSI plc and other Morgan Stanley Group companies in the global financial services sector, factors which could affect the business and condition of Morgan Stanley or other companies in the Morgan Stanley Group may also affect the business and condition of MSI plc. Any such effect could be direct, for example, where economic or market factors directly affect the markets in which MSI plc and other companies in the Morgan Stanley Group operate, or indirect, for example where any factor affects the ability of other companies in the Morgan Stanley Group to provide services or funding or capital to MSI plc or, directly or indirectly, to place business with MSI plc. Similarly, any development affecting the reputation or standing of Morgan Stanley or other companies in the Morgan Stanley Group may have an indirect effect on MSI plc. Such inter-relationships should therefore be taken into account in any assessment of MSI plc.

No guarantee.

Securities issued by MSI plc will not be guaranteed by Morgan Stanley. Although Morgan Stanley has in the past provided financial support to MSI plc through capital injection and debt financing, there is no assurance that it will do so in the future.

Risk is an inherent part of both Morgan Stanley's and the MSI plc Group's (as defined below) business activity and is managed by the MSI plc Group within the context of the broader Morgan Stanley Group. The Morgan Stanley Group seeks to identify, assess, monitor and manage each of the various types of risk involved in its activities on a global basis, in accordance with defined policies and procedures and in consideration of the individual legal entities. The MSI plc Group's own risk management policies and procedures are consistent with those of the Morgan Stanley Group.

Applicable Resolution Powers

Powers under the Banking Act 2009.

MSI plc, as an investment firm for the purposes of the Banking Act 2009 (the "**Banking Act**"), is subject to provisions of that Act which give wide powers in respect of U.K. banks and investment firms (such as MSI plc) to HM Treasury, the Bank of England, the Prudential Regulation Authority and the FCA (each a "**relevant U.K. Regulatory Authority**") in circumstances where the relevant U.K. bank or investment firm (a "**relevant financial institution**") is failing or is likely to fail. The Banking Act implements the provisions of Directive 2014/59/EU (the "**Bank Recovery and Resolution Directive**" or "**BRRD**").

These powers include powers to: (a) transfer all or some of the liability in respect of the securities issued by a relevant financial institution, or all or some of the property, rights and liabilities of a relevant financial institution (which could include instruments issued by MSI plc and guarantee liabilities of MSI plc), to a commercial purchaser or, in the case of securities, to HM Treasury or an HM Treasury nominee, or, in the case of property, rights or liabilities, to an entity owned by the Bank of England; (b) override any default provisions in contracts or other agreements, including provisions that would otherwise allow a party to terminate a contract or accelerate the payment of an obligation; (c) commence certain insolvency procedures in relation to a relevant financial institution; and (d) override, vary or impose contractual obligations, for reasonable consideration, between a relevant financial institution and its parent, in order to enable any transferee or successor of the relevant financial institution to operate effectively. The Banking Act also gives power to HM Treasury to make further amendments to the law for the purpose of enabling it to use the special resolution regime powers effectively, potentially with retrospective effect.

By reason of its group relationship with certain other Morgan Stanley Group companies (including companies incorporated outside the U.K.) which are banks, investment firms, EU institutions or third-country institutions for the purposes of the Banking Act, MSI plc is a banking group company within the meaning of the Banking Act. Accordingly, the relevant U.K. Regulatory Authority can exercise substantially similar special resolution powers in respect of MSI plc in its capacity as a banking group company where the Prudential Regulation Authority, an EU resolution authority or third country authority having jurisdiction over the relevant Morgan Stanley Group company is satisfied that such Morgan Stanley Group company meets the relevant conditions for resolution action (including that it is failing or likely to fail, that it is not reasonably likely that other measures would prevent its failure, and that it is in the public interest to exercise those powers) or that it satisfies an equivalent test in the relevant jurisdiction (irrespective of whether at that time MSI plc is failing or likely to fail). Additionally, where a relevant third country Morgan Stanley Group company becomes subject to resolution or similar measures, the relevant U.K. Regulatory Authority may recognise the application of some of those measures to MSI plc (irrespective of whether at that time MSI plc is failing or likely to fail).

Bail-in Power.

The powers granted to the relevant U.K. Regulatory Authority include (but are not limited to) a "bail-in" power.

The "bail-in" power gives the relevant U.K. Regulatory Authority the power, in relation to a failing relevant financial institution or a banking group company in respect of a bank, investment firm, EU institution or third-country institution (whether or not incorporated in the U.K.) which is failing or likely to fail, to cancel all or a portion of certain of its unsecured liabilities and/or to convert certain of its liabilities into another

security, including ordinary shares of the surviving entity, if any. Under the Banking Act, such power could be utilised in relation to MSI plc were it to be failing or likely to fail, or were a bank, investment firm, EU institution or third-country institution (whether or not incorporated in the U.K.) in respect of which MSI plc is a banking group company to be failing or likely to fail. Were such power to be utilised in relation to MSI plc, it could be utilised in relation to securities issued by MSI plc or guarantee liabilities of MSI plc.

The Banking Act requires the relevant U.K. Regulatory Authority to apply the "bail-in" power in accordance with a specified preference order which differs from the ordinary insolvency order. In particular, the relevant U.K. Regulatory Authority must write-down or convert debts in the following order: (i) additional tier 1, (ii) tier 2, (iii) other subordinated claims and (iv) eligible senior claims.

Although the exercise of the bail-in power under the Banking Act is subject to certain pre-conditions, there remains uncertainty regarding the specific factors (including, but not limited to, factors outside the control of MSI plc or not directly related to MSI plc) which the relevant U.K. Regulatory Authority would consider in deciding whether to exercise such power with respect to MSI plc and its securities or other liabilities. Moreover, as the relevant U.K. Regulatory Authority may have considerable discretion in relation to how and when it may exercise such power, holders of securities issued or guaranteed by MSI plc may not be able to refer to publicly available criteria in order to anticipate a potential exercise of such power and consequently its potential effect on MSI plc and securities issued or guaranteed by MSI plc.

Other powers.

As well as a "bail-in" power, the powers of the relevant U.K. Regulatory Authority under the Banking Act include broad powers to (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply, (ii) transfer all or part of the business of the relevant financial institution to a "bridge institution" (an entity created for such purpose that is wholly or partially in public control) and (iii) separate assets by transferring impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only). The Bank of England has broad powers to make one or more share transfer instruments (in the case of a transfer to a private sector purchaser described in (i) or a transfer to a "bridge institution" in the case of (ii)) or one or more property transfer instruments (in all three cases). A transfer pursuant to a share transfer instrument or a property transfer instrument will take effect despite any restriction arising by virtue of contract or legislation or in any other way.

In addition, the Banking Act gives the relevant U.K. Regulatory Authority power to amend the maturity date and/or any interest payment date of debt instruments or other eligible liabilities of the relevant financial institution and/or impose a temporary suspension of payments and/or discontinue the listing and admission to trading of debt instruments.

The Banking Act provides that HM Treasury must, in making regulations about compensation arrangements in the case of the exercise of a bail-in power, have regard to the "no creditor worse off" principle, and HM Treasury has made regulations governing compensation arrangements upon the exercise of a bail-in power. Notwithstanding the foregoing, the exercise by the relevant U.K. Regulatory Authority of any of the above powers under the Banking Act (including especially the bail-in power) could lead to the holders of securities issued or guaranteed by MSI plc losing some or all of their investment. Moreover, trading behaviour in relation to the securities issued or guaranteed by MSI plc, including market prices and volatility, may be affected by the use or any suggestion of the use of these powers and accordingly, in such circumstances, such securities are not necessarily expected to follow the trading behaviour associated with other types of securities. There can be no assurance that the taking of any actions under the Banking Act by the relevant U.K. Regulatory Authority or the manner in which its powers under the Banking Act are exercised will not materially adversely affect the rights of holders of securities issued or guaranteed by MSI plc, the market value of an investment in such securities and/or MSI plc's ability to satisfy its obligations under, or under its guarantee of, such securities.

Extraordinary public financial support to be used only as a last resort.

Subject to certain conditions being met, the BRRD also makes provision for extraordinary public financial support to be provided to an institution subject to resolution in the form of provision of capital to such institution in exchange for common equity tier 1 instruments, additional tier 1 instruments or tier 2

instruments or in the form of taking such institution into temporary public ownership. However, such extraordinary public financial support should only be used as a last resort. Therefore, if MSI plc is subject to resolution, the relevant UK Regulatory Authority is only likely (if at all) to provide extraordinary public financial support only after it has assessed and exploited, to the maximum extent practicable, all other applicable resolution tools described above.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated by reference in, and to form part of, this Registration Document:

<u>Document filed</u>	<u>Information incorporated by reference</u>	Page(s)
Morgan Stanley		
1. Proxy Statement dated 5 April 2019	(1) Overview of Voting Items	5-10
	(2) Corporate Governance Matters	11-39
	(3) Audit Matters	40-42
	(4) Compensation Matters	43-73
	(5) Ownership of Our Stock	74-76
	(6) Shareholder Proposal	77-79
	(7) Information About the Annual Meeting	80-83
2. Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2019	(1) Management's Discussion and Analysis of Financial Condition and Results of Operations	1-23
	(2) Quantitative and Qualitative Disclosures about Risk	24-32
	(3) Report of Independent Registered Public Accounting Firm	33
	(4) Consolidated Financial Statements and Notes	34-71
	(i) Consolidated Income Statements (Unaudited)	34
	(ii) Consolidated Comprehensive Income Statements (Unaudited)	35
	(iii) Consolidated Balance Sheets (Unaudited at 31 March 2019)	36
	(iv) Consolidated Statements of Changes in Total Equity (Unaudited)	37
	(v) Consolidated Cash Flow Statements (Unaudited)	38
	(vi) Notes to Consolidated Financial Statements (Unaudited)	39-71
	(5) Financial Data Supplement (Unaudited)	72

<u>Document filed</u>	<u>Information incorporated by reference</u>	<u>Page(s)</u>
	(6) Glossary of Common Acronyms	73-74
	(7) Other Information	75
	(8) Legal Proceedings	75
	(9) Unregistered Sales of Equity Securities and Use of Proceeds	76
	(10) Controls and Procedures	77
	(11) Signatures	S-1
3. Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2018	(1) Management's Discussion and Analysis of Financial Condition and Results of Operations	1-28
	(2) Quantitative and Qualitative Disclosures about Market Risk	29-38
	(3) Report of Independent Registered Public Accounting Firm	39
	(4) Consolidated Financial Statements and Notes	40-83
	i. Consolidated Income Statements (Unaudited)	40
	ii. Consolidated Comprehensive Income Statements (Unaudited)	41
	iii. Consolidated Balance Sheets (Unaudited at 31 March 2018)	42
	iv. Consolidated Statements of Changes in Total Equity (Unaudited)	43
	v. Consolidated Cash Flow Statements (Unaudited)	44
	vi. Notes to Consolidated Financial Statements (Unaudited)	45-83
	(5) Financial Data Supplement (Unaudited)	84-85
	(6) Glossary of Common Acronyms	86-87
	(7) Other Information	88
	(8) Legal Proceedings	88
	(9) Unregistered Sales of Equity Securities and Use of Proceeds	89
	(10) Controls and Procedures	90
	(11) Signatures	S-1

<u>Document filed</u>	<u>Information incorporated by reference</u>	Page(s)
4. Annual Report on Form 10-K for the year ended 31 December 2018	(1) Business	1-10
	(2) Risk Factors	11-23
	(3) Selected Financial Data	24
	(4) Management's Discussion and Analysis of Financial Condition and Results of Operations	25-63
	(5) Quantitative and Qualitative Disclosures about Risk	64-82
	(6) Financial Statements and Supplementary Data	83-163
	(i) Report of Independent Registered Public Accounting Firm	83
	(ii) Consolidated Income Statements	84
	(iii) Consolidated Comprehensive Income Statements	85
	(iv) Consolidated Balance Sheets	86
	(v) Consolidated Statements of Changes in Total Equity	87
	(vi) Consolidated Cash Flow Statements	88
	(vii) Notes to Consolidated Financial Statements	89-159
	(viii) Financial Data Supplement (Unaudited)	160-163
(7) Glossary of Common Acronyms	164-165	
(8) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	166	
(9) Controls and Procedures	166-168	
(10) Other Information	168	
(11) Unresolved Staff Comments	168	
(12) Properties	168	
(13) Legal Proceedings	169-173	
(14) Mine Safety Disclosures	173	

<u>Document filed</u>	<u>Information incorporated by reference</u>	Page(s)
	(15) Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	174-175
	(16) Directors, Executive Officers and Corporate Governance	176
	(17) Executive Compensation	176
	(18) Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	176
	(19) Certain Relationships and Related Transactions and Director Independence	177
	(20) Principal Accountant Fees and Services	177
	(21) Form 10-K Summary	177
	(22) Signatures	S-1-S-2

Morgan Stanley & Co. International plc

5. Report and Financial Statements for the year ended 31 December 2018	(1) Independent Auditor's Report	44-54
	(2) Consolidated Income Statement	55
	(3) Consolidated Statement of Comprehensive Income	56
	(4) Consolidated Statement of Changes in Equity	57
	(5) Consolidated Statement of Financial Position	58
	(6) Consolidated Statement of Cash Flows	59
	(7) Notes to the Consolidated Financial Statements	60-171
	(8) MSI plc Statement of Comprehensive Income	172
	(9) MSI plc Statement of Changes to Equity	173
	(10) MSI plc Statement of Financial Position	174
	(11) Notes to MSI plc Financial Statements	175-229
	(12) Appendix to the Financial Statements	230-231

	Document filed	Information incorporated by reference	Page(s)
6.	Report and Financial Statements for the year ended 31 December 2017	(1) Independent Auditor's Report	45-54
		(2) Consolidated Income Statement	55
		(3) Consolidated Statement of Comprehensive Income	56
		(4) Consolidated Statement of Changes in Equity	57
		(5) Consolidated Statement of Financial Position	58
		(6) Consolidated Statement of Cash Flows	59
		(7) Notes to the Consolidated Financial Statements	60-152
		(8) MSI plc Statement of Comprehensive Income	154
		(9) MSI plc Statement of Changes to Equity	155
		(10) MSI plc Statement of Financial Position	156
		(11) Notes to MSI plc Financial Statements	157-200
		(12) Appendix to the Financial Statements	201-202
	Morgan Stanley B.V.		
7.	Report and Financial Statements for the year ended 31 December 2018	(1) Directors' Responsibility Statement	10
		(2) Statement of Comprehensive Income	11
		(3) Statement of Changes in Equity	12
		(4) Statement of Financial Position	13
		(5) Statement of Cash Flows	14
		(6) Notes to the Financial Statements	15-70
		(7) Additional Information	71
		(8) Independent Auditors' Report ¹	72-76
8.	Report and Financial Statements for the year ended 31 December 2017	(1) Directors' Responsibility Statement	9
		(2) Income Statement	10
		(3) Statement of Comprehensive Income	11
		(4) Statement of Changes in Equity	12
		(5) Statement of Financial Condition	13

¹ **NB** - The pdf page numbers were used to refer to the relevant pages of the financial statements of Morgan Stanley B.V.

<u>Document filed</u>	<u>Information incorporated by reference</u>	Page(s)
	(6) Statement of Cash Flows	14
	(7) Notes to the Financial Statements	15-61
	(8) Additional Information	62
	(9) Independent Auditors' Report ²	63-67
Morgan Stanley Finance LLC³		
9. Report and Financial Statements for the year ended 31 December 2018	(1) Director's Report	3-7
	(2) Directors' Responsibility Statement	8
	(3) Independent Auditors' Report	10
	(4) Statement of Financial Condition	11
	(5) Statement of Comprehensive Income (Loss)	12
	(6) Statement of Cash Flows	13
	(7) Statement of Changes in Member's Equity (Deficit)	14
	(8) Notes to the Financial Statements	15-30
10. Report and Financial Statements for the year ended 31 December 2017	(1) Director's Report	3-9
	(2) Director's Responsibility Statement	10
	(3) Independent Auditors' Report	12-13
	(4) Statement of Financial Condition	14
	(5) Statement of Comprehensive Loss	15
	(6) Statement of Cash Flows	16
	(7) Statement of Changes in Member's Equity (Deficit)	17
	(8) Notes to the Financial Statements	18-35

Any statement contained in this Registration Document or any documents incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Registration Document to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

² **NB** - The pdf page numbers were used to refer to the relevant pages of the financial statements of Morgan Stanley B.V.

³ **NB** - The pdf page numbers were used to refer to the relevant pages of the financial statements of Morgan Stanley Finance LLC.

For the purposes of Article 28.4 of the Commission Regulation (EU) No 809/2004, any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Registration Document.

The non-incorporated parts of the documents listed above are as follows:

	<u>Document filed</u>	<u>Information not incorporated by reference</u>	Page(s)
Morgan Stanley			
1.	Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2019	(a) Exhibits	77
		(b) Exhibit Index	E-1
2.	Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2018	(a) Exhibits	90
		(b) Exhibit Index	E-1
3.	Annual Report on Form 10-K for the year ended 31 December 2018	(a) Exhibits and Financial Statement Schedules	177
		(b) Exhibit Index	E-1-E-5
Morgan Stanley & Co. International plc			
4.	Report and Financial Statements for the year ended 31 December 2018	(a) Strategic Report	3-39
		(b) Directors' Report	40-43
5.	Report and Financial Statements for the year ended 31 December 2017	(a) Strategic Report	3-41
		(b) Directors' Report	42-44
Morgan Stanley B.V.			
6.	Report and Financial Statements for the year ended 31 December 2018	(a) Directors' report	1-9
7.	Report and Financial Statements for the year ended 31 December 2017	(a) Directors' report	1-8

Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2018 (at page 54), incorporated by reference, includes details of the long-term and short-term credit ratings assigned to Morgan Stanley by DBRS, Inc. ("**DBRS**"), Fitch Ratings, Inc. ("**Fitch**"), Moody's, Rating and Investment Information, Inc. ("**R&I**") and S&P.

DBRS is established in Delaware, United States of America. The rating DBRS has assigned to Morgan Stanley may be endorsed by DBRS Ratings Limited or DBRS Ratings GmbH, each a rating agency which

is established in the European Economic Area (the "EEA") and registered under Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "CRA Regulation") by the relevant competent authority.

Fitch is not established in the EEA but the rating it has assigned to Morgan Stanley is endorsed by Fitch Ratings Limited, a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority. In the event Fitch Ratings Limited is no longer an ESMA-registered CRA, Fitch intends to have the rating assigned to Morgan Stanley endorsed by Fitch Ratings España S.A.U. a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority.

Moody's is not established in the EEA but the rating it has assigned to Morgan Stanley is endorsed by Moody's Deutschland GmbH, a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority.

R&I is not incorporated in the EEA and is not registered under the CRA Regulation.

Morgan Stanley's credit rating is assigned by Standard & Poor's Financial Services LLC. Standard & Poor's Financial Services LLC is not established in the EEA but the credit rating it has assigned to Morgan Stanley is endorsed by S&P Global Ratings Europe Limited, a credit rating agency established in the EEA and registered under the CRA Regulation by ESMA.

This Registration Document and any supplement thereto will be published on the websites of (a) the Luxembourg Stock Exchange (www.bourse.lu) and (b) Morgan Stanley, MSI plc, MSBV and MSFL (<http://sp.morganstanley.com/EU/Documents>).

Each of Morgan Stanley, MSI plc, MSBV and MSFL will, at its principal executive offices (in the case of Morgan Stanley) or at its registered office (in the case of MSI plc, MSBV or MSFL) and during the period of twelve months after the date of publication of this Registration Document, make available for inspection during normal business hours and free of charge, upon oral or written request:

- (a) a copy of this Registration Document and any document containing the sections relating to such company incorporated by reference in this Registration Document;
- (b) the Certificate of Incorporation and Amended and Restated By-laws of Morgan Stanley (these shall not be available at the registered office of MSI plc, MSBV or MSFL);
- (c) the Certificate of Incorporation and the Articles of Association of MSI plc (these shall not be available at the principal office of Morgan Stanley or the registered office of MSBV or MSFL);
- (d) the Deed of Incorporation of MSBV (this shall not be available at the principal office of Morgan Stanley or the registered office of MSI plc or MSFL);
- (e) the Limited Liability Company Agreement of MSFL (this shall not be available at the principal office of Morgan Stanley or the registered office of MSI plc or MSBV);
- (f) all reports, letters, and other documents, historical financial information, valuations and statements (if any) prepared by any expert at the request of such company which is included or referred to in this Registration Document; and
- (g) the historical financial information of such company (or such company and its subsidiary undertakings) for each of the two financial years preceding the publication of this Registration Document.

In addition to the documents incorporated by reference in this Registration Document, Morgan Stanley files annual, quarterly and current reports, proxy statements and other information with the SEC. Investors may read and copy any document that Morgan Stanley files with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at +1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Morgan Stanley) file electronically with the SEC. Morgan Stanley's electronic SEC filings are available to the public at the SEC's internet site www.sec.gov. Morgan Stanley also makes available, through its Investor Relations

webpage, a link to the SEC's internet site. You can access Morgan Stanley's Investor Relations webpage at www.morganstanley.com/about-us-ir. The information contained on Morgan Stanley's website shall not form part of this Registration Document, unless such information has been expressly incorporated herein.

DESCRIPTION OF MORGAN STANLEY

1. INFORMATION ABOUT MORGAN STANLEY

History and development of Morgan Stanley

Legal name, place of registration and registration number, date of incorporation

Morgan Stanley was originally incorporated for an unlimited term under the laws of the State of Delaware on 1 October 1981 under registered number 0923632, and its predecessor companies date back to 1924. On 31 May 1997, Morgan Stanley Group, Inc. was merged with and into Dean Witter Discover & Co. ("**Dean Witter Discover**") in a merger of equals. At that time, Dean Witter Discover changed its corporate name to Morgan Stanley, Dean Witter, Discover & Co. ("**MSDWD**"). On 24 March 1998, MSDWD changed its corporate name to Morgan Stanley Dean Witter & Co, and to Morgan Stanley on 20 June 2002. Morgan Stanley is a financial holding company regulated by the Federal Reserve under the BHC Act.

Registered office

Morgan Stanley has its registered office at The Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, U.S., and its principal executive office at 1585 Broadway, New York, NY 10036, U.S., telephone number +1 (212) 761 4000.

Legal and commercial name

As at the date of this Registration Document, Morgan Stanley's legal and commercial name is "Morgan Stanley".

The following is an extract from the sections entitled "*Business Segments*", "*Competition*" and "*Supervision and Regulation*" on pages 1-10 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2018. References to the "Parent Company" are references to Morgan Stanley.

Business Segments

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments – Institutional Securities, Wealth Management and Investment Management. Through its subsidiaries and affiliates, Morgan Stanley provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals.

Competition

All aspects of Morgan Stanley's businesses are highly competitive and Morgan Stanley expects them to remain so. Morgan Stanley competes in the U.S. and globally for clients, market share and human talent. Operating within the financial services industry on a global basis presents, among other things, technological, risk management, regulatory and other infrastructure challenges that require effective resource allocation in order for Morgan Stanley to remain competitive. Its competitive position depends on its reputation and the quality and consistency of its long-term investment performance. Morgan Stanley's ability to sustain or improve its competitive position also depends substantially on its ability to continue to attract and retain highly qualified employees while managing compensation and other costs. Morgan Stanley competes with commercial banks, brokerage firms, insurance companies, exchanges, electronic trading and clearing platforms, financial data repositories, sponsors of mutual funds, hedge funds and private equity funds, energy companies, financial technology firms and other companies offering financial or ancillary services in the U.S., globally and digitally or through the internet. In addition, restrictive laws and regulations applicable to certain U.S. financial services institutions, such as Morgan Stanley, which may prohibit it from engaging in certain transactions and impose more stringent capital and liquidity requirements, can put Morgan Stanley at a competitive disadvantage to competitors in certain businesses not subject to these same requirements. See also "*Supervision and Regulation*" below and "*Risk Factors*" above.

Institutional Securities and Wealth Management. Morgan Stanley's competitive position for its Institutional Securities and Wealth Management business segments depends on innovation, execution capability and relative pricing. Morgan Stanley competes directly in the U.S. and globally with other

securities and financial services firms and broker-dealers and with others on a regional or product basis. Additionally, there is increased competition driven by established firms as well as the emergence of new firms and business models (including innovative uses of technology) competing for the same clients and assets or offering similar products and services.

Morgan Stanley's ability to access capital at competitive rates (which is generally impacted by its credit ratings), to commit and to deploy capital efficiently, particularly in its capital-intensive underwriting and sales, trading, financing and market making activities, also affects its competitive position. Corporate clients may request that Morgan Stanley provide loans or lending commitments in connection with certain investment banking activities and such requests are expected to continue.

It is possible that competition may become even more intense as Morgan Stanley continues to compete with financial or other institutions that may be larger, or better capitalised, or may have a stronger local presence and longer operating history in certain geographies or products. Many of these firms have the ability to offer a wide range of products and services, and on different platforms, that may enhance their competitive position and could result in pricing pressure on Morgan Stanley's businesses. In addition, its business is subject to extensive regulation in the U.S. and abroad, while certain of its competitors may be subject to less stringent legal and regulatory regimes than Morgan Stanley, thereby putting it at a competitive disadvantage.

Morgan Stanley continues to experience intense price competition in some of its businesses. In particular, the ability to execute securities trades electronically on exchanges and through other automated trading markets has increased the pressure on trading commissions and comparable fees. The trend toward direct access to automated, electronic markets will likely increase as additional trading moves to more automated platforms. It is also possible that Morgan Stanley will experience competitive pressures in these and other areas in the future as some of its competitors seek to obtain market share by reducing prices (in the form of commissions or pricing).

Investment Management. Morgan Stanley's ability to compete successfully in the asset management industry is affected by several factors, including Morgan Stanley's reputation, investment objectives, quality of investment professionals, performance of investment strategies or product offerings relative to peers and appropriate benchmark indices, advertising and sales promotion efforts, fee levels, the effectiveness of and access to distribution channels and investment pipelines, and the types and quality of products offered. Morgan Stanley's investment products, including alternative investment products, may compete with investments offered by other investment managers with passive investment products or who may be subject to less stringent legal and regulatory regimes than Morgan Stanley.

Supervision and Regulation

As a major financial services firm, Morgan Stanley is subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by regulators and exchanges in each of the major markets where it conducts its business. Legislative and regulatory responses to the 2007–2008 financial crisis, both in the U.S. and worldwide, have resulted in major changes to the way Morgan Stanley is regulated and conducts its business. These laws and regulations include the Dodd-Frank Act; risk-based capital, leverage and liquidity standards adopted or being developed by the Basel Committee on Banking Supervision ("**Basel Committee**"), including Basel III, and the national implementation of those standards; capital planning and stress testing requirements; and new recovery and resolution regimes in the U.S. and other jurisdictions. Some areas of post-financial crisis regulation are still subject to final rulemaking or transition periods.

Morgan Stanley continues to monitor the changing political, tax and regulatory environment; it is likely that there will be further changes in the way major financial institutions are regulated in both the U.S. and other markets in which Morgan Stanley operates, although it remains difficult to predict the exact impact these changes will have on Morgan Stanley's business, financial condition, results of operations and cash flows for a particular future period and Morgan Stanley expects to remain subject to extensive supervision and regulation.

Financial Holding Company

Consolidated Supervision. Morgan Stanley has operated as a bank holding company and financial holding company ("**FHC**") under the BHC Act since September 2008. As a bank holding company, Morgan

Stanley is subject to comprehensive consolidated supervision, regulation and examination by the Federal Reserve. The Federal Reserve has heightened authority to examine, prescribe regulations and take action with respect to all of Morgan Stanley's subsidiaries. In particular, Morgan Stanley is, or will become, subject to (among other things): significantly revised and expanded regulation and supervision; intensive scrutiny of its businesses and plans for expansion of those businesses; limitations on activities; a systemic risk regime that imposes heightened capital and liquidity requirements; restrictions on activities and investments imposed by the Volcker Rule; and comprehensive derivatives regulation. In addition, the Consumer Financial Protection Bureau has primary rulemaking, enforcement and examination authority over Morgan Stanley and its subsidiaries with respect to federal consumer protection laws, to the extent applicable.

Scope of Permitted Activities. The BHC Act limits the activities of bank holding companies and financial holding companies and grants the Federal Reserve authority to limit Morgan Stanley's ability to conduct activities. Morgan Stanley must obtain the Federal Reserve's approval before engaging in certain banking and other financial activities both in the U.S. and internationally.

The BHC Act grandfathers "activities related to the trading, sale or investment in commodities and underlying physical properties", provided that Morgan Stanley was engaged in "any of such activities as of 30 September 1997 in the United States" and provided that certain other conditions that are within its reasonable control are satisfied. Morgan Stanley currently engages in its commodities activities pursuant to the BHC Act grandfather exemption as well as other authorities under the BHC Act.

Activities Restrictions under the Volcker Rule. The Volcker Rule prohibits "banking entities", including Morgan Stanley and its affiliates, from engaging in certain "proprietary trading" activities, as defined in the Volcker Rule, subject to exemptions for underwriting, market-making-related activities, risk-mitigating hedging and certain other activities. The Volcker Rule also prohibits certain investments and relationships by banking entities with "covered funds", with a number of exemptions and exclusions. Banking entities were required to bring all of their activities and investments into conformance with the Volcker Rule by 21 July 2015, subject to certain extensions. In June 2017, the Federal Reserve approved Morgan Stanley's application for a five-year extension of the transition period to conform investments in certain legacy covered funds that are also illiquid funds. The approval covers essentially all of Morgan Stanley's non-conforming investments in, and relationships with, legacy covered funds subject to the Volcker Rule. The Volcker Rule also requires that deductions be made from a bank holding company's Tier 1 capital for permissible investments in covered funds. In addition, the Volcker Rule requires banking entities to have comprehensive compliance programmes reasonably designed to ensure and monitor compliance with the Volcker Rule. The federal financial regulatory agencies responsible for the Volcker Rule's implementing regulations have proposed, but have not yet finalised, revisions to certain elements of those regulations. The proposed changes focus on proprietary trading and certain requirements imposed in connection with permitted market making, underwriting and risk-mitigating hedging activities. The impact of this proposal on Morgan Stanley will not be known with certainty until final rules are issued.

Capital Standards. The Federal Reserve establishes capital requirements, including well-capitalised standards, for large bank holding companies and evaluates its compliance with such requirements. The OCC establishes similar capital requirements and standards for Morgan Stanley's U.S. Bank Subsidiaries.

Regulatory Capital Framework. The regulatory capital requirements for Morgan Stanley and Morgan Stanley's U.S. Bank Subsidiaries are largely based on the Basel III capital standards established by the Basel Committee as supplemented by certain provisions of the Dodd-Frank Act. Morgan Stanley is subject to various risk-based capital requirements with various transition provisions, measured against its Common Equity Tier 1 capital, Tier 1 capital and Total capital bases, leverage-based capital requirements, including the Supplementary Leverage Ratio, and additional capital buffers above generally applicable minimum standards for bank holding companies.

The Basel Committee has published a comprehensive set of revisions to its Basel III Framework. The revised requirements are expected to take effect starting January 2022, subject to U.S. banking agencies issuing implementation proposals. The impact on Morgan Stanley of any revisions to the Basel Committee's capital standards is uncertain and depends on future rulemakings by the U.S. banking agencies.

Regulated Subsidiaries. In addition, many of Morgan Stanley's regulated subsidiaries are, or are expected to be in the future, subject to regulatory capital requirements, including regulated subsidiaries registered as "swap dealers" with the U.S. Commodity Futures Trading Commission (the "CFTC") or "security-based

swap dealers" with the SEC (collectively, "**Swaps Entities**") or registered as broker-dealers or futures commission merchants. Specific regulatory capital requirements vary by regulated subsidiary, and in many cases these standards are not yet established or are subject to ongoing rulemakings that could substantially modify requirements.

Capital Planning, Stress Tests and Capital Distributions. Pursuant to the Dodd-Frank Act, the Federal Reserve has adopted capital planning and stress test requirements for large bank holding companies, including Morgan Stanley.

In addition to capital planning requirements, the Federal Reserve, the OCC and the FDIC have the authority to prohibit or to limit the payment of dividends by the banking organisations they supervise, including Morgan Stanley and its U.S. Bank Subsidiaries, if, in the banking regulator's opinion, payment of a dividend would constitute an unsafe or unsound practice in light of the financial condition of the banking organisation. All of these policies and other requirements could affect Morgan Stanley's ability to pay dividends and/or repurchase stock, or require it to provide capital assistance to its U.S. Bank Subsidiaries under circumstances which Morgan Stanley would not otherwise decide to do so.

Liquidity Standards. In addition to capital regulations, the U.S. banking agencies and the Basel Committee have adopted, or are in the process of adopting, liquidity standards. Morgan Stanley and its U.S. Bank Subsidiaries are subject to the U.S. banking agencies' LCR requirements, which generally follow Basel Committee standards. Similarly, if the proposed Net Stable Funding Ratio requirements ("**NSFR**") are adopted by the U.S. banking agencies, Morgan Stanley and Morgan Stanley's U.S. Bank Subsidiaries will become subject to NSFR requirements, which generally follow Basel Committee standards.

In addition to the LCR and NSFR, Morgan Stanley and many of its regulated subsidiaries, including those registered as Swaps Entities with the CFTC or SEC, are, or are expected to be in the future, subject to other liquidity standards, including liquidity stress-testing and associated liquidity reserve requirements.

Systemic Risk Regime. The Dodd-Frank Act, as amended by the Economic Growth, Regulatory Relief and Consumer Protection Act ("**EGRRCPA**"), establishes a systemic risk regime to which certain large bank holding companies including Morgan Stanley, are subject. Under rules issued by the Federal Reserve to implement certain requirements of the Dodd-Frank Act's enhanced prudential standards, such large bank holding companies must conduct internal liquidity stress tests, maintain unencumbered highly liquid assets to meet projected net cash outflows for 30 days over the range of liquidity stress scenarios used in internal stress tests, and comply with various liquidity risk management requirements. These large bank holding companies also must comply with a range of risk management and corporate governance requirements.

The Federal Reserve has adopted a framework to impose single-counterparty credit limits ("**SCCL**") for large banking organisations. U.S. globally systemically important banks ("**G-SIBs**"), including us, are subject to a limit of 15% of Tier 1 capital for aggregate net credit exposures to any "major counterparty" (defined to include other U.S. G-SIBs, foreign G-SIBs, and nonbank systemically important financial institutions supervised by the Federal Reserve). In addition, Morgan Stanley is subject to a limit of 25% of Tier 1 capital for aggregate net credit exposures to any other unaffiliated counterparty. Morgan Stanley must comply with the SCCL framework beginning on 1 January 2020.

The Federal Reserve has proposed rules that would create a new early remediation framework to address financial distress or material management weaknesses. The Federal Reserve also has the ability to establish additional prudential standards, including those regarding contingent capital, enhanced public disclosures, and limits on short-term debt, including off-balance sheet exposures.

Under the systemic risk regime, if the Federal Reserve or the Financial Stability Oversight Council determines that a bank holding company with \$250 billion or more in consolidated assets poses a "grave threat" to U.S. financial stability, the institution may be, among other things, restricted in its ability to merge or offer financial products and/or required to terminate activities and dispose of assets.

See also "*Capital Standards*" and "*Liquidity Standards*" above and "*Resolution and Recovery Planning*" below.

Resolution and Recovery Planning. Pursuant to the Dodd-Frank Act, Morgan Stanley is required to periodically submit to the Federal Reserve and the FDIC a resolution plan that describes its strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of its material financial distress

or failure. Morgan Stanley's preferred resolution strategy, which is set out in its 2017 resolution plan, is a SPOE strategy. An SPOE strategy generally contemplates the provision of additional capital and liquidity by the Parent Company to certain of its subsidiaries so that such subsidiaries have the resources necessary to implement the resolution strategy after the Parent Company has filed for bankruptcy.

Certain of Morgan Stanley's domestic and foreign subsidiaries are also subject to resolution and recovery planning requirements in the jurisdictions in which they operate. For example, the FDIC requires certain insured depository institutions ("**IDIs**"), including Morgan Stanley's U.S. Bank Subsidiaries, to submit an annual resolution plan to the FDIC that describes the IDI's strategy for a rapid and orderly resolution in the event of material financial distress or failure of the IDI (an "**IDI Plan**"). Further, Morgan Stanley is required to submit an annual recovery plan to the Federal Reserve that outlines the steps that management could take over time to generate or conserve financial resources in times of prolonged financial stress.

In December 2018, the OCC finalised revisions to its recovery planning guidelines for national banks and certain other institutions that increase the threshold at which the guidelines apply from \$50 billion to \$250 billion in total consolidated assets. As a result, Morgan Stanley's U.S. Bank Subsidiaries are no longer required to prepare recovery plans.

In addition, under the Dodd-Frank Act, certain financial companies, including bank holding companies such as Morgan Stanley and certain of its covered subsidiaries, can be subjected to a resolution proceeding under the orderly liquidation authority in Title II of the Dodd-Frank Act with the FDIC being appointed as receiver, provided that certain procedures are met, including certain extraordinary financial distress and systemic risk determinations by the U.S. Treasury Secretary in consultation with the U.S. President. The orderly liquidation authority rulemaking is proceeding in stages, with some regulations now finalised and others not yet proposed. If Morgan Stanley were subject to the orderly liquidation authority, the FDIC would have considerable powers, including: the power to remove directors and officers responsible for Morgan Stanley's failure and to appoint new directors and officers; the power to assign Morgan Stanley's assets and liabilities to a third party or bridge financial company without the need for creditor consent or prior court review; the ability to differentiate among Morgan Stanley's creditors, including by treating certain creditors within the same class better than others, subject to a minimum recovery right on the part of disfavoured creditors to receive at least what they would have received in bankruptcy liquidation; and broad powers to administer the claims process to determine distributions from the assets of the receivership. The FDIC has been developing an SPOE strategy that could be used to implement the orderly liquidation authority.

Regulators have also taken and proposed various actions to facilitate an SPOE strategy under the U.S. Bankruptcy Code, the orderly liquidation authority or other resolution regimes.

For example, the Federal Reserve has established rules that impose contractual requirements on certain qualified financial contracts ("**covered QFCs**") to which U.S. G-SIBs, including Morgan Stanley, and its subsidiaries are parties. The OCC has also established rules that impose substantively identical requirements on national banks that are subsidiaries of U.S. G-SIBs, including Morgan Stanley's U.S. Bank Subsidiaries, as well as certain other institutions (together with the entities covered by the Federal Reserve's rules, the "**covered entities**"). Under these rules, covered QFCs must expressly provide that transfer restrictions and default rights against covered entities are limited to the same extent as they would be under the Federal Deposit Insurance Act of 1950 and Title II of the Dodd-Frank Act and their implementing regulations. In addition, covered QFCs may not, among other things, permit the exercise of any cross-default right against covered entities based on an affiliate's entry into insolvency, resolution or similar proceedings, subject to certain creditor protections. There is a phased-in compliance schedule based on counterparty type, and the first compliance date was 1 January 2019.

Cyber and Information Security Risk Management. As a general matter, the financial services industry faces increased global regulatory focus regarding cyber and information security risk management practices. Many aspects of Morgan Stanley's businesses are subject to cybersecurity legal and regulatory requirements enacted by U.S. federal and state governments and other non-U.S. jurisdictions in the Americas, Europe, the Middle East, Africa and Asia. These laws are aimed at codifying basic cybersecurity protections and mandating data breach notification requirements.

Morgan Stanley's businesses are also subject to privacy and data protection information security legal requirements concerning the use and protection of certain personal information. For example, the General Data Protection Regulation ("**GDPR**") became effective in the E.U. on 25 May 2018 as a replacement for

the E.U. Data Protection Directive. The GDPR imposes mandatory breach notification obligations, including significant fines for noncompliance, enhanced governance and accountability requirements and has extraterritorial impact. In addition, other jurisdictions have adopted or are proposing GDPR or similar standards, such as California, Australia, Singapore, Japan, Colombia, Argentina, India, Turkey, Hong Kong, Brazil, Russia and Switzerland.

Protection of Client Information

Many aspects of Morgan Stanley's businesses are subject to legal requirements concerning the use and protection of certain customer information. These include those adopted pursuant to the Gramm-Leach-Bliley Act and the Fair and Accurate Credit Transactions Act of 2003 in the U.S., the GDPR and various laws in Asia, including the Japanese Personal Information Protection Law, the Hong Kong Personal Data (Protection) Ordinance and the Australian Privacy Act. Morgan Stanley has adopted measures designed to comply with these and related applicable requirements in all relevant jurisdictions.

U.S. Bank Subsidiaries

U.S. Bank Subsidiaries. MSBNA, primarily a wholesale commercial bank, offers commercial lending and certain retail securities-based lending services in addition to deposit products, and also conducts certain foreign exchange activities.

MSPBNA offers certain mortgage and other secured lending products, including retail securities-based lending products, primarily for customers of its affiliate retail broker-dealer, Morgan Stanley Smith Barney LLC ("**MSSB LLC**"). MSPBNA also offers certain deposit products and prime brokerage custody services. Both MSBNA and MSPBNA are FDIC-insured national banks subject to supervision, regulation and examination by the OCC. They are both subject to the OCC's risk governance guidelines, which establish heightened standards for a large national bank's risk governance framework and the oversight of that framework by the bank's board of directors.

Prompt Corrective Action. The Federal Deposit Insurance Corporation Improvement Act of 1991 provides a framework for regulation of depository institutions and their affiliates, including parent holding companies, by their federal banking regulators. Among other things, it requires the relevant federal banking regulator to take "prompt corrective action" with respect to a depository institution if that institution does not meet certain capital adequacy standards. These regulations generally apply only to insured banks and thrifts such as MSBNA or MSPBNA and not to their parent holding companies. The Federal Reserve is, however, separately authorized to take appropriate action at the holding company level, subject to certain limitations. Under the systemic risk regime, as described above, Morgan Stanley also would become subject to an early remediation protocol in the event of financial distress. In addition, bank holding companies, such as Morgan Stanley, are required to serve as a source of strength to their U.S. bank subsidiaries and commit resources to support these subsidiaries in the event such subsidiaries are in financial distress.

Transactions with Affiliates. Morgan Stanley's U.S. Bank Subsidiaries are subject to Sections 23A and 23B of the Federal Reserve Act, which impose restrictions on "covered transactions" with any affiliates. Covered transactions include any extension of credit to, purchase of assets from, and certain other transactions by insured banks with an affiliate. These restrictions limit the total amount of credit exposure that Morgan Stanley's U.S. Bank Subsidiaries may have to any one affiliate and to all affiliates. Sections 23A and 23B also set collateral requirements and require all such transactions to be made on market terms. Derivatives, securities borrowing and securities lending transactions between Morgan Stanley's U.S. Bank Subsidiaries and their affiliates are subject to these restrictions. The Federal Reserve has indicated that it will propose a rulemaking to implement changes to these restrictions made by the Dodd-Frank Act.

In addition, the Volcker Rule generally prohibits covered transactions between (i) Morgan Stanley or any of its affiliates and (ii) covered funds for which Morgan Stanley or any of its affiliates serve as the investment manager, investment adviser, commodity trading advisor or sponsor or other covered funds organized and offered by Morgan Stanley or any of its affiliates pursuant to specific exemptions in the Volcker Rule.

FDIC Regulation. An FDIC-insured depository institution is generally liable for any loss incurred or expected to be incurred by the FDIC in connection with the failure of an insured depository institution under common control by the same bank holding company. As commonly controlled FDIC-insured

depository institutions, each of MSBNA and MSPBNA could be responsible for any loss to the FDIC from the failure of the other. In addition, both institutions are exposed to changes in the cost of FDIC insurance.

Institutional Securities and Wealth Management.

Broker-Dealer and Investment Adviser Regulation. Morgan Stanley's primary U.S. broker-dealer subsidiaries, Morgan Stanley & Co. LLC ("**MS&Co.**") and MSSB LLC, are registered broker-dealers with the SEC and in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, and are members of various self-regulatory organisations, including the Financial Industry Regulatory Authority, Inc. ("**FINRA**"), and various securities exchanges and clearing organisations. Broker-dealers are subject to laws and regulations covering all aspects of the securities business, including sales and trading practices, securities offerings, publication of research reports, use of customers' funds and securities, capital structure, risk management controls in connection with market access, recordkeeping and retention, and the conduct of their directors, officers, representatives and other associated persons. Broker-dealers are also regulated by securities administrators in those states where they do business. Violations of the laws and regulations governing a broker-dealer's actions could result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of such broker-dealer or its officers or employees, or other similar consequences by both federal and state securities administrators. Morgan Stanley's broker-dealer subsidiaries are also members of the Securities Investor Protection Corporation, which provides certain protections for customers of broker-dealers against losses in the event of the insolvency of a broker-dealer.

MSSB LLC is also a registered investment adviser with the SEC. MSSB LLC's relationship with its investment advisory clients is subject to the fiduciary and other obligations imposed on investment advisers under the Investment Advisers Act of 1940, and the rules and regulations promulgated thereunder as well as various state securities laws. These laws and regulations generally grant the SEC and other supervisory bodies broad administrative powers to address non-compliance, including the power to restrict or limit MSSB LLC from carrying on its investment advisory and other asset management activities. Other sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain activities for specified periods of time or for specified types of clients, the revocation of registrations, other censures and significant fines.

Morgan Stanley is subject to various regulations that affect broker-dealer sales practices and customer relationships. For example, under the Dodd-Frank Act, the SEC is authorised to impose a fiduciary duty rule applicable to broker-dealers when providing personalised investment advice about securities to retail customers. The SEC released for public comment a package of proposed rulemaking on the standards of conduct and required disclosures for broker-dealers and investment advisers. One of the proposals, entitled "*Regulation Best Interest*", would require broker-dealers to act in the "best interest" of retail customers at the time a recommendation is made without placing the financial or other interests of the broker-dealer ahead of the interest of the retail customer. Additionally, the SEC proposed a new requirement for both broker-dealers and investment advisers to provide a brief relationship summary to retail investors with information intended to clarify the relationship between the parties. The SEC issued a proposed interpretation regarding the fiduciary duty that investment advisers owe their clients. None of these proposals have yet been finalised.

Margin lending by broker-dealers is regulated by the Federal Reserve's restrictions on lending in connection with customer and proprietary purchases and short sales of securities, as well as securities borrowing and lending activities. Broker-dealers are also subject to maintenance and other margin requirements imposed under FINRA and other self-regulatory organisation rules. In many cases, Morgan Stanley's broker-dealer subsidiaries' margin policies are more stringent than these rules.

As registered U.S. broker-dealers, certain of Morgan Stanley's subsidiaries are subject to the SEC's net capital rule and the net capital requirements of various exchanges, other regulatory authorities and self-regulatory organisations. These rules are generally designed to measure the broker-dealer subsidiary's general financial integrity and/or liquidity and require that at least a minimum amount of net and/or liquid assets be maintained by the subsidiary. See also "*Financial Holding Company – Consolidated Supervision*" and "*Financial Holding Company – Liquidity Standards*" above. Rules of FINRA and other self-regulatory organisations also impose limitations and requirements on the transfer of member organisations' assets.

Research. Research-related regulations have been implemented in many jurisdictions, including in the U.S., where FINRA has adopted rules that cover research relating to both equity and debt securities. In addition,

European regulators have introduced new requirements in Directive 2014/65/EU (as amended, "**MiFID II**") relating to the unbundling of research services and execution services. Both U.S. and non-U.S. regulators continue to focus on research conflicts of interest and may impose additional regulations.

Regulation of Futures Activities and Certain Commodities Activities. MS&Co., as a futures commission merchant, and MSSB LLC, as an introducing broker, are subject to net capital requirements of, and certain of their activities are regulated by, the CFTC, the National Futures Association (the "NFA"), CME Group, and various commodity futures exchanges. MS&Co. and MSSB LLC and certain of their affiliates are registered members of the NFA in various capacities. Rules and regulations of the CFTC, NFA and commodity futures exchanges address obligations related to, among other things, customer protections, the segregation of customer funds and the holding of secured amounts, the use by futures commission merchants of customer funds, recordkeeping and reporting obligations of futures commission merchants, and introducing brokers, risk disclosure, risk management and discretionary trading.

Morgan Stanley's commodities activities are subject to extensive and evolving energy, commodities, environmental, health and safety, and other governmental laws and regulations in the U.S. and abroad. Intensified scrutiny of certain energy markets by U.S. federal, state and local authorities in the U.S. and abroad and by the public has resulted in increased regulatory and legal enforcement and remedial proceedings involving companies conducting the activities in which Morgan Stanley is engaged.

Derivatives Regulation. Under the U.S. regulatory regime for "swaps" and "security-based swaps" (collectively, "**Swaps**") implemented pursuant to the Dodd-Frank Act, Morgan Stanley is subject to regulations including, among others, public and regulatory reporting, central clearing and mandatory trading on regulated exchanges or execution facilities for certain types of Swaps. The CFTC has completed the majority of its regulations in this area, most of which are in effect. The SEC has also finalised many of its Swaps regulations, although a significant number are not yet in effect. The Dodd-Frank Act also requires the registration of "swap dealers" with the CFTC and "security-based swap dealers" with the SEC. Certain of Morgan Stanley's subsidiaries have registered with the CFTC as swap dealers and will in the future be required to register with the SEC as security-based swap dealers. Such Swaps Entities are or will be subject to a comprehensive regulatory regime with new obligations for the Swaps activities for which they are registered, including capital requirements, margin requirements for uncleared Swaps and comprehensive business conduct rules. Each of the CFTC and SEC have proposed rules to impose capital standards on Swaps Entities subject to its respective jurisdiction, which include Morgan Stanley's subsidiaries, but these rules have not yet been finalised.

The specific parameters of some of these requirements for Swaps have been and continue to be developed through the CFTC, SEC and bank regulator rulemakings. In 2015, the federal banking regulators and the CFTC separately issued final rules establishing uncleared swap margin requirements for Swaps Entities subject to their respective regulation, including MSBNA, Morgan Stanley Capital Services LLC and MSI plc, respectively. The variation margin requirements under these rules were effective as of 1 March 2017. The rules phase-in initial margin requirements from 1 September 2016 through 1 September 2020, depending on the level of OTC derivatives activity of the swap dealer and the relevant counterparty. Margin rules with the same or similar compliance dates have been adopted or are in the process of being finalised by regulators outside the U.S., and certain of Morgan Stanley's subsidiaries may be subject to such rules.

Although important areas within the global derivatives regulatory framework have been finalised in recent years, additional changes are expected. For example, in November 2018, the CFTC proposed revisions to the rules governing swap execution facilities. As the derivatives regulatory framework evolves Morgan Stanley expects to continue to face, increased costs and regulatory oversight. Complying with the registration and other regulatory requirements has required, and is expected to require in the future, systems and other changes. Compliance with Swaps-related regulatory capital requirements may also require Morgan Stanley to devote more capital to its Swaps business.

Morgan Stanley's Institutional Securities and Wealth Management business segment activities are also regulated in jurisdictions outside the U.S.

Investment Management. Many of the subsidiaries engaged in Morgan Stanley's asset management activities are registered as investment advisers with the SEC. Many aspects of Morgan Stanley's asset management activities are also subject to federal and state laws and regulations primarily intended to benefit the investor or client. These laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict Morgan Stanley from carrying on its asset

management activities in the event that Morgan Stanley fails to comply with such laws and regulations. Sanctions that may be imposed for such failure include the suspension of individual employees, limitations on Morgan Stanley engaging in various asset management activities for specified periods of time or specified types of clients, the revocation of registrations, other censures and significant fines. In order to facilitate Morgan Stanley's asset management business, a U.S. broker-dealer subsidiary of Morgan Stanley, Morgan Stanley Distribution, Inc., acts as distributor to the Morgan Stanley mutual funds and as placement agent to certain private investment funds managed by Morgan Stanley's Investment Management business segment.

Morgan Stanley's asset management activities are subject to certain additional laws and regulations, including, but not limited to, additional reporting and recordkeeping requirements (including with respect to clients that are private funds) and restrictions on sponsoring or investing in, or maintaining certain other relationships with, "covered funds", as defined in the Volcker Rule, subject to certain limited exemptions. Many of these requirements have increased the expenses associated with Morgan Stanley's asset management activities and/or reduced the investment returns Morgan Stanley is able to generate for itself and its asset management clients.

In addition, certain of Morgan Stanley's affiliates are registered as commodity trading advisors and/or commodity pool operators, or are operating under certain exemptions from such registration pursuant to CFTC rules and other guidance, and have certain responsibilities with respect to each pool they advise. Violations of the rules of the CFTC, the NFA or the commodity exchanges could result in remedial actions, including fines, registration restrictions or terminations, trading prohibitions or revocations of commodity exchange memberships.

Morgan Stanley's Investment Management business activities are also regulated outside the U.S. For example, the FCA is the primary regulator of its business in the U.K.; the Financial Services Agency regulates Morgan Stanley's business in Japan; the Securities and Futures Commission of Hong Kong regulates Morgan Stanley's business in Hong Kong; and the Monetary Authority of Singapore regulates Morgan Stanley's business in Singapore.

Non-U.S. Regulation. All of Morgan Stanley's businesses are regulated extensively by non-U.S. regulators, including governments, securities exchanges, commodity exchanges, self-regulatory organisations, central banks and regulatory bodies, especially in those jurisdictions in which Morgan Stanley maintains an office. Certain regulators have prudential, conduct and other authority over Morgan Stanley or its subsidiaries, as well as powers to limit or restrict Morgan Stanley from engaging in certain businesses or to conduct administrative proceedings that can result in censures, fines, the issuance of cease-and-desist orders, or the suspension or expulsion of a regulated entity or its affiliates. Some of Morgan Stanley's subsidiaries are regulated as broker-dealers and other regulated entity types under the laws of the jurisdictions in which they operate. Subsidiaries engaged in banking and trust activities outside the U.S. are regulated by various government agencies in the particular jurisdiction where they are chartered, incorporated and/or conduct their business activity. For instance, the Prudential Regulation Authority ("**PRA**"), the FCA and several securities and futures exchanges in the U.K., including the London Stock Exchange and ICE Futures Europe, regulate Morgan Stanley's activities in the U.K.; the *Bundesanstalt für Finanzdienstleistungsaufsicht* (the "**Federal Financial Supervisory Authority**") and the Deutsche Börse AG regulate its activities in the Federal Republic of Germany; the Financial Services Agency, the Bank of Japan, the Japan Securities Dealers Association and several Japanese securities and futures exchanges and ministries regulate its activities in Japan; the Securities and Futures Commission of Hong Kong, the Hong Kong Monetary Authority and the Hong Kong Exchanges and Clearing Limited regulate its operations in Hong Kong; and the Monetary Authority of Singapore and the Singapore Exchange Limited regulate its business in Singapore.

Morgan Stanley's largest non-U.S. entity, MSI plc, is subject to extensive regulation and supervision by the PRA, which has broad legal authority to establish prudential and other standards applicable to MSI plc that seek to ensure its safety and soundness and to minimise adverse effects on the stability of the U.K. financial system. MSI plc is also regulated and supervised by the FCA with respect to business conduct matters.

Non-U.S. policymakers and regulators, including the European Commission and European Supervisory Authorities (among others, the European Banking Authority and the European Securities and Markets Authority), continue to propose and adopt numerous reforms, including those that may further impact the structure of banks or subject Morgan Stanley to new prudential regulation, and to formulate regulatory

standards and measures that will be of relevance and importance to Morgan Stanley's European operations. In November 2016, the European Commission published a package of proposals including various risk reduction measures. These include proposed amendments to the Capital Requirements Directive and Regulation providing updates to risk-based capital, liquidity, leverage and other prudential standards on a consolidated basis, consistent with final Basel standards. In addition, the proposals would require certain large, non-E.U. financial groups with two or more institutions established in the E.U., to establish an E.U. intermediate holding company ("**IHC**"). The proposals would require E.U. banks and broker-dealers to be held below the E.U. IHC; until more specific regulations are proposed, it remains unclear which other E.U. entities would need to be held beneath the E.U. IHC. The E.U. IHC would be subject to direct supervision and authorisation by the European Central Bank or the relevant national E.U. regulator. Further amendments were also proposed to the E.U. bank recovery and resolution regime under the E.U. Bank Recovery and Resolution Directive ("**BRRD**"). It is expected that the proposals will be adopted in early 2019, however their final form, as well as the date of their adoption, is not yet certain.

The amendments to the BRRD build on previous proposals by regulators in the U.K., E.U. and other major jurisdictions to finalise recovery and resolution planning frameworks and related regulatory requirements that will apply to certain of Morgan Stanley's subsidiaries that operate in those jurisdictions. For instance, the BRRD established a recovery and resolution framework for E.U. credit institutions and investment firms, including MSI plc. In addition, certain jurisdictions, including the U.K. and other E.U. jurisdictions, have implemented, or are in the process of implementing, changes to resolution regimes to provide resolution authorities with the ability to recapitalise a failing entity organised in such jurisdictions by writing down certain unsecured liabilities or converting certain unsecured liabilities into equity.

Regulators in the U.K., E.U. and other major jurisdictions have also finalised other regulatory standards applicable to certain of Morgan Stanley's subsidiaries that operate in those jurisdictions. For instance, the European Market Infrastructure Regulation introduced new requirements regarding the central clearing and reporting of derivatives, as well as margin requirements for uncleared derivatives. MiFID II, which took effect on 3 January 2018, introduced comprehensive and new trading and market infrastructure reforms in the E.U., including new trading venues, enhancements to pre- and post-trading transparency, and additional investor protection requirements, among others. Morgan Stanley has had to make extensive changes to its operations, including systems and controls in order to comply with MiFID II.

Financial Crimes Programme

Morgan Stanley's Financial Crimes programme is coordinated on an enterprise-wide basis and supports Morgan Stanley's financial crime prevention efforts across all regions and business units with responsibility for governance, oversight and execution of Morgan Stanley's AML, economic sanctions ("**Sanctions**") and anti-corruption programmes.

In the U.S., the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, imposes significant obligations on financial institutions to detect and deter money laundering and terrorist financing activity, including requiring banks, bank holding companies and their subsidiaries, broker-dealers, futures commission merchants, introducing brokers and mutual funds to implement AML programmes, verify the identity of customers that maintain accounts, and monitor and report suspicious activity to appropriate law enforcement or regulatory authorities. Outside the U.S., applicable laws, rules and regulations similarly require designated types of financial institutions to implement AML programmes. Morgan Stanley has implemented policies, procedures and internal controls that are designed to comply with all applicable AML laws and regulations. Regarding Sanctions, Morgan Stanley has implemented policies, procedures, and internal controls that are designed to comply with the regulations and economic sanctions programmes administered by the U.S. Treasury's Office for Foreign Asset Control ("**OFAC**"), which target foreign countries, entities and individuals based on external threats to U.S. foreign policy, national security or economic interests, and to comply, as applicable, with similar sanctions programmes imposed by foreign governments or global or regional multilateral organisations such as the United Nations Security Council and the E.U. Council.

Morgan Stanley is also subject to applicable anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, in the jurisdictions in which it operates. Anti-corruption laws generally prohibit offering, promising, giving, or authorising others to give anything of value, either directly or indirectly, to a government official or private party in order to influence official action or otherwise gain an unfair business advantage, such as to obtain or retain business. Morgan Stanley has implemented policies, procedures, and internal controls that are designed to comply with such laws, rules and regulations.

2. OVERVIEW OF ACTIVITIES

Principal Activities

Morgan Stanley, a financial holding company, is a global financial services firm that maintains significant market positions in each of its business segments—Institutional Securities, Wealth Management and Investment Management. Morgan Stanley, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals.

A description of the clients and principal products and services of each of Morgan Stanley's business segments is as follows:

Institutional Securities provides investment banking, sales and trading, lending and other services to corporations, governments, financial institutions, and high to ultra-high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities as well as advice on mergers and acquisitions, restructurings, real estate and project finance. Sales and trading services include sales, financing, prime brokerage and market-making activities in equity and fixed income products, including foreign exchange and commodities. Lending activities include originating corporate loans, commercial mortgage lending, providing secured lending facilities and extending financing to sales and trading customers. Other activities include investments and research.

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering brokerage and investment advisory services; financial and wealth planning services; annuity and insurance products; securities-based lending, residential real estate loans and other lending products; banking and retirement plan services.

Investment Management provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets, to a diverse group of clients across institutional and intermediary channels. Strategies and products include equity, fixed income, liquidity and alternative/other products. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are served through intermediaries, including affiliated and non-affiliated distributors.

3. ORGANISATIONAL STRUCTURE

Principal Markets

Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, advises, and originates, trades, manages and distributes capital for, governments, institutions and individuals. Morgan Stanley conducts its business from its headquarters in and around New York City, its regional offices and branches throughout the U.S. and its principal offices in London, Tokyo, Hong Kong and other world financial centres. As of 31 December 2018, Morgan Stanley had 60,348 employees worldwide.

Morgan Stanley's significant regulated U.S. and international subsidiaries include MS&Co., MSSB LLC, MSI plc, Morgan Stanley MUFG Securities Co., Ltd. ("**MSMS**"), MSBNA and MSPBNA.

Structure of the Group

For information relating to the structure of the Morgan Stanley Group and for the list of certain subsidiaries as at 31 December 2018 see the section entitled "*Subsidiaries of Morgan Stanley as of 31 December 2018*" below.

4. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Board of Directors

The directors of Morgan Stanley as of the date of this Registration Document, their offices, if any, within Morgan Stanley, and their principal outside activity, if any, are listed below. The business address of each director is 1585 Broadway, New York, NY 10036, U.S.

<u>Name</u>	<u>Function within Morgan Stanley</u>	<u>Principal Outside Activity</u>
James P. Gorman	Chairman of the Board and Chief Executive Officer	None.
Elizabeth Corley	Director	Member of the board of directors of Pearson plc.
Alistair Darling	Director	Member of the House of Lords of the British Parliament.
Thomas H. Glocer	Director	Member of the board of directors of Merck & Co., Inc.
Robert H. Herz	Director	President of Robert H. Herz LLC and member of the board of directors of the Federal National Mortgage Association (Fannie Mae) and Workiva Inc.
Nobuyuki Hirano	Director	Chairman of MUFG and director of MUFG Bank and Toyota Motor Corporation.
Jami Miscik	Director	CEO and Vice Chair of Kissinger Associates, Inc. Director of General Motors Company.
Dennis M. Nally	Director	None.
Takeshi Ogasawara	Director	None.
Hutham S. Olayan	Director	Chair, principal and director of The Olayan Group, a private multinational enterprise, and President and CEO of The Olayan Group's U.S. operations. Member of the Executive Advisory Board of General Atlantic. Member of the board of directors of International Business Machines Corporation.
Mary L. Schapiro	Director	Member of the board of directors of CVS Health Corporation.
Perry M. Traquina	Director	Member of the board of directors of The Allstate Corporation and eBay Inc.
Rayford Wilkins, Jr.	Director	Member of the board of directors of Caterpillar Inc. and Valero Energy Corporation.

There are no potential conflicts of interests between any duties to Morgan Stanley of its directors and their private interests and/or other duties.

Certain Transactions

Morgan Stanley's subsidiaries may extend credit in the ordinary course of business to certain of its directors, officers and members of their immediate families. These extensions of credit may be in connection with margin loans, mortgage loans or other extensions of credit by Morgan Stanley's subsidiaries. These extensions of credit are made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender and do not involve more than the normal risk of collectability or present other unfavourable features.

Each of MUFG, State Street Corporation ("**State Street**"), BlackRock, Inc. ("**BlackRock**") and The Vanguard Group ("**Vanguard**") beneficially owns 5 per cent. or more of the outstanding shares of Morgan Stanley common stock as reported under the section "*Principal Shareholders*" herein. During 2018, Morgan Stanley engaged in transactions in the ordinary course of business with each of MUFG, State Street, BlackRock and Vanguard and certain of their respective affiliates, including investment banking, financial advisory, sales and trading, derivatives, investment management, lending, securitisation and other financial services transactions. Such transactions were on substantially the same terms as those prevailing at the time for comparable transactions with unrelated third parties.

A child of Jeffrey Brodsky, an executive officer, is a non-executive employee of Morgan Stanley and received compensation in 2018 of approximately \$205,000. A child of Colm Kelleher, an executive officer, is a non-executive employee of Morgan Stanley and received compensation in 2018 of approximately \$127,000. The compensation and benefits for these employees was determined in accordance with Morgan Stanley's standard compensation practices applicable to similarly situated employees.

In addition to the transactions described above, as part of the global strategic alliance between MUFG and Morgan Stanley, on 1 May 2010, Morgan Stanley and MUFG formed a joint venture in Japan of their respective investment banking and securities businesses by forming two joint venture companies. MUFG contributed the investment banking, wholesale and retail securities businesses conducted in Japan by Mitsubishi UFJ Securities Co., Ltd. into one of the joint venture entities named Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("**MUMSS**"). Morgan Stanley contributed the investment banking operations conducted in Japan by its subsidiary, MSMS, formerly known as Morgan Stanley Japan Securities Co., Ltd., into MUMSS (MSMS, together with MUMSS, the "**Joint Venture**"). MSMS has continued its sales and trading and capital markets business conducted in Japan. Morgan Stanley owns a 40 per cent. economic interest in the Joint Venture and MUFG owns a 60 per cent. economic interest in the Joint Venture. Morgan Stanley holds a 40 per cent. voting interest and MUFG holds a 60 per cent. voting interest in MUMSS, while Morgan Stanley holds a 51 per cent. voting interest and MUFG holds a 49 per cent. voting interest in MSMS. Other initiatives that are part of Morgan Stanley's global strategic alliance with MUFG include a loan marketing joint venture in the Americas, business referral arrangements in Asia, Europe, the Middle East and Africa, referral agreements for commodities transactions and a secondment arrangement of personnel between MUFG and Morgan Stanley for the purpose of sharing best practices and expertise. On 18 April 2018, Morgan Stanley entered into a sales plan (the "**Plan**") with MUFG and Morgan Stanley & Co. LLC ("**MS&Co.**") whereby MUFG sells shares of Morgan Stanley's common stock to Morgan Stanley, through its agent MS & Co., as part of Morgan Stanley's share repurchase program. The Plan is only intended to maintain MUFG's ownership percentage of the common stock below 24.9% in order to comply with MUFG's passivity commitments to the Board of Governors of the Federal Reserve System and will have no impact on the strategic alliance between MUFG and Morgan Stanley, including their joint ventures in Japan. Without the Plan, MUFG's ownership percentage would increase as the outstanding number of shares of common stock is reduced as Morgan Stanley purchases common stock from other investors under its share repurchase programme.

5. BOARD PRACTICES

Morgan Stanley considers itself to be in compliance with all U.S. laws relating to corporate governance that are applicable to it.

The Board meets regularly and directors receive information between meetings about the activities of committees and developments in Morgan Stanley's business. All directors have full and timely access to all relevant information and may take independent professional advice if necessary.

The Board's standing committees include the following:

Committee	Current Members	Primary Responsibilities
Audit	Robert H. Herz (Chair), Alistair Darling, Dennis M. Nally, Perry M. Traquina	<ul style="list-style-type: none"> • Oversees the integrity of Morgan Stanley's consolidated financial statements and system of internal controls. • Oversees risk management and risk assessment guidelines in coordination with the Board Operations and Technology Committee and Risk Committee. • Reviews the major legal and compliance risk exposures of Morgan Stanley and the steps management has taken to monitor and control such exposures. • Selects, determines the compensation of, evaluates and, when appropriate, replaces the independent auditor. • Reviews and assesses the qualifications, independence and performance of the independent auditor, and pre-approves audit and permitted non-audit services. • Oversees the performance of the head of Morgan Stanley's Internal Audit Department (Global Audit Director), who reports functionally to the Audit Committee, and the internal audit function. • After review, recommends to the Board the acceptance and inclusion of the annual audited consolidated financial statements in Morgan Stanley's Annual Report on Form 10-K.
Compensation, Management Development and Succession	Hutham S. Olayan (Chair), Thomas H. Glocer, Dennis M. Nally, Rayford Wilkins, Jr.	<ul style="list-style-type: none"> • Annually reviews and approves the corporate goals and objectives relevant to the compensation of the CEO and evaluates his performance in light of these goals and objectives. • Determines the compensation of executive officers and other officers and employees as appropriate.

Committee	Current Members	Primary Responsibilities
Nominating and Governance	Rayford Wilkins, Jr. (Chair), Elizabeth Corley, Robert H. Herz	<ul style="list-style-type: none"> • Administers Morgan Stanley's equity-based compensation plans and cash-based nonqualified deferred compensation plans. • Oversees plans for management development and succession. • Reviews and discusses the Compensation Discussion and Analysis with management and recommends to the Board its inclusion in the proxy statement. • Oversees Morgan Stanley's incentive compensation arrangements, including with appropriate input from the Chief Risk Officer, to help ensure that such arrangements are consistent with the safety and soundness of Morgan Stanley and do not encourage excessive risk-taking, and are otherwise consistent with applicable related regulatory rules and guidance. • Reviews and approves Morgan Stanley's equity retention and ownership policies for executive officers and other officers and employees, as appropriate. • Oversees succession planning for the Board and Board leadership appointments. • Reviews the overall size and composition of the Board and its committees. • Identifies and recommends candidates for election to the Board. • Oversees the orientation program for newly elected directors. • Reviews annually Morgan Stanley's Corporate Governance Policies. • Oversees and approves the process and guidelines for the annual evaluation of performance and effectiveness of the Independent Lead Director, the Board and its committees.

Committee	Current Members	Primary Responsibilities
		<ul style="list-style-type: none"> • Reviews and approves related person transactions in accordance with Morgan Stanley's Related Person Transactions Policy. • Reviews the director compensation program. • Reviews Morgan Stanley's Corporate Political Activities Policy Statement and oversees political activities, Morgan Stanley's significant lobbying priorities and expenditures attributable to lobbying activities in the U.S., and expenditures related to principal U.S. trade associations. • Oversees Morgan Stanley's philanthropic programs and social responsibility, and environmental and sustainability matters.
Operations and Technology	Jami Miscik (Chair), Thomas H. Glocer, Takeshi Ogasawara, Mary L. Schapiro	<ul style="list-style-type: none"> • Oversees Morgan Stanley's operations and technology strategy, including trends that may affect such strategy. • Reviews the major operations and technology risk exposures of Morgan Stanley, including information security, fraud and cybersecurity risks, and the steps the management has taken to monitor and control such exposures. • Reviews the operations and technology budget and significant operations and technology expenditures and investments. • Oversees risk management and risk assessment guidelines and policies regarding operations and technology risk. • Oversees Morgan Stanley's business continuity planning.
Risk	Perry M. Traquina (Chair), Alistair Darling, Nobuyuki Hirano, Jami Miscik	<ul style="list-style-type: none"> • Oversees Morgan Stanley's global enterprise risk management framework. • Oversees Morgan Stanley's capital, liquidity and funding planning and strategy.

Committee	Current Members	Primary Responsibilities
		<ul style="list-style-type: none"> • Oversees the major risk exposures of Morgan Stanley, including market, credit, operational, model and liquidity risk, against established risk measurement methodologies and the steps management has taken to monitor and control such exposures and reviews significant new product risk, emerging risks and regulatory matters. • Oversees the risk identification framework. • Oversees Morgan Stanley's risk appetite statement, including risk tolerance levels and limits and the ongoing alignment of the Risk Appetite Statement with Morgan Stanley's strategy and capital plans. • Reviews the contingency funding plan, effectiveness of Morgan Stanley's Basel III advanced systems, Comprehensive Capital Analysis and Review, mid-cycle Dodd-Frank Act Stress Testing submissions and Morgan Stanley's Volcker Compliance Program, Title I Resolution Plan and Recovery Plan. • Oversees risk management and risk assessment policies and guidelines. • Oversees the performance of the Chief Risk Officer (who reports to the Risk Committee and the CEO) and the risk management function.

6. PRINCIPAL SHAREHOLDERS

The following table contains information regarding the only persons Morgan Stanley knows of that beneficially own more than 5 per cent. of its common stock.

Name and Address	Shares of Common Stock Beneficially Owned	
	Number	Per cent. ⁽¹⁾
MUFG ⁽²⁾ 7-1, Marunouchi 2-chome Chiyoda-ku, Tokyo 100-8330, Japan	404,867,225	24.0%
State Street ⁽³⁾ One Lincoln Street Boston, MA 02111	130,654,531	7.7%
BlackRock, Inc. (BlackRock) ⁽⁴⁾ 55 East 52 nd Street New York, NY 10055	104,968,967	6.2%

Name and Address	Shares of Common Stock Beneficially Owned	
	Number	Per cent. ⁽¹⁾
The Vanguard Group (Vanguard) ⁽⁵⁾ 100 Vanguard Boulevard Malvern, PA 19355	95,698,705	5.7%

- ⁽¹⁾ Percentages based upon the number of shares of common stock outstanding as of the record date, 25 March 2019, and the beneficial ownership of the principal shareholders as reported in SEC filings in notes 2 through 5 below.
- ⁽²⁾ Based on the Form 4, Statement of Changes in Beneficial Ownership, dated 26 March 2019, filed by MUFG (as of 22 March 2019). The Schedule 13D/A filed by MUFG, dated 4 October 2018, discloses that MUFG beneficially owned 420,745,409 shares and had sole voting power and sole dispositive power with respect to such shares as of 26 September 2018. The Schedule 13D/A also disclosed that of the 420,745,409 shares, 1,377,477 shares were held solely in a fiduciary capacity by certain affiliates of MUFG as the trustee of trust accounts or the manager of investment funds, other investment vehicles and managed accounts as of 26 September 2018, and that MUFG disclaims beneficial ownership of such shares.
- ⁽³⁾ Based on the Schedule 13G dated 11 February 2019 filed by State Street and State Street Global Advisors Trust Company, each acting in various fiduciary and other capacities (as of 31 December 2018). The Schedule 13G discloses that State Street had shared dispositive power as to 130,640,173 shares and shared voting power as to 124,194,477 shares; and that 74,256,826 shares beneficially owned by State Street Global Advisors Trust Company, a subsidiary of State Street, are held as trustee on behalf of the Trust that holds shares of common stock underlying certain restricted stock units awarded to Morgan Stanley employees under various of Morgan Stanley's equity-based plans.
- ⁽⁴⁾ Based on the Schedule 13G dated 5 February 2019 filed by BlackRock (as of 31 December 2018). The Schedule 13G discloses that BlackRock had sole voting power as to 92,275,473 shares and sole dispositive power as to 104,968,967 shares.
- ⁽⁵⁾ Based on the Schedule 13G dated 11 February 2019 filed by Vanguard (as of 31 December 2018). The Schedule 13G discloses that Vanguard had sole voting power as to 1,496,179 shares and sole dispositive power as to 93,928,778 shares and shared voting power as to 298,912 shares and shared dispositive power as to 1,769,927 shares.

7. LEGAL PROCEEDINGS AND CONTINGENCIES

(a) Legal Proceedings

- (i) The following is an extract from the section entitled "Legal Proceedings" on pages 169-173 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2018. References in this extract to "the Firm" are references to Morgan Stanley together with its consolidated subsidiaries.

In addition to the matters described below, in the normal course of business, the Firm has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the entities that would otherwise be the primary defendants in such cases are bankrupt or are in financial distress.

The Firm is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding the Firm's business, and involving, among other matters, sales and trading activities, financial products or offerings sponsored, underwritten or sold by the Firm, and accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

The Firm contests liability and/or the amount of damages as appropriate in each pending matter. Where available information indicates that it is probable a liability had been incurred at the date of the financial statements and the Firm can reasonably estimate the amount of that loss, the Firm accrues the estimated loss by a charge to income. The Firm's future legal expenses may fluctuate from period to period, given the current environment regarding government investigations and private litigation affecting global financial services firms, including the Firm.

In many proceedings and investigations, however, it is inherently difficult to determine whether any loss is probable or even possible, or to estimate the amount of any loss. The Firm cannot predict with certainty if, how or when such proceedings or investigations will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for proceedings and investigations where the factual record is being developed or contested or where plaintiffs or government entities seek substantial or indeterminate damages, restitution, disgorgement or penalties. Numerous issues may need to be resolved, including through potentially lengthy

discovery and determination of important factual matters, determination of issues related to class certification and the calculation of damages or other relief, and by addressing novel or unsettled legal questions relevant to the proceedings or investigations in question, before a loss or additional loss or range of loss or additional loss can be reasonably estimated for a proceeding or investigation.

Subject to the foregoing, the Firm believes, based on current knowledge and after consultation with counsel, that the outcome of such proceedings and investigations will not have a material adverse effect on the financial condition of the Firm, although the outcome of such proceedings or investigations could be material to the Firm's operating results and cash flows for a particular period depending on, among other things, the level of the Firm's revenues or income for such period.

While the Firm has identified below certain proceedings that the Firm believes to be material, individually or collectively, there can be no assurance that additional material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

Residential Mortgage and Credit Crisis Related Matters

On 15 July 2010, China Development Industrial Bank ("**CDIB**") filed a complaint against the Firm, styled *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated et al.*, which is pending in the Supreme Court of the State of New York, New York County ("**Supreme Court of NY**"). The complaint relates to a \$275 million CDS referencing the super senior portion of the STACK 2006-1 CDO.

The complaint asserts claims for common law fraud, fraudulent inducement and fraudulent concealment and alleges that the Firm misrepresented the risks of the STACK 2006-1 CDO to CDIB, and that the Firm knew that the assets backing the CDO were of poor quality when it entered into the CDS with CDIB. The complaint seeks compensatory damages related to the approximately \$228 million that CDIB alleges it has already lost under the CDS, rescission of CDIB's obligation to pay an additional \$12 million, punitive damages, equitable relief, pre- and post-judgment interest, fees and costs. On 28 February 2011, the court denied the Firm's motion to dismiss the complaint. On 21 December 2018, the court denied the Firm's motion for summary judgment and granted in part the Firm's motion for sanctions related to the spoliation of evidence. On 18 January 2019, CDIB filed a motion to clarify and resettle the portion of the court's 21 December 2018 order granting spoliation sanctions. On 24 January 2019, CDIB filed a notice of appeal from the court's 21 December 2018 order, and on 25 January 2019, the Firm filed a notice of appeal from the same order.

On 17 May 2013, plaintiff in *IKB International S.A. in Liquidation, et al. v. Morgan Stanley, et al.* filed a complaint against the Firm and certain affiliates in the Supreme Court of NY. The complaint alleges that defendants made material misrepresentations and omissions in the sale to plaintiff of certain mortgage pass-through certificates backed by securitisation trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by the Firm to plaintiff was approximately \$133 million. The complaint alleges causes of action against the Firm for common law fraud, fraudulent concealment, aiding and abetting fraud, and negligent misrepresentation, and seeks, among other things, compensatory and punitive damages. On 29 October 2014, the court granted in part and denied in part the Firm's motion to dismiss. All claims regarding four certificates were dismissed. After these dismissals, the remaining amount of certificates allegedly issued by the Firm or sold to plaintiff by the Firm was approximately \$116 million. On 11 August 2016, the Appellate Division, First Department ("**First Department**") affirmed the trial court's order denying in part the Firm's motion to dismiss the complaint.

On 2 July 2013, Deutsche Bank, in its capacity as trustee, became the named plaintiff in *Federal Housing Finance Agency, as Conservator for the Federal Home Loan Mortgage Corporation, on behalf of the Trustee of the Morgan Stanley ABS Capital I Inc. Trust, Series 2007-NC1 (MSAC 2007-NC1) v. Morgan Stanley ABS Capital I Inc.*, and filed a complaint in the Supreme Court of NY under the caption *Deutsche Bank National Trust Company, as Trustee for the Morgan Stanley ABS Capital I Inc. Trust, Series 2007-NC1 v. Morgan Stanley ABS Capital I, Inc.* On 3 February 2014, the plaintiff filed an amended complaint, which asserts claims for breach of contract and breach of the implied covenant of good faith and fair dealing and alleges, among other things, that

the loans in the trust, which had an original principal balance of approximately \$1.25 billion, breached various representations and warranties. The amended complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, unspecified damages, rescission and interest. On 12 April 2016, the court granted in part and denied in part the Firm's motion to dismiss the amended complaint, dismissing all claims except a single claim alleging failure to notify, regarding which the motion was denied without prejudice. On 9 December 2016, the Firm renewed its motion to dismiss that notification claim. On 17 January 2017, the First Department affirmed the lower court's 12 April 2016 order. On 13 April 2017, the First Department denied plaintiff's motion for leave to appeal to the New York Court of Appeals. On 8 March 2018, the trial court denied the Firm's renewed motion to dismiss the notification claims.

On 8 July 2013, U.S. Bank National Association, in its capacity as trustee, filed a complaint against the Firm styled *U.S. Bank National Association, solely in its capacity as Trustee of the Morgan Stanley Mortgage Loan Trust 2007-2AX (MSM 2007-2AX) v. Morgan Stanley Mortgage Capital Holdings LLC, Successor-by-Merger to Morgan Stanley Mortgage Capital Inc. and GreenPoint Mortgage Funding, Inc.*, pending in the Supreme Court of NY. The complaint asserts claims for breach of contract and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately \$650 million, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, unspecified damages and interest. On 24 November 2014, the court granted in part and denied in part the Firm's motion to dismiss the complaint. On 13 August 2018, the Firm filed a motion to renew its motion to dismiss.

On 6 November 2013, Deutsche Bank, in its capacity as trustee, became the named plaintiff in *Federal Housing Finance Agency, as Conservator for the Federal Home Loan Mortgage Corporation, on behalf of the Trustee of the Morgan Stanley ABS Capital I Inc. Trust, Series 2007-NC3 (MSAC 2007-NC3) v. Morgan Stanley Mortgage Capital Holdings LLC*, and filed a complaint in the Supreme Court of NY under the caption *Deutsche Bank National Trust Company, solely in its capacity as Trustee for Morgan Stanley ABS Capital I Inc. Trust, Series 2007-NC3 v. Morgan Stanley Mortgage Capital Holdings LLC, as Successor-by-Merger to Morgan Stanley Mortgage Capital Inc.* The complaint asserts claims for breach of contract and breach of the implied covenant of good faith and fair dealing and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately \$1.3 billion, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, unspecified damages, rescission, interest and costs. On 12 April 2016, the court granted the Firm's motion to dismiss the complaint, and granted the plaintiff the ability to seek to replead certain aspects of the complaint. On 17 January 2017, the First Department affirmed the lower court's order granting the motion to dismiss the complaint. On 9 January 2017, plaintiff filed a motion to amend its complaint. On 13 April 2017, the First Department denied plaintiff's motion for leave to appeal to the New York Court of Appeals. On 8 March 2018, the trial court granted plaintiff's motion to amend its complaint to include failure to notify claims. On 19 March 2018, the Firm filed an answer to plaintiff's amended complaint.

On 19 September 2014, Financial Guaranty Insurance Company ("FGIC") filed a complaint against the Firm in the Supreme Court of NY, styled *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. et al.* relating to a securitisation issued by Basket of Aggregated Residential NIMS 2007-1 Ltd. The complaint asserts claims for breach of contract and alleges, among other things, that the net interest margin securities ("NIMS") in the trust breached various representations and warranties. FGIC issued a financial guaranty policy with respect to certain notes that had an original balance of approximately \$475 million. The complaint seeks, among other relief, specific performance of the NIMS breach remedy procedures in the transaction documents, unspecified damages, reimbursement of certain payments made pursuant to the transaction documents, attorneys' fees and interest. On 24 November 2014, the Firm filed a motion to dismiss the complaint, which the court denied on 19 January 2017. On 24 February 2017, the Firm filed a notice of appeal of the denial of its motion to dismiss the complaint and perfected its appeal on 22 November 2017. On 13 September 2018, the court affirmed the lower court's order denying the Firm's motion to dismiss the complaint.

On 23 September 2014, FGIC filed a complaint against the Firm in the Supreme Court of NY styled *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. et al.* relating

to the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4. The complaint asserts claims for breach of contract and fraudulent inducement and alleges, among other things, that the loans in the trust breached various representations and warranties and defendants made untrue statements and material omissions to induce FGIC to issue a financial guaranty policy on certain classes of certificates that had an original balance of approximately \$876 million. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, compensatory, consequential and punitive damages, attorneys' fees and interest. On 23 January 2017, the court denied the Firm's motion to dismiss the complaint. On 24 February 2017, the Firm filed a notice of appeal of the denial of its motion to dismiss the complaint and perfected its appeal on 22 November 2017. On 13 September 2018, the First Department affirmed in part and reversed in part the lower court's order denying the Firm's motion to dismiss the complaint. On 20 December 2018, the First Department denied plaintiff's motion for leave to appeal to the New York Court of Appeals or, in the alternative, for reargument.

On 23 January 2015, Deutsche Bank National Trust Company, in its capacity as trustee, filed a complaint against the Firm styled *Deutsche Bank National Trust Company solely in its capacity as Trustee of the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 v. Morgan Stanley Mortgage Capital Holdings LLC as Successor-by-Merger to Morgan Stanley Mortgage Capital Inc., and Morgan Stanley ABS Capital I Inc.*, pending in the Supreme Court of NY. The complaint asserts claims for breach of contract and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately \$1.05 billion, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, compensatory, consequential, rescissory, equitable and punitive damages, attorneys' fees, costs and other related expenses, and interest. On 11 December 2015, the court granted in part and denied in part the Firm's motion to dismiss the complaint. On 19 October 2018, the court granted the Firm's motion for leave to amend its answer and to stay the case pending resolution of Deutsche Bank National Trust Company's appeal to the New York Court of Appeals in another case. On 17 January 2019, the First Department reversed the trial court's order to the extent that it had granted in part the Firm's motion to dismiss the complaint.

On 1 April 2016, the California Attorney General's Office filed an action against the Firm in California state court styled *California v. Morgan Stanley, et al.*, on behalf of California investors, including the California Public Employees' Retirement System and the California Teachers' Retirement System. The complaint alleges that the Firm made misrepresentations and omissions regarding residential mortgage backed securities ("**RMBS**") and notes issued by the Cheyne SIV, and asserts violations of the California False Claims Act and other state laws and seeks treble damages, civil penalties, disgorgement, and injunctive relief. On 30 September 2016, the court granted the Firm's demurrer, with leave to replead. On 21 October 2016, the California Attorney General filed an amended complaint. On 25 January 2017, the court denied the Firm's demurrer with respect to the amended complaint.

Antitrust Related Matters

The Firm and other financial institutions are responding to a number of governmental investigations and civil litigation matters related to allegations of anticompetitive conduct in various aspects of the financial services industry, including the matters described below.

Beginning in February of 2016, the Firm was named as a defendant in multiple purported antitrust class actions now consolidated into a single proceeding in the United States District Court for the Southern District of New York ("**SDNY**") styled *In Re: Interest Rate Swaps Antitrust Litigation*. Plaintiffs allege, inter alia, that the Firm, together with a number of other financial institution defendants, violated U.S. and New York state antitrust laws from 2008 through December of 2016 in connection with their alleged efforts to prevent the development of electronic exchange-based platforms for interest rates swaps trading. Complaints were filed both on behalf of a purported class of investors who purchased interest rates swaps from defendants, as well as on behalf of two swap execution facilities that allegedly were thwarted by the defendants in their efforts to develop such platforms. The consolidated complaints seek, among other relief, certification of the investor class of plaintiffs and treble damages. On 28 July 2017, the court granted in part and denied in part the defendants' motion to dismiss the complaints.

In August of 2017, the Firm was named as a defendant in a purported antitrust class action in the United States District Court for the SDNY styled *Iowa Public Employees' Retirement System et al. v. Bank of America Corporation et al.* Plaintiffs allege, *inter alia*, that the Firm, together with a number of other financial institution defendants, violated U.S. antitrust laws and New York state law in connection with their alleged efforts to prevent the development of electronic exchange-based platforms for securities lending. The class action complaint was filed on behalf of a purported class of borrowers and lenders who entered into stock loan transactions with the defendants. The class action complaint seeks, among other relief, certification of the class of plaintiffs and treble damages. On 27 September 2018, the court denied the defendants' motion to dismiss the class action complaint.

European Matters

On 11 October 2011, an Italian financial institution, Banco Popolare Società Cooperativa ("**Banco Popolare**"), filed a civil claim against the Firm in the Milan courts, styled *Banco Popolare Società Cooperativa v Morgan Stanley & Co. International plc & others*, related to its purchase of €100 million of bonds issued by Parmalat. The claim asserted by Banco Popolare alleges, among other things, that the Firm was aware of Parmalat's impending insolvency and conspired with others to deceive Banco Popolare into buying bonds by concealing both Parmalat's true financial condition and certain features of the bonds from the market and Banco Popolare. Banco Popolare seeks damages of €76 million (approximately \$87 million) plus damages for loss of opportunity and moral damages. The Firm filed its answer on 20 April 2012. On 11 September 2018, the court dismissed in full the claim against the Firm. The plaintiff has until 11 March 2019 to file an appeal.

On 22 June 2017, the public prosecutor for the Court of Accounts for the Republic of Italy filed a claim against the Firm styled *Case No. 2012/00406/MNV*, which is pending in the Regional Prosecutor's Office at the Judicial Section of the Court of Auditors for Lazio, Italy. The claim relates to certain derivative transactions between the Republic of Italy and the Firm. The transactions were originally entered into between 1999 and 2005, and were restructured (and certain of the transactions were terminated) in December 2011 and January 2012. The claim alleges, *inter alia*, that the Firm effectively acted as an agent of the state in connection with these transactions and asserts claims related to, among other things, whether the Ministry of Finance was authorised to enter into these transactions, whether the transactions were appropriate and whether the Firm's conduct related to the termination of certain transactions was proper. The prosecutor is seeking damages through an administrative process against the Firm for €2.76 billion (approximately \$3.2 billion). On 30 March 2018, the Firm filed its defense to the claim. On 15 June 2018, the Court issued a decision declining jurisdiction and dismissing the claim against the Firm. A hearing of the public prosecutor's appeal was held on 10 January 2019. On 7 March 2019, the Appellate Division of the Court of Accounts for the Republic of Italy issued a affirming the decision below declining jurisdiction and dismissing the claim against the Firm. On 19 April 2019, the public prosecutor filed an appeal with the Italian Supreme Court seeking to overturn this decision.

In matters styled *Case number 15/3637* and *Case number 15/4353*, the Dutch Tax Authority ("**Dutch Authority**") has challenged in the District Court in Amsterdam the prior set-off by the Firm of approximately €124 million (approximately \$142 million) plus accrued interest of withholding tax credits against the Firm's corporation tax liabilities for the tax years 2007 to 2013. The Dutch Authority alleges that the Firm was not entitled to receive the withholding tax credits on the basis, *inter alia*, that a Firm subsidiary did not hold legal title to certain securities subject to withholding tax on the relevant dates. The Dutch Authority has also alleged that the Firm failed to provide certain information to the Dutch Authority and keep adequate books and records. On 26 April 2018, the District Court in Amsterdam issued a decision dismissing the Dutch Authority's claims. On 4 June 2018, the Dutch Authority filed an appeal before the Court of Appeal in Amsterdam in matters re-styled *Case number 18/00318* and *Case number 18/00319*. A hearing of the Dutch Authority's appeal has been scheduled for 26 June 2019.

On 5 October 2017, various institutional investors filed a claim against the Firm and another bank in a matter now styled *Case number B-803-18 (previously BS 99-6998/2017)*, in the City Court of Copenhagen, Denmark concerning their roles as underwriters of the initial public offering ("**IPO**") in March 2014 of the Danish company OW Bunker A/S. The claim seeks damages of DKK 534,270,456 (approximately \$82 million) plus interest in respect of alleged losses arising from

investing in shares in OW Bunker, which entered into bankruptcy in November 2014. Separately, on 29 November 2017, another group of institutional investors joined the Firm and another bank as defendants to pending proceedings in the High Court of Eastern Denmark against various other parties involved in the IPO in a matter styled *Case number B-2073-16*. The claim brought against the Firm and the other bank has been given its own *Case number B-2564-17*. The investors claim damages of DKK 767,235,885 (approximately \$118 million) plus interest, from the Firm and the other bank on a joint and several basis with the Defendants to these proceedings. Both claims are based on alleged prospectus liability; the second claim also alleges professional liability of banks acting as financial intermediaries. On 8 June 2018, the City Court of Copenhagen, Denmark ordered that the matters now styled *Case number B-803-18*, *B-2073-16* and *Case number B-2564-17* be heard together before the High Court of Eastern Denmark. On 29 June 2018, the Firm filed its defense to the matter now styled *Case number B-2564-17*. On 4 February 2019, the Firm filed its defense to the matter now styled *Case number B-803-18*.

The following matters were terminated during or following the quarter ended 31 December 2018:

On 20 October 2014, a purported class action complaint was filed against the Firm and other defendants styled *Genesee County Employees' Retirement System v. Bank of America Corporation et al.* in the SDNY. The action was later consolidated with four similar actions in SDNY under the lead case styled *Alaska Electrical Pension Fund v. Bank of America Corporation et al.* A consolidated amended complaint was filed on 2 February 2015 asserting claims for alleged violations of the Sherman Act, breach of contract, breach of the implied covenant of good faith and fair dealing, unjust enrichment, and tortious interference with contract. The consolidated amended complaint alleges, among other things, that the defendants engaged in antitrust violations with regards to the process of setting ISDAfix, a financial benchmark and seeks treble damages, injunctive relief, attorneys' fees and other relief. On 22 June 2018, the parties entered into an agreement to settle the litigation. On 13 November 2018, the court entered a final judgment and order granting final approval of the settlement and dismissing the action as to the Firm and the other remaining defendants.

On 14 December 2012, Royal Park Investments SA/NV filed a complaint against the Firm, certain affiliates, and other defendants in the Supreme Court of NY, styled *Royal Park Investments SA/NV v. Merrill Lynch et al.* On 24 October 2013, plaintiff filed a new complaint against the Firm in the Supreme Court of NY, styled *Royal Park Investments SA/NV v. Morgan Stanley et al.*, alleging that defendants made material misrepresentations and omissions in the sale to plaintiff of certain mortgage pass-through certificates backed by securitisation trusts containing residential mortgage loans. The total amount of certificates allegedly sponsored, underwritten and/or sold by the Firm to plaintiff was approximately \$597 million. The complaint raises common law claims of fraud, fraudulent inducement, negligent misrepresentation, and aiding and abetting fraud and seeks, among other things, compensatory and punitive damages. The plaintiff filed an amended complaint on 1 December 2015. On 12 April 2017, the Supreme Court of the State of NY granted the Firm's motion to dismiss the amended complaint. On 9 October 2018, the Appellate Division, First Department affirmed the lower court's order dismissing the amended complaint. On 15 January 2019, plaintiff's motion for leave to appeal to the New York Court of Appeals was denied.

- (ii) The following is an extract from the section entitled "Legal Proceedings" on page 75 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended 31 March 2019. References in this extract to "the Firm" are references to Morgan Stanley together with its consolidated subsidiaries.

The following new matters and developments have occurred since previously reporting certain matters in the Firm's 2018 Form 10-K. See also the disclosures set forth under "Legal Proceedings" in the 2018 Form 10-K.

Residential Mortgage and Credit Crisis Related Matters

On 15 February 2019, the Firm filed a motion for leave to appeal, or in the alternative, for the re-argument of the First Department's 17 January 2019 decision in *Deutsche Bank National Trust Company solely in its capacity as Trustee of the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 v. Morgan Stanley Mortgage Capital Holdings LLC as Successor-by-Merger to Morgan Stanley Mortgage Capital Inc., and Morgan Stanley ABS Capital I Inc.* On 7 March 2019, in the

matter styled *China Development Industrial Bank v. Morgan Stanley & Co, Incorporated, et al*, the court denied the relief that CDIB sought in a motion to clarify and resettle the portion of the court's 21 December 2018 order granting spoliation sanctions. On 4 April 2019, the court denied the Firm's motion to renew its motion to dismiss in *U.S. Bank National Association, solely in its capacity as Trustee of the Morgan Stanley Mortgage Loan Trust 2007-2AX (MSM 2007-2AX) v. Morgan Stanley Mortgage Capital Holdings LLC, Successor-by-Merger to Morgan Stanley Mortgage Capital Inc. and GreenPoint Mortgage Funding, Inc.* On 24 April 2019, the parties in *California v. Morgan Stanley, et al.*, reached an agreement to settle the litigation.

Antitrust Related Matter

Beginning on 25 March 2019, the Firm was named as a defendant in a series of putative class action complaints filed in the Southern District of New York, the first of which is styled *Alaska Electrical Pension Fund v. BofA Secs., Inc., et al.* Each complaint alleges a conspiracy to fix prices and restrain competition in the market for unsecured bonds issued by the following Government-Sponsored Enterprises: the Federal National Mortgage Associate; the Federal Home Loan Mortgage Corporation; the Federal Farm Credit Banks Funding Corporation; and the Federal Home Loan Banks. The purported class period for each suit is from 1 January 2012 to 1 June 2018. Each complaint raises a claim under Section 1 of the Sherman Act and seeks, among other things, injunctive relief and treble compensatory damages.

European Matters

On 7 March 2019, the Appellate Division of the Court of Accounts for the Republic of Italy issued a decision in the matter styled *Case No. 2012/00406/MNV* affirming the decision below declining jurisdiction and dismissing the claim against the Firm. On 19 April 2019, the public prosecutor filed an appeal with the Italian Supreme Court seeking to overturn this decision. On 11 March 2019, the plaintiff in the matter styled *Banco Popolare Società Cooperativa v Morgan Stanley & Co. International plc & others* filed an appeal in the Court of Appeal of Milan against the lower Milan court's decision dated 11 September 2018 dismissing the claim against the Firm.

Save as disclosed in:

- (a) the section entitled "*Legal Proceedings*" on pages 169-173 and in the paragraphs beginning with "*Legal*" under the heading "*Contingencies*" under the heading "*Commitments, Guarantees and Contingencies*" in "*Notes to Consolidated Financial Statements*" on pages 131-133 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2018;
- (b) the section entitled "*Legal Proceedings*" on page 75 and in the paragraphs beginning with "*Legal*" under the heading "*Contingencies*" under the heading "*Commitments, Leases, Guarantees and Contingencies*" in "*Notes to Consolidated Financial Statements*" on pages 60-62 of Morgan Stanley's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2019; and
- (c) in this section "*Legal Proceedings and Contingencies*" of the Registration Document,

there are no, nor have there been, any governmental, legal or arbitration proceedings involving Morgan Stanley (including any such proceedings which are pending or threatened of which Morgan Stanley is aware) during the 12-month period before the date of this Registration Document which may have, or have had in the recent past, a significant effect on the financial position or profitability of Morgan Stanley or the Morgan Stanley Group.

8. ADDITIONAL INFORMATION

Auditors

The consolidated financial statements of Morgan Stanley and subsidiaries as of 31 December 2017 and 31 December 2018 and for each of the years in the period ended 31 December 2018 and 31 December 2017, and the effectiveness of internal control over financial reporting as of 31 December 2018, which are incorporated in this Registration Document, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm registered with the Public Company Accounting Oversight Board (United States of America), as stated in their reports dated 26 February 2019, which are incorporated herein by reference.

Trend Information

Morgan Stanley's results of operations in the past have been, and in the future may continue to be, materially affected by many factors, the effect of market conditions, particularly in the global equity, fixed income, currency, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate markets and energy markets; the level of individual investor participation in the global markets as well as the level of client assets; the flow of investment capital into or from assets under management or supervision; the level and volatility of equity, fixed income and commodity prices, interest rates, inflation and currency values and other market indices; the availability and cost of both credit and capital as well as the credit ratings assigned to Morgan Stanley's unsecured short-term and long-term debt; technological changes instituted by Morgan Stanley, its competitors or counterparties and technological risks, business continuity and related operational risks, including breaches or other disruptions of its third party's (or third parties thereof) operations or systems; risk associated with cybersecurity threats, including data protection and cybersecurity risk management; Morgan Stanley's ability to manage effectively its capital and liquidity, including approval of Morgan Stanley's capital plans by its banking regulators; the impact of current, pending and future legislation (including with respect to the Dodd-Frank Wall Street Reform and Consumer Protection Act or changes thereto, regulation (including capital, leverage, funding, liquidity and recovery and resolution requirements and its ability to address such requirements), policies including fiscal and monetary policies established by central banks and financial regulators, changes to global trade policies and tariffs, government debt ceilings and funding, reforms of LIBOR, EURIBOR and other indices, and other legal and regulatory actions in the United States of America and worldwide; changes in tax laws and regulations globally, including the interpretation and application of the Tax Act; the effectiveness of Morgan Stanley's risk management processes; Morgan Stanley's ability to effectively respond to an economic downturn, or other market disruption; the effect of economic and political conditions and geopolitical events, including, for example, the U.K.'s anticipated withdrawal from the E.U. and a government shutdown in the United States; the actions and initiatives of current and potential competitors as well as governments, central banks, regulators and self-regulatory organisations; Morgan Stanley's ability to provide innovative products and services and execute its strategic objectives; sovereign risk; the performance and results of Morgan Stanley's acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements; investor, consumer and business sentiment and confidence in the financial markets; Morgan Stanley's reputation and the general perception of the financial services industry; natural disasters, pandemics and acts of war or terrorism; and a combination of these or other factors. In addition, legislative, legal and regulatory developments related to its businesses are likely to increase costs, thereby affecting results of operations. These factors also may have an adverse impact on its ability to achieve its strategic objectives.

There has been no material adverse change in the prospects of Morgan Stanley since 31 December 2018.

Significant Change

There has been no significant change in the financial or trading position of Morgan Stanley since 31 March 2019.

Share Capital

The authorised share capital of Morgan Stanley at 31 March 2019 comprised 3,500,000,000 ordinary shares of nominal value U.S. \$0.01 and 30,000,000 preferred stock of nominal value U.S. \$0.01.

The issued, non-assessable and fully paid up share capital of Morgan Stanley at 31 December 2018 comprised 2,038,893,979 ordinary shares of nominal value U.S. \$0.01.

Certificate of Incorporation

Morgan Stanley's objects and purposes are set out in Article III of its Certificate of Incorporation and enable it to engage in any lawful act or activity for which corporations may be organised and incorporated under the General Corporation Law of the State of Delaware.

9. **INFORMATION GIVEN BY THIRD PARTIES, EXPERTS' VALUATIONS AND DECLARATION OF INTERESTS**

This Registration Document does not contain any information given by third parties, experts' valuation or declaration of interests other than the reports of the auditors. For further details see section "*Additional Information*" above.

10. **FINANCIAL INFORMATION**

Required Capital

Morgan Stanley's required capital ("**Required Capital**") estimation is based on the Required Capital framework, an internal capital adequacy measure. Common equity attribution to the business segments is based on capital usage calculated under the Required Capital framework, as well as each business segment's relative contribution to Morgan Stanley's total Required Capital.

The Required Capital framework is a risk-based and leverage use-of-capital measure, which is compared with Morgan Stanley's regulatory capital to ensure that Morgan Stanley maintain an amount of going concern capital after absorbing potential losses from stress events, where applicable, at a point in time. Morgan Stanley define the difference between Morgan Stanley's total average common equity and the sum of the average common equity amounts allocated to Morgan Stanley's business segments as Morgan Stanley common equity ("**Parent common equity**"). Morgan Stanley generally hold Parent Common equity for prospective regulatory requirements, organic growth, acquisitions and other capital needs.

The estimation and attribution of common equity to the business segments are based on the fully phased-in regulatory capital rules. The amount of capital allocated to the business segments is generally set at the beginning of each year and remains fixed throughout the year until the next annual reset unless a significant business change occurs (e.g., acquisition or disposition). Differences between available and Required Capital will be attributed to Parent common equity during the year.

The Required Capital framework is expected to evolve overtime in response to changes in the business and regulatory environment, for example, to incorporate changes in stress testing or enhancements to modelling techniques. Morgan Stanley will continue to evaluate the framework with respect to the impact of future regulatory requirements, as appropriate.

The following table presents the Average Common Equity Attribution for 2016, 2017 and 2018⁽¹⁾:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
	<u>Average Common Equity Attribution</u>	<u>Average Common Equity Attribution</u>	<u>Average Common Equity Attribution</u>
	<i>(dollars in billions)</i>		
Institutional Securities	\$40.8	\$40.2	\$43.2
Wealth Management	16.8	17.2	15.3
Investment Management	2.6	2.4	2.8
Parent	9.8	10.0	7.6
Total	\$70.0	\$69.8	\$68.9

(1) Average common equity is a non-GAAP financial measure.

Overview of 2018 Financial Results

Consolidated Results. Morgan Stanley reported net revenues of \$40,107 million in 2018 compared with \$37,945 million in 2017. For 2018, net income applicable to Morgan Stanley was \$8,748 million, or \$4.73 per diluted common share, compared with \$6,111 million, or \$3.07 per diluted common share, in 2017.

Results for 2018 include intermittent net discrete tax benefits of \$203 million, or \$0.12 per diluted common share, primarily associated with the remeasurement of reserves and related interest due to the resolution of multi-jurisdiction tax examinations. In addition, the effective tax rate in 2018 is lower than in 2017, primarily as a result of the enactment of the Tax Act.

Results for 2017 included an intermittent net discrete tax provision of \$968 million, or \$0.53 per diluted common share, primarily related to the impact of the Tax Act, partially offset by net discrete tax benefits related to the remeasurement of reserves and related interest due to new information regarding the status of multi-year IRS tax examinations.

Non-interest expenses. Compensation and benefits expenses of \$17.632 million in 2018 increased 3% from \$17,166 million in 2017. The 2018 results reflected increases in discretionary incentive compensation mainly driven by higher revenues and a reduction in the portion of discretionary incentive compensation subject to deferral ("**compensation deferral modification**"), as well as salaries across all business segments, the formulaic payout to Wealth Management representatives, and amortisation of deferred cash and equity awards. These increases were partially offset by a decrease in the fair value of investments to which certain deferred compensation plans are referenced.

Non-compensation expenses were \$11,238 million in 2018 compared with \$10,376 million in 2017, representing an 8% increase. This increase was primarily a result of higher volume-related expenses, the gross presentation of certain expenses due to the adoption of the accounting update "*Revenue from Contracts with Customers*" and increased investment in technology, partially offset by lower litigation expenses.

Business Segment Results. Institutional Securities net revenues of \$20,582 million in 2018 increased 9% from 2017, primarily reflecting higher revenues from both sales and trading and Investment banking.

Wealth Management net revenues of \$17,242 million in 2018 increased 2% from 2017, primarily reflecting growth in Asset management revenues, partially offset by reduced Trading revenues.

Investment Management net revenues of \$2,746 million in 2018 increased 6% from 2017, primarily reflecting higher Asset management revenues, partially offset by lower investment gains.

2017 Compared with 2016

Consolidated Results. Morgan Stanley reported net revenues of \$37,945 million in 2017 compared with \$34,631 million in 2016. For 2017, net income applicable to Morgan Stanley was \$6,111 million, or \$3.07 per diluted common share, compared with \$5,979 million, or \$2.92 per diluted common share, in 2016.

Results for 2017 included an intermittent net discrete tax provision of \$968 million, or \$0.53 per diluted common share, primarily related to the impact of the Tax Act, partially offset by net discrete tax benefits related to the remeasurement of reserves and related interest due to new information regarding the status of multi-year IRS tax examinations. Results for 2016 included intermittent net discrete tax benefits of \$68 million, or \$0.04 per diluted common share, primarily related to the remeasurement of reserves and related interest due to new information regarding the status of multi-year IRS tax examinations, partially offset by adjustments for other tax matters.

Excluding the intermittent net discrete tax items, net income applicable to Morgan Stanley was \$7,079 million, or \$3.60 per diluted common share, in 2017 compared with \$5,911 million, or \$2.88 per diluted common share, in 2016.

Business Segments Net Revenues. Institutional Securities net revenues of \$18,813 million in 2017 increased 8% from 2016 primarily reflecting higher revenues from investment banking.

Wealth Management net revenues of \$16,836 million in 2017 increased 10% from 2016, primarily reflecting growth in Asset management revenues and Net interest income.

Investment Management net revenues of \$2,586 million in 2017 increased 22% from 2016, primarily reflecting higher revenues from Investments and Asset management.

Non-interest Expenses. Compensation and benefits expenses of \$17,166 million in 2017 increased 8% from \$15,878 million in 2016. The 2017 results primarily reflected increases in the formulaic payout to Wealth Management representatives linked to higher revenues, the fair value of investments to which certain deferred compensation plans are referenced, incentive compensation mainly driven by higher revenues and deferred compensation associated with carried interest in the Investment Management business segment.

Non-compensation expenses were \$10,376 million in 2017 compared with \$9,905 million in 2016, representing a 5% increase. This increase was primarily a result of higher volume-related expenses and litigation costs.

Return on Average Common Equity. The return on average common equity was 11.5% in 2018 or 11.8% excluding debt valuation adjustment ("**DVA**"). For 2017, the return on average common equity was 9.4%, or 8.0% excluding DVA, or 7.0% excluding DVA and the net discrete tax benefits.

MORGAN STANLEY

Consolidated Balance Sheets (dollars in millions, except share data)

	<u>At 31 December 2018</u>	<u>At 31 December 2017</u>
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 30,541	\$ 24,816
Interest bearing deposits with banks	21,299	21,348
Restricted cash	35,356	34,231
Trading assets at fair value (\$120,437 and \$169,735 were pledged to various parties) ..	266,299	298,282
Investment securities (includes \$61,061 and \$55,203 at fair value).....	91,832	78,802
Securities purchased under agreements to resell.....	98,522	84,258
Securities borrowed.....	116,313	124,010
Customer and other receivables.....	53,298	56,187
Loans:		
Held for investment (net of allowance of \$238 and \$224)	99,815	92,953
Held for sale	15,764	11,173
Goodwill	6,688	6,597
Intangible assets (net of accumulated amortisation of \$2,877 and \$2,730).....	2,163	2,448
Other assets	15,641	16,628
Total assets	<u>\$ 853,531</u>	<u>\$ 851,733</u>
Liabilities		
Deposits (includes \$442 and \$204 at fair value).....	\$ 187,820	\$ 159,436
Trading liabilities at fair value	126,747	131,295
Securities sold under agreements to repurchase (includes \$812 and \$800 at fair value).	49,759	56,424
Securities loaned	11,908	13,592
Other secured financings (includes \$5,245 and \$3,863 at fair value)	9,466	11,271
Customer and other payables.....	179,559	191,510
Other liabilities and accrued expenses.....	17,204	17,157
Borrowings (includes \$51,184 and \$46,912 at fair value)	189,662	192,582
Total liabilities	<u>772,125</u>	<u>773,267</u>
Commitments and contingent liabilities (see Note 12)		
Equity		
Morgan Stanley shareholders' equity:		
Preferred stock.....	8,520	8,520
Common stock, \$0.01 par value:		
Shares authorised: 3,500,000,000;		
Shares issued: 2,038,893,979;		
Shares outstanding: 1,699,828,943 and 1,788,086,805	20	20
Additional paid-in capital	23,794	23,545
Retained earnings.....	64,175	57,577
Employee stock trusts	2,836	2,907
Accumulated other comprehensive loss	(2,292)	(3,060)
Common stock held in treasury, at cost, \$0.01 par value (339,065,036 and 250,807,174 shares).....	(13,971)	(9,211)
Common stock issued to employee stock trusts	(2,836)	(2,907)
Total Morgan Stanley shareholders' equity	<u>80,246</u>	<u>77,391</u>
Noncontrolling interests	1,160	1,075
Total equity	<u>81,406</u>	<u>78,466</u>
Total liabilities and equity	<u>\$ 853,531</u>	<u>\$ 851,733</u>

Consolidated Income Statements
(in millions, except per share data)

	2018	2017	2016
Revenues			
Investment banking	\$ 6,482	\$ 6,003	\$ 4,933
Trading.....	11,551	11,116	10,209
Investments	437	820	160
Commissions and fees	4,190	4,061	4,109
Asset management	12,898	11,797	10,697
Other	743	848	825
Total non-interest revenues	36,301	34,645	30,933
Interest income.....	13,892	8,997	7,016
Interest expense.....	10,086	5,697	3,318
Net interest.....	3,806	3,300	3,698
Net revenues.....	40,107	37,945	34,631
Non-interest expenses			
Compensation and benefits	17,632	17,166	15,878
Occupancy and equipment	1,391	1,329	1,308
Brokerage, clearing and exchange fees.....	2,393	2,093	1,920
Information processing and communications	2,016	1,791	1,787
Marketing and business development.....	691	609	587
Professional services	2,265	2,169	2,128
Other	2,482	2,385	2,175
Total non-interest expenses	28,870	27,542	25,783
Income from continuing operations before income taxes	11,237	10,403	8,848
Provision for income taxes.....	2,350	4,168	2,726
Income from continuing operations.....	8,887	6,235	6,122
Income (loss) from discontinued operations, net of income taxes	(4)	(19)	1
Net income.....	\$ 8,883	\$ 6,216	\$ 6,123
Net income applicable to noncontrolling interests.....	135	105	144
Net income applicable to Morgan Stanley.....	\$ 8,748	\$ 6,111	\$ 5,979
Preferred stock dividends and other	526	523	471
Earnings applicable to Morgan Stanley common shareholders.....	\$ 8,222	\$ 5,588	\$ 5,508
Earnings per basic common share			
Income from continuing operations.....	\$ 4.81	\$ 3.15	\$ 2.98
Income (loss) from discontinued operations.....	—	(0.01)	—
Earnings per basic common share	\$ 4.81	\$ 3.14	\$ 2.98
Earnings per diluted common share			
Income from continuing operations.....	\$ 4.73	\$ 3.08	\$ 2.92
Income (loss) from discontinued operations.....	—	(0.01)	—
Earnings per diluted common share	\$ 4.73	\$ 3.07	\$ 2.92
Average common shares outstanding:			
Basic	1,708	1,780	1,849
Diluted	1,738	1,821	1,887

Consolidated Comprehensive Income Statements
(dollars in millions)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net income	\$ 8,883	\$ 6,216	\$ 6,123
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments.....	\$ (90)	\$ 251	\$ (11)
Change in net unrealised gains (losses) on available-for-sale securities..	(272)	41	(269)
Pension, postretirement and other	137	(117)	(100)
Change in net debt valuation adjustment	<u>1,517</u>	<u>(588)</u>	<u>(296)</u>
Total other comprehensive income (loss)	<u>\$ 1,292</u>	<u>\$ (413)</u>	<u>\$ (676)</u>
Comprehensive income	<u>\$ 10,175</u>	<u>\$ 5,803</u>	<u>\$ 5,447</u>
Net income applicable to noncontrolling interests	135	105	144
Other comprehensive income (loss) applicable to noncontrolling interests	<u>87</u>	<u>4</u>	<u>(1)</u>
Comprehensive income applicable to Morgan Stanley	<u>\$ 9,953</u>	<u>\$ 5,694</u>	<u>\$ 5,304</u>

SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY

The remainder of this section contains selected financial information of Morgan Stanley relating to the years ended 31 December 2017 and 31 December 2018 and to the quarters ended 31 March 2018 and 31 March 2019. The information set out below is derived from the audited financial statements included in Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2018 and the unaudited financial statements included in Morgan Stanley's Quarterly Reports on Form 10-Q for the quarters ended 31 March 2018 and 31 March 2019.

Consolidated Balance Sheets	At 31 December 2017	At 31 December 2018	At 31 March 2018 (unaudited)	At 31 March 2019 (unaudited)
	<i>(\$ in millions)</i>		<i>(\$ in millions)</i>	
Total assets	851,733	853,531	858,495	875,964
Total liabilities and equity	851,733	853,531	858,495	875,964
			Three Months Ended 31 March 2018 (unaudited)	31 March 2019 (unaudited)
Consolidated Income Statements	2017	2018	(unaudited)	(unaudited)
	<i>(\$ in millions)</i>		<i>(\$ in millions)</i>	
Net revenues	37,945	40,107	11,077	10,286
Income from continuing operations before income taxes	10,403	11,237	3,420	2,955
Net income	6,235	8,887	2,704	2,468

DESCRIPTION OF MORGAN STANLEY & CO. INTERNATIONAL PLC

1. INFORMATION ABOUT MORGAN STANLEY & CO. INTERNATIONAL PLC

History and Development of Morgan Stanley & Co. International plc

Legal name, place of registration and registration number, date of incorporation

MSI plc was incorporated in England and Wales with registered number 2068222 on 28 October 1986. MSI plc was incorporated as a company limited by shares under the Companies Act 1985 and operates under the Companies Act 2006. MSI plc was re-registered as a public limited company on 13 April 2007.

Registered office

MSI plc's registered office is at 25 Cabot Square, Canary Wharf, London E14 4QA and the telephone number of its registered office is +44 20 7425 8000.

Legal and commercial name

MSI plc's legal and commercial name is Morgan Stanley & Co. International plc.

Recent Events

No recent event particular to MSI plc has occurred which is to a material extent relevant to the evaluation of its solvency.

2. OVERVIEW OF THE ACTIVITIES

MSI plc is the parent entity of a group of companies including MSI plc and all of its subsidiary and associated undertakings ("**MSI plc Group**"). The principal activity of the MSI plc Group is the provision of financial services to corporations, governments and financial institutions.

MSI plc operates globally with a particular focus in Europe. It operates branches in the Dubai International Financial Centre, the Netherlands, Poland, the Qatar Financial Centre, South Korea and Switzerland.

As a key contributor to the execution of the Morgan Stanley Group's Institutional Securities global strategy, the MSI plc Group provides capital raising; financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; corporate lending; sales, trading, financing and market-making activities in equity and fixed income products, including foreign exchange and commodities; and investment activities.

3. ORGANISATIONAL STRUCTURE

MSI plc's ultimate U.K. parent undertaking is Morgan Stanley International Limited ("**MSI**") and MSI plc's ultimate parent undertaking and controlling entity is Morgan Stanley, which, together with MSI plc and Morgan Stanley's other consolidated subsidiaries, form the Morgan Stanley Group.

MSI plc is owned directly by Morgan Stanley Investments (UK) (100 per cent. holding).

The consolidated accounts set out in the section entitled "*Selected Financial Information of Morgan Stanley & Co. International plc*" herein are the MSI plc Group accounts and for the purposes of those accounts, MSI plc is the parent company of such Group.

There are substantial inter-relationships between MSI plc and Morgan Stanley as well as other companies in the Morgan Stanley Group, including the provision of funding, capital, services and logistical support to or by MSI plc, as well as common or shared business or operational platforms or systems, including employees. As a consequence of such inter-relationships, and of the participation of both MSI plc and other Morgan Stanley Group companies in the global financial services sector, factors which could affect the business and condition of Morgan Stanley or other companies in the Morgan Stanley Group may also affect the business and condition of MSI plc. Any such effect could be direct, for example, where economic or market factors directly affect the markets in which MSI plc and other companies in the Morgan Stanley Group operate, or indirect, for example where any factor affects the ability of other companies in the

Morgan Stanley Group to provide services or funding or capital to MSI plc or, directly or indirectly, to place business with MSI plc. Similarly, any development affecting the reputation or standing of Morgan Stanley or other companies in the Morgan Stanley Group may have an indirect effect on MSI plc. Such inter-relationships should therefore be taken into account in any assessment of MSI plc.

Please see "*Description of Morgan Stanley*" for information on the Morgan Stanley Group.

4. MANAGEMENT OF MORGAN STANLEY & CO. INTERNATIONAL PLC

Directors of MSI plc

<u>Name</u>	<u>Principal outside activity</u>
Simon Peter Ball	Director of MSI plc, Morgan Stanley International Limited, Morgan Stanley Bank International Limited and Non-Executive Director of AIB Mortgage Bank, Commonwealth Games England and Birmingham Organising Committee for the 2022 Commonwealth Games Ltd.
Jonathan Bloomer	Independent Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Bank International Limited. Chairman of Arrow Global Group PLC and SDL Property Services Group Ltd. Independent Director of Change Living Limited and Change Real Estate Limited.
David Cannon	Independent Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Bank International Limited.
Terri Duhon	Independent Director of MSI plc, Morgan Stanley International Limited, Morgan Stanley Bank International Limited and Morgan Stanley Investment Management Limited. Non-Executive Director of Rathbone Brothers plc and Rathbone Investment Management Limited.
Lee Guy	Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Bank International Limited.
Jakob Horder	Director of MSI plc and Morgan Stanley International Limited and Member of the Supervisory Board of Morgan Stanley Bank AG.
Arun Kohli	Director of MSI plc, Morgan Stanley International Limited, Morgan Stanley Bank International Limited, Morgan Stanley Asia Limited and Morgan Stanley Hong Kong Securities Limited.
Kim Maree Lazaroo	Director of MSI plc, Morgan Stanley International Limited, Morgan Stanley Bank International Limited, Morgan Stanley & Co. Limited, Morgan Stanley France S.A., Morgan Stanley Group (Europe), Morgan Stanley Investments (UK) and Morgan Stanley Securities Limited. Member of the Supervisory Board of Morgan Stanley Europe Holding SE and Morgan Stanley Europe SE.
Mary Phibbs	Independent Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Bank International Limited. Director of Canadian Pension Plan Investment Board.
David Russell	Director of MSI plc, Morgan Stanley International Limited, RMB Morgan Stanley (Proprietary) Limited, Morgan Stanley (France) SA. And Morgan Stanley France Holdings I S.A.S.
Noreen Philomena Whyte	Director of MSI plc, Morgan Stanley International Limited, Morgan Stanley Bank International Limited and European Principal Assets Limited.

Name	Principal outside activity
Clare Eleanor Woodman	Director of MSI plc, Morgan Stanley International Limited and Morgan Stanley Huaxin Securities Co. Ltd. Non-Executive Director of UK Finance Limited, The City UK and the Banking Standards Board.

The business address of the directors is 25 Cabot Square, Canary Wharf, London E14 4QA.

There are no potential conflicts of interests between any duties to MSI plc of its directors and their private interests and/or other duties.

5. BOARD PRACTICES

MSI established an audit committee (the "**MSI Audit Committee**") in September 2003. The current remit of the MSI Audit Committee is to assist the Board of MSI in monitoring: (i) the integrity of the financial statements of MSI, its FCA regulated subsidiaries, namely: Morgan Stanley Bank International Limited, MSI plc, Morgan Stanley Investment Management Limited and Morgan Stanley Investment Management (ACD) Limited ("**Regulated Subsidiaries**"), (ii) the systems of internal controls, (iii) compliance with legal and regulatory requirements, (iv) the qualifications and independence of external auditors for MSI and its Regulated Subsidiaries, (v) the performance of Morgan Stanley's internal and external auditors, and (vi) the efficacy of Morgan Stanley's policies and structures for conflict management in Europe.

The MSI Audit Committee reports to the Board of MSI on a quarterly basis. The MSI Audit Committee comprises Simon Ball, Jonathan Bloomer, David Cannon, Terri Duhon and Mary Phibbs. Simon Ball, Jonathan Bloomer, David Cannon, Terri Duhon and Mary Phibbs are not officers or employees of the Morgan Stanley Group and are independent members of the MSI Audit Committee. The MSI Audit Committee members are appointed by the Board of Directors of MSI.

MSI plc complies with the corporate governance requirements as required by the corporate laws of the United Kingdom.

6. MAJOR SHAREHOLDERS

Major Shareholders

MSI plc's share capital is owned as follows:

Share Class	Shareholder	Shares Held (% of Class)
GBP 1.00 Ordinary Shares	Morgan Stanley Investments (UK)	17,615,107 (100%)
USD 1.00 Ordinary Shares	Morgan Stanley Investments (UK)	10,935,105,148 (100%)
USD 1.00 Class A Non-Voting Ordinary Shares	Morgan Stanley Investments (UK)	1,500,000,000 (100%)

MSI plc ultimate parent undertaking and controlling entity is Morgan Stanley. For information regarding the beneficial ownership of Morgan Stanley's common stock, please see the section entitled "*Principal Shareholders*" in "*Description of Morgan Stanley*" above.

7. LEGAL PROCEEDINGS

Litigation matters

In addition to the matters described below, in the normal course of business, the MSI plc Group has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the entities that would otherwise be the primary defendants in such cases are bankrupt or in financial distress.

The MSI plc Group is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding the MSI plc Group's business, and involving, among other matters, sales and trading activities, financial products or offerings sponsored, underwritten or sold by the MSI plc Group, and accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

The MSI plc Group contests liability and/or the amount of damages as appropriate in each pending matter. Where available information indicates that it is probable a liability had been incurred at the date of the financial statements and the MSI plc Group can reasonably estimate the amount of that loss, the MSI plc Group accrues the estimated loss by a charge to income. The MSI plc Group's future legal expenses may fluctuate from period to period, given the current environment regarding government investigations and private litigation affecting global financial services firms, including the MSI plc Group.

In many proceedings and investigations, however, it is inherently difficult to determine whether any loss is probable or even possible, or to estimate the amount of any loss. The MSI plc Group cannot predict with certainty if, how or when such proceedings or investigations will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for proceedings and investigations where the factual record is being developed or contested or where plaintiffs or government entities seek substantial or indeterminate damages, restitution, disgorgement or penalties. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, determination of issues related to class certification and the calculation of damages or other relief, and by addressing novel or unsettled legal questions relevant to the proceedings or investigations in question, before a loss or additional loss or range of loss or additional loss can be reasonably estimated for a proceeding or investigation.

Subject to the foregoing, the MSI plc Group believes, based on current knowledge and after consultation with counsel, that the outcome of such proceedings and investigations will not have a material adverse effect on the financial condition of the MSI plc Group, although the outcome of such proceedings or investigations could be material to the MSI plc Group's operating results and cash flows for a particular period depending on, among other things, the level of the MSI plc Group's revenues or income for such period.

While the MSI plc Group has identified below certain proceedings that the MSI plc Group believes to be material, individually or collectively, there can be no assurance that additional material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

On 15 July 2010, CDIB filed a complaint against the MSI plc Group and another Morgan Stanley Group undertaking, styled *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated et al.*, which is pending in the Supreme Court of NY. The complaint relates to a \$275 million credit default swap ("CDS") referencing the super senior portion of the STACK 2006-1 collateralised debt obligation ("CDO"). The complaint asserts claims for common law fraud, fraudulent inducement and fraudulent concealment and alleges that the MSI plc Group and another Morgan Stanley Group undertaking misrepresented the risks of the STACK 2006-1 CDO to CDIB, and that the MSI plc Group and another Morgan Stanley Group undertaking knew that the assets backing the CDO were of poor quality when it entered into the CDS with CDIB. The complaint seeks compensatory damages related to the approximately \$228 million that CDIB alleges it has already lost under the CDS, rescission of CDIB's obligation to pay an additional \$12 million, punitive damages, equitable relief, pre-and post-judgment interest, fees and costs. On 28 February 2011, the court denied the MSI plc Group's and another Morgan Stanley Group undertaking's motion to dismiss the complaint. On 21 December 2018, the court denied the MSI plc Group's and another Morgan Stanley Group affiliate's motion for summary judgment and granted in part the MSI plc Group's and another Morgan Stanley Group affiliate's motion for sanctions related to the spoliation of evidence. On 18 January 2019, CDIB filed a motion to clarify and resettle the portion of the court's 21 December 2018 order granting spoliation sanctions. On 24 January 2019, CDIB filed a notice of appeal from the court's 21 December 2018 order, and on 25 January 2019, the MSI plc Group and another Morgan Stanley Group affiliate filed a notice of appeal from the same order. On 7 March 2019, the court denied the relief that CDIB sought in its motion to clarify and resettle the portion of the court's 21 December 2018 order granting spoliation sanctions.

On 1 April 2016, the California Attorney General's Office filed an action against certain Morgan Stanley Group affiliates in California state court styled *California v. Morgan Stanley, et al.*, on behalf of California investors, including the California Public Employees' Retirement System and the California Teachers'

Retirement System. The complaint alleges that the Morgan Stanley Group affiliates made misrepresentations and omissions regarding residential mortgage backed securities and notes issued by the Cheyne SIV, and asserts violations of the California False Claims Act and other state laws and seeks treble damages, civil penalties, disgorgement, and injunctive relief. On 30 September 2016, the court granted the Morgan Stanley Group affiliates' demurrer, with leave to replead. On 21 October 2016, the California Attorney General filed an amended complaint. On 25 January 2017, the court denied the Morgan Stanley Group affiliates' demurrer with respect to the amended complaint. On 24 April 2019, the parties reached an agreement to settle the litigation.

On 11 October 2011, an Italian financial institution, Banco Popolare, filed a civil claim against the MSI plc Group and another Morgan Stanley Group affiliate in the Milan courts, styled *Banco Popolare Società Cooperativa v Morgan Stanley & Co. International plc & others*, related to its purchase of €100 million of bonds issued by Parmalat. The claim asserted by Banco Popolare alleges, among other things, that the MSI plc Group and another Morgan Stanley Group affiliate was aware of Parmalat's impending insolvency and conspired with others to deceive Banco Popolare into buying bonds by concealing both Parmalat's true financial condition and certain features of the bonds from the market and Banco Popolare. Banco Popolare seeks damages of €76 million (approximately \$91 million) plus damages for loss of opportunity and moral damages. The MSI plc Group and another Morgan Stanley Group affiliate filed its answer on 20 April 2012. On 11 September 2018, the court dismissed in full the claim against the MSI plc Group and another Morgan Stanley Group affiliate. On 11 March 2019, the plaintiff filed an appeal against the court's decision.

On 22 June 2017, the public prosecutor for the Court of Accounts for the Republic of Italy filed a claim against the MSI plc Group styled *Case No. 2012/00406/MNV*, which is pending in the Regional Prosecutor's Office at the Judicial Section of the Court of Auditors for Lazio, Italy. The claim relates to certain derivative transactions between the Republic of Italy and the MSI plc Group and another Morgan Stanley Group affiliate. The transactions were originally entered into between 1999 and 2005 and were restructured (and certain of the transactions were terminated) in December 2011 and January 2012. The claim alleges, inter alia, that the MSI plc Group effectively acted as an agent of the estate in connection with these transactions and asserts claims related to, among other things, whether the Ministry of Finance was authorised to enter into these transactions, whether the transactions were appropriate and whether the MSI plc Group's conduct related to the termination of certain transactions was proper. The prosecutor is seeking damages through an administrative process against the MSI plc Group for €2.76 billion (approximately \$3.2 billion). On 30 March 2018, the MSI plc Group filed its defence to the claim. On 15 June 2018, the Court issued a decision declining jurisdiction and dismissing the claim against the MSI plc Group. A hearing of the public prosecutor's appeal was held on 10 January 2019. On 7 March 2019, the Appellate Division of the Court issued a decision declining jurisdiction and dismissing the claim against the MSI plc Group. On 19 April 2019, the public prosecutor filed an appeal with the Italian Supreme Court seeking to overturn this decision.

In matters styled *Case number 15/3637* and *Case number 15/4353*, the Dutch Authority has challenged in the District Court in Amsterdam the prior set-off by a subsidiary undertaking of the MSI plc Group of approximately €124 million (approximately \$142 million) plus accrued interest of withholding tax credits against the subsidiary undertaking of the MSI plc Group's corporation tax liabilities for the tax years 2007 to 2013. The Dutch Authority alleges that the subsidiary undertaking of the MSI plc Group was not entitled to receive the withholding tax credits on the basis, inter alia, that the subsidiary undertaking of the MSI plc Group subsidiary did not hold legal title to certain securities subject to withholding tax on the relevant dates. The Dutch Authority has also alleged that the subsidiary undertaking of the MSI plc Group failed to provide certain information to the Dutch Authority and keep adequate books and records. On 26 April 2018, the District Court in Amsterdam issued a decision dismissing the Dutch Authority's claims. On 4 June 2018, the Dutch Authority filed an appeal before the Court of Appeal in Amsterdam in matters re-styled *Case number 18/00318* and *Case number 18/00319*. A hearing of the Dutch Authority's appeal has been scheduled for 26 June 2019.

On 5 October 2017, various institutional investors filed a claim against the MSI plc Group and another bank in a matter now styled *Case number B-803-18* (previously *BS 99-6998/2017*), in the City Court of Copenhagen, Denmark concerning their roles as underwriters of the IPO in March 2014 of the Danish company OW Bunker A/S. The claim seeks damages of DKK 534,270,456 (approximately \$82 million) plus interest in respect of alleged losses arising from investing in shares in OW Bunker, which entered into bankruptcy in November 2014. Separately, on 29 November, 2017, another group of institutional investors joined the MSI plc Group and another bank as defendants to pending proceedings in the High Court of Eastern Denmark against various other parties involved in the IPO in a matter styled *Case number B-2073-16*. The claim brought against the MSI plc Group and the other bank has been given its own *Case number*

B-2564-17). The investors claim damages of DKK 767,235,885 (approximately \$118 million) plus interest, from the MSI plc Group and the other bank on a joint and several basis with the defendants to these proceedings. Both claims are based on alleged prospectus liability; the second claim also alleges professional liability of banks acting as financial intermediaries. On 8 June 2018, the City Court of Copenhagen, Denmark ordered that the matters now styled Case number B-803-18, B-2073-16 and Case number B-2564-17 be heard together before the High Court of Eastern Denmark. On 29 June 2018, the MSI plc Group filed its defence to the matter now styled Case number B-2564-17. On 4 February 2019, the MSI plc Group filed its defence to the matter now styled Case number B-803-18.

The Group and other financial institutions are responding to a number of governmental investigations and civil litigation matters related to allegations of anticompetitive conduct in various aspects of the financial services industry, including the matter described below.

Beginning in February of 2016, the Group and certain Morgan Stanley Group affiliates were named as a defendant in multiple purported antitrust class actions now consolidated into a single proceeding in the United States District Court for the Southern District of New York styled *In Re: Interest Rate Swaps Antitrust Litigation*. Plaintiffs allege, inter alia, that the MSI plc Group and certain Morgan Stanley Group affiliates, together with a number of other financial institution defendants violated United States and New York state antitrust laws from 2008 through December of 2016 in connection with their alleged efforts to prevent the development of electronic exchange-based platforms for interest rates swaps trading. Complaints were filed both on behalf of a purported class of investors who purchased interest rates swaps from defendants, as well as on behalf of two swap execution facilities that allegedly were thwarted by the defendants in their efforts to develop such platforms. The consolidated complaints seek, among other relief, certification of the investor class of plaintiffs and treble damages. On 28 July 2017, the court granted in part and denied in part the defendants' motion to dismiss the complaints.

Save as disclosed above under the paragraph entitled "*Litigation matters*", there are no governmental, legal or arbitration proceedings involving MSI plc (including any such proceedings which are pending or threatened of which MSI plc is aware) during the 12-month period before the date of this Registration Document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the MSI plc Group.

8. ADDITIONAL INFORMATION

Auditors

MSI plc's report and accounts for the financial years ended 31 December 2018 and 31 December 2017 have been audited by Deloitte LLP of 1 New Street Square, London EC4A 3HQ who are a firm of registered auditors and a member firm of the Institute of Chartered Accountants in England and Wales for institute by-laws purposes.

Trend Information

There has been no material adverse change in the prospects of MSI plc since 31 December 2018.

Significant Change

There has been no significant change in the financial or trading position of the MSI plc Group since 31 December 2018 (the date of the latest consolidated report and accounts of MSI plc).

Capital Structure

As of 31 December 2018 MSI plc had the following issued and fully paid up share capital:

- (i) £17,615,107 divided into 17,615,107 ordinary shares of £1 par value each (the "**GBP 1.00 Ordinary Shares**"). Each GBP Ordinary Share is entitled to one vote within its class. The GBP Ordinary Shares as a class are entitled to 0.161 per cent. of the votes at shareholder meetings.
- (ii) U.S.\$10,935,105,148 divided into 10,935,105,148 ordinary shares of U.S.\$1 par value each (the "**USD 1.00 Ordinary Shares**"). Each USD Ordinary Share is entitled to one vote within its class. The USD Ordinary Shares as a class are entitled to 99.839 per cent. of the votes at shareholder meetings.

- (iii) U.S. \$1,500,000,000 divided into 1,500,000,000 class A ordinary shares of U.S.\$1 par value each (the "**USD 1.00 Class A Non-Voting Ordinary Shares**"). The holders of the USD Class A Non-Voting Ordinary Shares are not entitled to vote at Shareholders meetings of MSI plc.

Articles of Association

Pursuant to the Companies Act 2006, MSI plc's objects are now unrestricted. The articles of association were last amended on 26 February 2019.

**SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY & CO. INTERNATIONAL
PLC**

The following table sets out the selected consolidated financial information of the MSI plc Group in accordance with applicable law and International Financial Reporting Standards ("IFRS"), as adopted by the European Union. Such information is derived from the audited reports and accounts of MSI plc as at 31 December 2018.

The financial information presented below should be read in conjunction with such reports and accounts and the notes thereto.

	31 Dec 2017	31 Dec 2018
	<i>(in \$ millions)</i>	
Consolidated Statement of Financial Position		
<i>Total Assets</i>	461,362	446,199
<i>Total Liabilities and Equity</i>	461,362	446,199
Consolidated Income Statement		
<i>Net Trading Income</i>	4,934	4,825
<i>Profit before tax</i>	1,278	1,056
<i>Profit for the year/period</i>	864	697

DESCRIPTION OF MORGAN STANLEY B.V.

1. INFORMATION ABOUT MORGAN STANLEY B.V.

History and Development

Morgan Stanley B.V. was incorporated as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of The Netherlands on 6 September 2001 for an unlimited duration. MSBV is registered at the commercial register of the Dutch Chamber of Commerce (*Kamer van Koophandel*) under number 34161590. It has its corporate seat in Amsterdam, The Netherlands.

Registered office

MSBV's registered office is at Luna Arena, Herikerbergweg 238, 1101 CM, Amsterdam, The Netherlands. Its telephone number is +31 20 57 55 600.

Legal and commercial name

MSBV's legal and commercial name is Morgan Stanley B.V.

Legislation

MSBV is incorporated under, and subject to, the laws of The Netherlands.

2. OVERVIEW OF ACTIVITIES

Principal Activities

MSBV's principal activity is the issuance of financial instruments including notes, certificates and warrants and the hedging of obligations arising pursuant to such issuances.

Principal Markets

MSBV conducts its business from The Netherlands. All material assets of MSBV are obligations of (or securities issued by) one or more companies in the Morgan Stanley Group. MSBV does not undertake such business on a competitive basis, however as a member of the Morgan Stanley Group it is indirectly affected by some of the competitive pressures that apply to Morgan Stanley. See "*Description of Morgan Stanley*" above for further details.

3. ORGANISATIONAL STRUCTURE

MSBV has no subsidiaries. It is ultimately controlled by Morgan Stanley.

4. MANAGEMENT OF MSBV

The current directors of MSBV, their offices, if any, within MSBV, and their principal outside activity, if any, are listed below. The business address of each director is Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, The Netherlands.

<u>Name</u>	<u>Title</u>	<u>Principal Outside Activity</u>
H. Herrmann	Director	Executive Director of Morgan Stanley. Director or Fundlogic (Jersey) Limited, Morgan Stanley Islamic Finance Limited, Morgan Stanley (Jersey) Limited and Archimedes Investments Cooperatieve U.A.
S. Ibanez	Director	Executive Director of Morgan Stanley.
P.J.G de Reus	Director	Employee of TMF Netherlands B.V. Director of Archimedes Investments Cooperatieve U.A.

Name	Title	Principal Outside Activity
L.P.A. Rolfes	Director	Employee of TMF Netherlands B.V.
TMF Management B.V.	Director	Dutch corporate service provider
Directors of TMF Management B.V.		
A.G.M. Nagelmaker	Director	Employee of TMF Netherlands B.V.
W.H. Kamphuijs	Director	Employee of TMF Netherlands B.V.

There are no potential conflicts of interests between any duties to MSBV of its directors and their private interests and/or other duties.

5. **BOARD PRACTICES**

MSBV established an audit committee (the "**MSBV Audit Committee**") in April 2015. The current remit of the MSBV Audit Committee is:

- (i) inform the management board of the company of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- (ii) monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
- (iii) monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the company, without breaching its independence;
- (iv) monitor the statutory audit of the Annual Accounts, in particular, its performance;
- (v) review and monitor the independence of the Accountant and in particular the provision of additional services to the company; and
- (vi) be responsible for the procedure for the selection of the Accountant and recommend the Accountant.

The MSBV Audit Committee reports to the Board of MSBV on a semi annual basis. The MSBV Audit Committee currently comprises Mr Adrian Masterson, Ms Victoria Worster and Mr Gert Huizing. Mr Masterson and Mr Huizing are not officers or employees of the Morgan Stanley Group and are independent members of the MSBV Audit Committee. The MSBV Audit Committee members are appointed by the General Meeting of Shareholders of MSBV.

MSBV considers itself to be in compliance with all Dutch laws relating to corporate governance that are applicable to it.

MSBV qualifies as an organisation of public interest pursuant to Dutch and EU law, and has established its own audit committee which complies with the applicable corporate governance rules and composition requirements as detailed in the Articles of Association of MSBV.

6. **MAJOR SHAREHOLDERS**

Archimedes Investments Cooperatieve U.A. (a Morgan Stanley Group company) holds the majority of shares in MSBV. Morgan Stanley International Holdings Inc. and Morgan Stanley Jubilee Investments Ltd. each hold one share in MSBV.

MSBV is ultimately controlled by Morgan Stanley. MSBV is not aware of any control measures with respect to such shareholder control. For information regarding the beneficial ownership of Morgan Stanley's common stock, please see the section entitled "*Principal Shareholders*" in "*Description of Morgan Stanley*" above.

All decisions to issue securities are taken by the Board of MSBV and MSBV earns an arm's length remuneration on the issuance of its securities.

7. LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings involving MSBV (including any such proceedings which are pending or threatened of which MSBV is aware) during the 12-month period before the date of this Registration Document which may have, or have had in the recent past, a significant effect on the financial position or profitability of MSBV.

8. ADDITIONAL INFORMATION

Auditors

Deloitte Accountants B.V., independent auditors and certified public accountants of Gustav Mahlerlaan 2970, 1081 LA Amsterdam, P.O. Box 58110, 1040 HC Amsterdam, Netherlands, a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*), have audited the financial statements of MSBV for the years ended 31 December 2017 and 31 December 2018 and unqualified opinions have been reported thereon.

This document does not contain any other information that has been audited by Deloitte Accountants B.V.

Trend Information

MSBV intends to continue issuing securities and entering into hedges in respect of such issues of securities. There has been no material adverse change in the prospects of MSBV since 31 December 2018.

Significant Change

There has been no significant change in the financial or trading position of MSBV since 31 December 2018.

Share Capital

The share capital of MSBV is divided into ordinary shares of nominal value EUR 100.

The issued, allotted and fully paid up share capital of MSBV comprises 150,180 ordinary shares of nominal value EUR 100.

Articles of Association

MSBV's objects and purposes are set out in Article 3 of its Articles of Association and enable it to issue, sell, purchase, transfer and accept warrants, derivatives, certificates, debt securities, equity securities and/or similar securities or instruments and to enter into hedging arrangements in connection with such securities and instruments. Furthermore its objects are to finance businesses and companies, to borrow, to lend and to raise funds as well as to enter into agreements in connection with the aforementioned, to render guarantees, to bind the company and to pledge its assets for obligations of the companies and enterprises with which it forms a group and on behalf of third parties and to trade in currencies, securities and items of property in general, as well as everything pertaining to the foregoing, relating thereto or conducive thereto all in the widest sense of the word.

The articles of association were last amended on 11 April 2018.

SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY B.V.

The profit after tax for the years ended 31 December 2018 and 31 December 2017 was EUR 900,000 and EUR 1,547,000 respectively. The profit before tax for the financial years ended 31 December 2018 and 31 December 2017 was EUR 1,190,000 and EUR 2,060,000.

Total comprehensive income for the years ended 31 December 2018 and 31 December 2017 was EUR 900,000 and EUR 1,547,000 respectively.

The total assets of MSBV increased from EUR 9,481,825,000 on 31 December 2017 to EUR 9,494,539,000 on 31 December 2018 with total liabilities increasing from EUR 9,442,042,000 on 31 December 2017 to EUR 9,453,864,000 on 31 December 2018.

The financial information in respect of MSBV has been prepared in accordance with IFRS as adopted by the European Union for the years ended 31 December 2017 and 31 December 2018.

DESCRIPTION OF MORGAN STANLEY FINANCE LLC

1. INFORMATION ABOUT MORGAN STANLEY FINANCE LLC

History and Development

Morgan Stanley Finance LLC was originally formed as a limited liability company pursuant to the Delaware Limited Liability Company Act on 27 March 2002 for an unlimited duration under the name of Morgan Stanley Tower LLC. On 8 January 2016 Morgan Stanley Tower LLC changed its name to Morgan Stanley Finance, LLC. On 12 January 2016 Morgan Stanley Finance, LLC changed its name to Morgan Stanley Finance LLC.

Registered office

MSFL's registered address is at The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. MSFL's principal place of business is 1585 Broadway, New York, NY 10036. Its phone number is 212-761-4000.

Legal and commercial name

MSFL's legal and commercial name is Morgan Stanley Finance LLC.

Legislation

MSFL was formed under, and subject to, the laws of the state of Delaware, United States.

2. OVERVIEW OF ACTIVITIES

Principal Activities

MSFL's principal activity is the issuance of securities.

Principal Markets

MSFL primarily conducts its business from the United States.

3. ORGANISATIONAL STRUCTURE

MSFL has no subsidiaries. It is a directly owned subsidiary of Morgan Stanley. In February 2016, MSFL was converted into a finance subsidiary of Morgan Stanley.

4. MANAGEMENT OF MSFL

The current managers of MSFL, their offices, if any, within MSFL and their principal outside activity, if any, are listed below. The business address of each manager is 1585 Broadway, New York, NY 10036.

<u>Name</u>	<u>Title</u>	<u>Principal Outside Activity</u>
Kevin Woodruff	President and Manager	Managing Director of Morgan Stanley
Nikki Tippins	Manager	Managing Director of Morgan Stanley
Joshua Schanzer	Manager	Executive Director of Morgan Stanley

There are no potential conflicts of interests between any duties to MSFL of its managers and their private interests and/or other duties.

5. BOARD PRACTICES

MSFL is not required to have an audit committee separate from that of its parent.

MSFL considers itself to be in compliance with all Delaware laws relating to corporate governance that are applicable to it.

6. MAJOR SHAREHOLDERS

MSFL is fully and directly owned by Morgan Stanley. For information regarding the beneficial ownership of Morgan Stanley's common stock, please see the section entitled "*Principal Shareholders*" in "*Description of Morgan Stanley*" above.

7. LEGAL PROCEEDINGS

There are no governmental, legal or arbitration proceedings involving MSFL (including any such proceedings which are pending or threatened of which MSFL is aware) during the 12-month period before the date of this Registration Document which may have, or have had in the recent past, a significant effect on the financial position or profitability of MSFL.

8. ADDITIONAL INFORMATION

Auditors

Deloitte & Touche LLP, 30 Rockefeller Plaza, New York, NY 10112, United States, an independent registered public accounting firm registered with the Public Company Accounting Oversight Board (United States of America) have audited the financial statements of MSFL for the years ended 31 December 2017 and 31 December 2018.

This document does not contain any other information in respect of MSFL that has been audited by Deloitte & Touche LLP.

Trend Information

MSFL intends to continue issuing securities. There has been no material adverse change in the prospects of MSFL since 31 December 2018.

Significant Change

There has been no significant change in the financial or trading position of MSFL since 31 December 2018.

Capitalisation

MSFL is authorised to issue a single class of limited liability company interests. The issued, allotted and fully paid capital of MSFL is USD 1,000. Each limited liability interest is entitled to one vote with respect to matters the members are entitled to vote for.

Limited Liability Company Agreement

MSFL's purpose is set out in Article 1.2 of its Limited Liability Company Agreement dated 27 March 2002 (as amended) and includes any activity for which limited liability companies may be organised in the State of Delaware. Such activities include the issuance of securities.

The Limited Liability Company Agreement was last amended on 21 January 2016.

SELECTED FINANCIAL INFORMATION OF MORGAN STANLEY FINANCE LLC

The net income for the years ended 2017 and 2018 was *minus* USD 14,277,000 and USD 1,906,000 respectively.

The total assets of MSFL increased from USD 8,330,220,000 at 31 December 2017 to USD 13,848,062,000 at 31 December 2018 with total liabilities increasing from USD 8,424,285,000 at 31 December 2017 to USD 13,715,765,000 at 31 December 2018.

The financial information in respect of MSFL has been prepared in accordance with US GAAP.

SUBSIDIARIES OF MORGAN STANLEY*
AS OF 31 DECEMBER 2018

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of certain other subsidiaries of Morgan Stanley are omitted because, considered in the aggregate as a single subsidiary, they would not constitute a "significant subsidiary" as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934.

Company	Jurisdiction of Incorporation or Formation
Morgan Stanley	Delaware
Morgan Stanley International Incorporated	Delaware
Morgan Stanley International Finance S. A.	Luxembourg
Morgan Stanley Principal Funding, Inc.	Delaware
Morgan Stanley Senior Funding, Inc.	Delaware
Morgan Stanley Hedging Co. Ltd.	Cayman Islands
MS 10020, Inc.	Delaware
Morgan Stanley Fixed Income Ventures Inc.	Delaware
Morgan Stanley Strategic Investments, Inc.	Delaware
Morgan Stanley Capital Management, LLC	Delaware
Morgan Stanley Capital Group Inc.	Delaware
Morgan Stanley Investment Management Inc.	Delaware
Morgan Stanley Domestic Holdings, Inc.	Delaware
Morgan Stanley Services Holdings LLC	Delaware
Morgan Stanley Services Group Inc.	Delaware
MS Financing LLC	Delaware
Morgan Stanley Smith Barney FA Notes Holdings LLC	Delaware
Morgan Stanley Smith Barney LLC	Delaware
Morgan Stanley & Co. LLC	Delaware
Prime Dealer Services Corp.	Delaware
Morgan Stanley Capital Services LLC	Delaware
Morgan Stanley Delta Holdings LLC	New York
Morgan Stanley Bank, N.A.	Federal Charter
Morgan Stanley Private Bank, National Association	Federal Charter
Morgan Stanley International Holdings Inc.	Delaware
Morgan Stanley Asia Holdings Limited	Cayman Islands
Morgan Stanley Asia Regional (Holdings) III LLC	Cayman Islands
Morgan Stanley (Singapore) Holdings Pte. Ltd.	Singapore
Morgan Stanley Asia (Singapore) Pte.	Singapore
Morgan Stanley (Hong Kong) Holdings Limited	Hong Kong
Morgan Stanley Hong Kong 1238 Limited	Hong Kong
Morgan Stanley Asia Limited	Hong Kong
MSJL Holdings Limited	Cayman Islands
Morgan Stanley Japan Holdings Co., Ltd.	Japan
Morgan Stanley MUFG Securities Co., Ltd.	Japan
Morgan Stanley International Limited	United Kingdom
Morgan Stanley France Holdings I S.A.S.	France
Morgan Stanley France S.A.	France
Morgan Stanley UK Limited	United Kingdom
Morgan Stanley Investments (UK)	United Kingdom
Morgan Stanley Bank International Limited	United Kingdom
Morgan Stanley Investment Management Limited	United Kingdom
Morgan Stanley & Co. International plc	United Kingdom
MSL Incorporated	Delaware
Morgan Stanley Uruguay Ltda.	Uruguay

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of certain other subsidiaries of Morgan Stanley are omitted because, considered in the aggregate as a single subsidiary, they would not constitute a "significant subsidiary" as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934.

INDEX OF DEFINED TERMS

\$ i	MSBV Registration Document	1
£ i	MSDWD	29
€ i	MSFL	1
Banco Popolare	MSFL Registration Document	1
Bank Recovery and Resolution Directive	MSI	61
Banking Act	MSI Audit Committee	63
Basel Committee	MSI plc	1
BHC Act	MSI plc Group	61
BlackRock	MSI plc Registration Document	1
BRRD	MSMS	39
CDIB	MSSB LLC	34
CFTC	MUMSS	41
compensation deferral modification	NFA	36
covered entities	NIMS	48
covered QFCs	OCC	7
DBRS	OFAC	38
Dean Witter Discover	OTC	6
Dodd-Frank Act	Parent common equity	54
Dutch Authority	Plan	41
DVA	PRA	37
E.U.	Prospectus Directive	1
EGRRCPA	R&I	26
EUR	Registration Document	1
euro	Regulated Subsidiaries	63
FCA	relevant financial institution	17
FDIC	relevant U.K. Regulatory Authority	17
Federal Financial Supervisory Authority	Required Capital	54
Federal Reserve	Responsible Person	1
FGIC	S&P	6
FHC	Sanctions	38
FINRA	SCCL	32
First Department	SDNY	49
Fitch	SEC	9
Funding IHC	SPOE	8
GBP Ordinary Shares	State Street	41
GDPR	Sterling	i
G-SIBs	Supreme Court of NY	47
IBORs	Swaps	36
IDI Plan	Swaps Entities	32
IDIs	TLAC	9
IFRS	total loss-absorbing capacity	9
IHC	U.K.	9
IPO	U.S.	i
Joint Venture	U.S. Bank Subsidiaries	7
MiFID II	U.S. dollars	i
Moody's	U.S. NSFR	32
Morgan Stanley	U.S.\$	i
Morgan Stanley Group	USD Class A Non-Voting Ordinary Shares	67
Morgan Stanley Registration Document	USD Ordinary Shares	66
MS&Co.	Vanguard	41
MSBV	Volcker Rule	7

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