MORGAN STANLEY
Form 424B2
February 20, 2019

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	*Maximum Aggregate Offering Price*	*Amount of Registration Fee*
Callable Contingent Income Securities due 2022	$1,194,000	$144.71

February 2019

Pricing Supplement No. 1,519
Registration Statement Nos. 333-221595; 333-221595-01
Dated February 15, 2019
Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. Equities

Callable Contingent Income Securities due February 17, 2022

Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

The securities are unsecured obligations of Morgan Stanley Finance LLC ("MSFL") and are fully and unconditionally guaranteed by Morgan Stanley. The securities have the terms described in the accompanying prospectus supplement, index supplement and prospectus, as supplemented or modified by this document. The securities do not guarantee the repayment of principal and do not provide for the regular payment of interest. Instead, the securities will pay a contingent semi-annual coupon **but only if** the closing level of **each of the S&P 500® Index and the SPDR® S&P® Biotech ETF** on the related observation date is **at or above 65% of its respective initial level**, which we refer to as the respective coupon barrier level. If the closing level **of either underlying** is less than the coupon barrier level for such underlying on any observation date, we will pay no interest for the related semi-annual period. In addition, beginning on August 22, 2019, **we will have the right to redeem the securities at our discretion on any semi-annual redemption date** for a redemption payment equal to the sum of the stated principal amount plus any contingent semi-annual coupon otherwise due with respect to the related observation date. An early redemption of the securities will be at our discretion and will not automatically occur based on the performance of the underlyings. At maturity, if the securities have not previously been redeemed and the final level of **each** underlying is greater than or equal to 65% of the respective initial level, which we refer to as the downside threshold level, the payment at maturity will be the stated principal amount and the related contingent semi-annual coupon. If, however, the final level of **either** underlying is less than its downside threshold level, investors will be exposed to the decline in the worst performing underlying on a 1-to-1 basis and will receive a payment at maturity that is less than 65% of the stated principal amount of the securities and could be zero. **Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment based on the performance of either underlying and also the risk of not receiving any semi-annual coupons during the entire three-year term of the securities.** Because payments on the securities are based on the worst performing of the underlyings, a decline beyond the respective coupon barrier level and/or respective downside threshold level, as applicable, of **either** underlying will result in few or no contingent semi-annual coupons and/or a significant loss of your investment, as applicable, even if the other underlying has appreciated or has not declined as much. Investors will not participate in any appreciation in either underlying. The securities are for investors who are willing to risk their principal and seek an opportunity to earn interest at a potentially above-market rate in exchange for the risk of receiving no semi-annual interest if **either underlying** closes below the coupon barrier level for such underlying on the observation dates, and the risk of an early redemption of the securities at our discretion. The securities are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

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

FINAL TERMS

Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Underlyings:	S&P 500® Index (the "SPX Index") and SPDR® S&P® Biotech ETF (the "XBI Shares")
Aggregate principal amount:	$1,194,000
Stated principal amount:	$1,000 per security
Issue price:	$1,000 per security (see "Commissions and issue price" below)
Pricing date:	February 15, 2019
Original issue date:	February 22, 2019 (4 business days after the pricing date)
Maturity date:	February 17, 2022
Optional early redemption:	Beginning on August 22, 2019, we will have the right to redeem the securities, **at our discretion**, in whole but not in part, on any semi-annual redemption date for the redemption payment. If we decide to redeem the securities, we will give you notice at least 3 business days before the redemption date specified in the notice. No further payments will be made on the securities once they have been redeemed.
Contingent semi-annual coupon:	If, on any observation date, the closing level of **each underlying** is **greater than or equal to** its respective coupon barrier level, we will pay a contingent semi-annual coupon at an annual rate of 9.00% (corresponding to approximately $45.00 per semi-annual period per security) on the related contingent coupon payment date.

	If, on any observation date, the closing level **of either underlying** is **less than** the coupon barrier level for such underlying, no contingent semi-annual coupon will be paid with respect to that observation date. **It is possible that one or both underlyings will remain below the respective coupon barrier level(s) for extended periods of time or even throughout the entire term of the securities so that you will receive few or no contingent semi-annual coupons.**
Payment at maturity:	If the securities have not previously been redeemed, investors will receive on the maturity date a payment at maturity determined as follows: If the final level of **each** underlying is **greater than or equal to** its respective downside threshold level: the stated principal amount and the contingent semi-annual coupon with respect to the final observation date. If the final level of **either** underlying is **less than** its respective downside threshold level: (i) the stated principal amount *multiplied by* (ii) the performance factor of the worst performing underlying. Under these circumstances, the payment at maturity will be less than 65% of the stated principal amount of the securities and could be zero. ***Terms continued on the following page***
Agent:	Morgan Stanley & Co. LLC ("MS & Co."), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See "Supplemental information regarding plan of distribution; conflicts of interest."
Estimated value on the pricing date:	$960.70 per security. See "Investment Overview" beginning on page 3.

Commissions and issue price:	**Price to public**	**Agent's commissions**(1)	**Proceeds to us**(2)
Per security	$1,000	$20	$980
Total	$1,194,000	$23,880	$1,170,120

We also sold, pursuant to Pricing Supplement No. 1,520, a separate issuance of securities, being sold only to fee-based advisory accounts, with terms similar to those of this issuance but with a higher contingent semi-annual coupon rate.

(1) *Selected dealers and their financial advisors will collectively receive from the agent, Morgan Stanley & Co. LLC, a fixed sales commission of $20 for each security they sell. In addition, selected dealers and their financial advisors will receive a structuring fee of $4 for each security. See "Supplemental information regarding plan of distribution; conflicts of interest." For additional information, see "Plan of Distribution (Conflicts of Interest)" in the accompanying prospectus supplement.*

(2) *See "Use of proceeds and hedging" on page 34.*

The securities involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 12.

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

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

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

References to "we," "us" and "our" refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

Prospectus Supplement dated November 16, 2017 Index Supplement dated November 16, 2017 Prospectus dated November 16, 2017

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

Terms continued from previous page:

Redemption payment:	The redemption payment will be an amount equal to (i) the stated principal amount *plus* (ii) any contingent semi-annual coupon otherwise due with respect to the related observation date.
Redemption dates:	Beginning on August 22, 2019, semi-annually. See "Observation Dates, Coupon Payment Dates and Redemption Dates" below. If any such day is not a business day, the redemption payment will be made on the next succeeding business day and no adjustment will be made to any redemption payment made on that succeeding business day.
Initial level:	With respect to the SPX Index: 2,775.60, which is the closing level of such underlying on the pricing date With respect to the XBI Shares: $86.59, which is the closing level of such underlying on the pricing date
Final level:	With respect to each underlying, the respective closing level on the final observation date
Closing level:	With respect to the SPX Index, on any index business day, the index closing value of such underlying on such day With respect to the XBI Shares, on any trading day, the closing price of one XBI Share on such day *times* the adjustment factor on such day
Worst performing underlying:	The underlying with the larger percentage decrease from the respective initial level to the respective final level
Performance factor:	Final level *divided by* the initial level
Coupon barrier level:	With respect to the SPX Index: 1,804.14, which is 65% of the initial level for such underlying With respect to the XBI Shares: $56.284, which is approximately 65% of the initial level for such underlying
Downside threshold level:	With respect to the SPX Index: 1,804.14, which is 65% of the initial level for such underlying With respect to the XBI Shares: $56.284, which is approximately 65% of the initial level for such underlying
Coupon payment dates:	Semi-annually, as set forth under "Observation Dates, Coupon Payment Dates and Redemption Dates" below. If any such day is not a business day, that contingent semi-annual coupon, if any, will be paid on the next succeeding business day and no adjustment will be made to any coupon payment made on that succeeding business day; *provided further* that the contingent semi-annual coupon, if any, with respect to the final observation date shall be paid on the maturity date.
Observation dates:	Semi-annually, as set forth under "Observation Dates, Coupon Payment Dates and Redemption Dates" below, subject to postponement for non-index business days and non-trading days, as applicable, and certain market disruption events. We also refer to February 10, 2022 as the final observation date.
Adjustment factor:	With respect to the XBI Shares, 1.0, subject to adjustment in the event of certain events affecting the XBI Shares
CUSIP / ISIN:	61768DG66 / US61768DG660
Listing:	The securities will not be listed on any securities exchange.

Observation Dates, Coupon Payment Dates and Redemption Dates

Observation Dates	**Coupon Payment Dates / Redemption Dates**
August 15, 2019	August 22, 2019
February 12, 2020	February 20, 2020
August 13, 2020	August 20, 2020
February 11, 2021	February 19, 2021
August 12, 2021	August 19, 2021
February 10, 2022 (final observation date)	February 17, 2022 (maturity date)

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

Investment Overview

Callable Contingent Income Securities

Principal at Risk Securities

Callable Contingent Income Securities due February 17, 2022 Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF (the "securities") do not guarantee the repayment of principal and do not provide for the regular payment of interest. Instead, the securities will pay a contingent semi-annual coupon **but only if** the closing level of **each of the S&P 500® Index and the SPDR® S&P® Biotech ETF** (which we refer to together as the "underlyings") is **at or above** 65% of its respective initial level, which we refer to as the respective coupon barrier level, on the related observation date. If the closing level **of either underlying** is less than the coupon barrier level for such underlying on any observation date, we will pay no coupon for the related semi-annual period. It is possible that the closing level of one or both underlyings will remain below the respective coupon barrier level(s) for extended periods of time or even throughout the entire term of the securities so that you will receive few or no contingent semi-annual coupons during the entire three-year term of the securities. Even if an underlying were to be at or above the coupon barrier level for such underlying on some semi-annual observation dates, it may fluctuate below the coupon barrier level on others. In addition, even if one underlying were to be at or above the coupon barrier level for such underlying on all semi-annual observation dates, you will receive a contingent semi-annual coupon only with respect to the observation dates on which the other underlying is also at or above the coupon barrier level for such underlying, if any. In addition, beginning on August 22, 2019, **we will have the right to redeem the securities at our discretion** on any semi-annual redemption date for the redemption payment equal to the sum of the stated principal amount plus any contingent semi-annual coupon otherwise due with respect to the related observation date. At maturity, if the securities have not been previously redeemed and if the final level of **each** underlying is greater than or equal to 65% of the respective initial level, which we refer to as the downside threshold level, the payment at maturity will be the stated principal amount and the related contingent semi-annual coupon. If, however, the final level of **either** underlying is less than its downside threshold level, investors will be exposed to the decline in the worst performing underlying on a 1-to-1 basis and will receive a payment at maturity that is less than 65% of the stated principal amount of the securities and could be zero. **Accordingly, investors in the securities must be willing to accept the risk of losing their entire initial investment based on the performance of either index and also the risk of not receiving any semi-annual coupons throughout the entire term of the securities.**

Maturity:	Approximately 3 years, unless redeemed earlier at our discretion
Contingent semi-annual	If, on any observation date, the closing level of **each underlying** is **greater than or equal to** its respective coupon barrier level, we will pay a contingent semi-annual coupon at an annual rate of

coupon:	9.00% (corresponding to approximately $45.00 per semi-annual period per security) on the related contingent coupon payment date. If, on any observation date, the closing level **of either underlying** is **less than** the coupon barrier level for such underlying, no contingent semi-annual coupon will be paid with respect to that observation date. **It is possible that one or both underlyings will remain below the respective coupon barrier level(s) for extended periods of time or even throughout the entire term of the securities so that you will receive few or no contingent semi-annual coupons.**
Early redemption at the option of the issuer:	Beginning on August 22, 2019, we have the right to redeem the securities on any semi-annual redemption date for an early redemption payment equal to the stated principal amount plus any contingent semi-annual coupon otherwise due with respect to the related observation date. Any early redemption of the securities will be at our discretion and will not automatically occur based on the performance of the underlyings. It is more likely that we will redeem the securities when it would otherwise be advantageous for you to continue to hold the securities. As such, we will be more likely to redeem the securities when the closing level of each underlying on the observation dates is at or above its respective coupon barrier level, which would otherwise result in an amount of interest payable on the securities that is greater than instruments of a comparable maturity and credit rating trading in the market. In other words, we will be more likely to redeem the securities at a time when the securities are paying an above-market coupon. If the securities are redeemed prior to maturity, you will receive no more contingent semi-annual coupon payments, may be forced to invest in a lower interest rate environment and may not be able to reinvest at comparable terms or returns.

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

	On the other hand, we will be less likely to exercise our redemption right when the closing level of either underlying is below its respective coupon barrier level and/or when the final level of either underlying is expected to be below the downside threshold level, such that you will receive no contingent semi-annual coupons and/or that you will suffer a significant loss on your initial investment in the securities at maturity. Therefore, if we do not exercise our redemption right, it is more likely that you will receive few or no contingent semi-annual coupons and suffer a significant loss at maturity. If the securities have not previously been redeemed, investors will receive on the maturity date a payment at maturity determined as follows:
Payment at maturity:	If the final level of **each** underlying is **greater than or equal to** its respective downside threshold level: the stated principal amount and the contingent semi-annual coupon with respect to the final observation date.
	If the final level of **either** underlying is **less than** its respective downside threshold level: (i) the stated principal amount *multiplied by* (ii) the performance factor of the worst performing underlying. Under these circumstances, the payment at maturity will be less than 65% of the stated principal amount of the securities and could be zero.

Morgan Stanley clients may contact their local Morgan Stanley branch office or our principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number (866) 477-4776). All other clients may contact their local brokerage representative. Third-party distributors may contact Morgan Stanley Structured Investment Sales at (800) 233-1087.

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

The original issue price of each security is $1,000. This price includes costs associated with issuing, selling, structuring and hedging the securities, which are borne by you, and, consequently, the estimated value of the securities on the pricing date is less than $1,000. We estimate that the value of each security on the pricing date is $960.70.

What goes into the estimated value on the pricing date?

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

What determines the economic terms of the securities?

In determining the economic terms of the securities, including the contingent semi-annual coupon rate, the coupon barrier levels and the downside threshold levels, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the securities would be more favorable to you.

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

The price at which MS & Co. purchases the securities in the secondary market, absent changes in market conditions, including those related to the underlyings, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlyings, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

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

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

Key Investment Rationale

The securities do not provide for the regular payment of interest and instead will pay a contingent semi-annual coupon **but only if** the closing level of **each underlying** is **at or above** 65% of its initial level, which we refer to as the respective coupon barrier level, on the related observation date. These securities are for investors who are willing to risk their principal and seek an opportunity to earn interest at a potentially above-market rate in exchange for the risk of receiving no semi-annual interest if either underlying closes below the coupon barrier level for such underlying on the observation dates, and the risk of an early redemption of the securities at our discretion. The following scenarios are for illustration purposes only to demonstrate how the payment at maturity and contingent semi-annual coupon (if the securities have not previously been redeemed) are determined, and do not attempt to demonstrate every situation that may occur. Accordingly, the securities may or may not be redeemed by us at our discretion, the contingent semi-annual coupon may be payable with respect to none of, or some but not all of, the semi-annual periods, and the payment at maturity may be less than 65% of the stated principal amount and could be zero. Investors will not participate in any appreciation in either underlying.

Scenario 1: The securities are redeemed prior to maturity.	This scenario assumes that we redeem the securities at our discretion prior to the maturity date on one of the semi-annual redemption dates, starting on August 22, 2019, six months after the original issue date, for the redemption payment equal to the stated principal amount *plus* any contingent semi-annual coupon with respect to the relevant observation date, as applicable. Prior to the optional early redemption, each underlying closes at or above its respective coupon barrier level on some or all of the semi-annual observation dates. In this scenario, investors receive the contingent semi-annual coupon with respect to each such observation date, but not for the semi-annual periods for which one of both underlyings close below the respective coupon barrier level on the related observation date. No further payments will be made on the securities once they have been redeemed.
Scenario 2: The securities are not redeemed prior to maturity, and investors receive principal back at maturity.	This scenario assumes that we do not exercise our redemption right on any of the semi-annual redemption dates, and, as a result, investors hold the securities to maturity. During the term of the securities, each underlying closes at or above its respective coupon barrier level on some semi-annual observation dates, but one or both underlyings close below the respective coupon barrier level(s) for such underlying on the others. Investors will receive the contingent semi-annual coupon for the semi-annual periods for which the closing level of each underlying is at or above its respective coupon barrier level on the related observation date, but not for the semi-annual periods for which one or both underlyings close below the respective coupon barrier level(s) on the related observation date. On the final observation date, each underlying closes at or above its downside threshold level. At maturity, investors receive the stated principal amount and the contingent semi-annual coupon with respect to the final observation date.

Scenario 3: The securities are not redeemed prior to maturity, and investors suffer a substantial loss of principal at maturity.	This scenario assumes that we do not exercise our redemption right on any of the semi-annual redemption dates, and, as a result, investors hold the securities to maturity. During the term of the securities, one or both underlyings close below the respective coupon barrier level(s) on every semi-annual observation date. Since one or both underlyings close below the respective coupon barrier level(s) on every semi-annual observation date, investors do not receive any contingent semi-annual coupon. On the final observation date, one or both underlyings close below the respective downside threshold level(s). At maturity, investors will receive an amount equal to the stated principal amount multiplied by the performance factor of the worst performing underlying. Under these circumstances, the payment at maturity will be less than 65% of the stated principal amount and could be zero.

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

Underlyings Summary

S&P 500® Index

The S&P 500® Index, which is calculated, maintained and published by S&P Dow Jones Indices LLC ("S&P"), consists of stocks of 500 component companies selected to provide a performance benchmark for the U.S. equity markets. The calculation of the S&P 500® Index is based on the relative value of the float adjusted aggregate market capitalization of the 500 component companies as of a particular time as compared to the aggregate average market capitalization of 500 similar companies during the base period of the years 1941 through 1943.

Information as of market close on February 15, 2019:

Bloomberg Ticker Symbol:	SPX
Current Index Value:	2,775.60
52 Weeks Ago:	2,731.20
52 Week High (on 9/20/2018):	2,930.75
52 Week Low (on 12/24/2018):	2,351.10

For additional information about the S&P 500® Index, see the information set forth under "S&P 500® Index" in the accompanying index supplement. Furthermore, for additional historical information, see "S&P 500® Index Historical Performance" below.

SPDR® S&P® Biotech ETF

The SPDR® S&P® Biotech ETF is an exchange-traded fund managed by SSgA Funds Management, Inc., which seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the S&P Biotechnology Select Industry™ Index. SPDR® Series Trust (the "Trust") is a registered investment company that consists of numerous separate investment portfolios, including the SPDR® S&P® Biotech ETF. Information provided to or filed with the Securities and Exchange Commission (the "Commission") by the Trust pursuant to the Securities Act of 1933 and the Investment Company Act of 1940 can be located by reference to Commission file numbers 333-57793 and 811-08839, respectively, through the Commission's website at www.sec.gov.

In addition, information may be obtained from other publicly available sources. Neither the issuer nor the agent makes any representation that such publicly available information regarding the SPDR® S&P® Biotech ETF is accurate or complete.

Information as of market close on February 15, 2019:

Bloomberg Ticker Symbol:	XBI UP
Current Index Value:	$86.59
52 Weeks Ago:	$92.73
52 Week High (on 6/20/2018):	$101.15
52 Week Low (on 12/24/2018):	$65.42

This document relates only to the securities referenced hereby and does not relate to the XBI Shares. We have derived all disclosures contained in this document regarding the Trust from the publicly available documents described above. In connection with the offering of the securities, neither we nor the agent has participated in the preparation of such documents or made any due diligence inquiry with respect to the Trust. Neither we nor the agent makes any representation that such publicly available documents or any other publicly available information regarding the Trust is accurate or complete. Furthermore, we cannot give any assurance that all events occurring prior to the date hereof (including events that would affect the accuracy or completeness of the publicly available documents described above) that would affect the trading price of the XBI Shares (and therefore the price of the XBI Shares at the time we priced the securities) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the Trust could affect the value received with respect to the securities and therefore the value of the securities.

Neither we nor any of our affiliates makes any representation to you as to the performance of the XBI Shares.

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

We and/or our affiliates may presently or from time to time engage in business with the Trust. In the course of such business, we and/or our affiliates may acquire non-public information with respect to the Trust, and neither we nor any of our affiliates undertakes to disclose any such information to you. In addition, one or more of our affiliates may publish research reports with respect to the XBI Shares. The statements in the preceding two sentences are not intended to affect the rights of investors in the securities under the securities laws. As a purchaser of the securities, you should undertake an independent investigation of the Trust as in your judgment is appropriate to make an informed decision with respect to an investment linked to the XBI Shares.

"Standard & Poor's®", "S&P®", "S&P 500®", "SPDR®" and "SPDR® Series Trust" are trademarks of Standard & Poor's Financial Services LLC, an affiliate of The McGraw-Hill Companies, Inc. ("MGH"). The securities are not sponsored, endorsed, sold, or promoted by S&P, MGH or the Trust. S&P, MGH and the Trust make no representations or warranties to the owners of the securities or any member of the public regarding the advisability of investing in the securities. S&P, MGH and the Trust have no obligation or liability in connection with the operation, marketing, trading or sale of the securities.

The S&P Biotechnology Select Industry™ Index. The S&P Biotechnology Select Industry™ Index (Bloomberg ticker SPSIBI) is managed by S&P Dow Jones Indices LLC and is a modified equally weighted index that is designed to measure the performance of stocks in the S&P Total Market Index that are classified under the Global Industry Classification Standard ("GICS®") biotechnology sub-industry.

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

Hypothetical Examples

The following hypothetical examples illustrate how to determine whether a contingent semi-annual coupon is paid with respect to an observation date and how to calculate the payment at maturity. The following examples are for illustrative purposes only. Whether you receive a contingent semi-annual coupon will be determined by reference to the closing level of each underlying on each semi-annual observation date, and the amount you will receive at maturity, if any, will be determined by reference to the final level of each underlying on the final observation date. Any early redemption of the securities will be at our discretion. The actual initial level, coupon barrier level and downside threshold level for each underlying are set forth on the cover of this document. All payments on the securities, if any, are subject to our credit risk. The below examples are based on the following terms:

Contingent Semi-Annual Coupon:	If, on any observation date, the closing level of **each underlying** is **greater than or equal to** its respective coupon barrier level, we will pay a contingent semi-annual coupon at an annual rate of 9.00% (corresponding to approximately $45.00 per semi-annual period per security) on the related contingent coupon payment date. If, on any observation date, the closing level **of either underlying** is **less than** the coupon barrier level for such underlying, no contingent semi-annual coupon will be paid with respect to that observation date. **It is possible that one or both underlyings will remain below the respective coupon barrier level(s) for extended periods of time or even throughout the entire term of the securities so that you will receive few or no contingent semi-annual coupons.**
Optional Early Redemption:	Beginning on August 22, 2019, we will have the right to redeem the securities at our discretion on any semi-annual redemption date for a redemption payment equal to the stated principal amount plus any contingent semi-annual coupon otherwise due with respect to the related observation date. **If the securities are redeemed prior to maturity, you will receive no more contingent semi-annual coupon payments, may be forced to invest in a lower interest rate environment and may not be able to reinvest at comparable terms or returns.**
Payment at Maturity (if the securities have not been redeemed early at our option):	If the final level of **each** underlying is **greater than or equal to** its respective downside threshold level: the stated principal amount and the contingent semi-annual coupon with respect to the final observation date. If the final level of **either** underlying is **less than** its respective downside threshold level: (i) the stated principal amount *multiplied by* (ii) the performance factor of the worst performing underlying. Under these circumstances, the payment at maturity will be less than 65% of the stated principal amount of the securities and could be zero.
Stated Principal Amount:	$1,000
	With respect to the SPX Index: 2,500

Hypothetical Initial Level:	With respect to the XBI Shares: $80.00
Hypothetical Coupon Barrier Level:	With respect to the SPX Index: 1,625, which is 65% of the hypothetical initial level for such underlying With respect to the XBI Shares: $52.00, which is 65% of the hypothetical initial level for such underlying
Hypothetical Downside Threshold Level:	With respect to the SPX Index: 1,625, which is 65% of the hypothetical initial level for such underlying With respect to the XBI Shares: $52.00, which is 65% of the hypothetical initial level for such underlying

* The actual semi-annual coupon will be an amount determined by the calculation agent based on the number of days in the applicable payment period, calculated on a 30/360 basis. The hypothetical semi-annual coupon of $45.00 is used in these examples for ease of analysis.

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

How to determine whether a contingent semi-annual coupon is payable with respect to an observation date (if the securities have not been previously redeemed):

	Closing Level		Contingent Semi-Annual Coupon
	SPX Index	XBI Shares	
Hypothetical Observation Date 1	2,100 (**at or above** coupon barrier level)	$75.00 (**at or above** coupon barrier level)	$45.00
Hypothetical Observation Date 2	2,400 (**at or above** coupon barrier level)	$30.00 (**below** coupon barrier level)	$0
Hypothetical Observation Date 3	1,250 (**below** coupon barrier level)	$72.00 (**at or above** coupon barrier level)	$0
Hypothetical Observation Date 4	1,500 (**below** coupon barrier level)	$45.00 (**below** coupon barrier level)	$0

On hypothetical observation date 1, both the SPX Index and XBI Shares close at or above their respective coupon barrier levels. Therefore a contingent semi-annual coupon of $45.00 is paid on the relevant coupon payment date.

On each of the hypothetical observation dates 2 and 3, one underlying closes at or above its coupon barrier level but the other underlying closes below its coupon barrier level. Therefore, no contingent semi-annual coupon is paid on the relevant coupon payment date.

On hypothetical observation date 4, each underlying closes below its respective coupon barrier level and accordingly no contingent semi-annual coupon is paid on the relevant coupon payment date.

How to calculate the payment at maturity (if the securities have not been redeemed early at our option):

	Final Level		Payment at Maturity
	SPX Index	XBI Shares	
Example 1:	3,700 (**at or above** the downside threshold level)	$100.00 (**at or above** the downside threshold level)	$1,045.00 (the stated principal amount *plus* the contingent semi-annual coupon with respect to the final observation date)

Example 2:	2,425 (**at or above** the downside threshold level)	$32.00 (**below** the downside threshold level)	$1,000 x performance factor of the worst performing underlying = $1,000 x ($32.00 / $80.00) = $400
Example 3:	1,000 (**below** the downside threshold level)	$75.00 (**at or above** the downside threshold level)	$1,000 x (1,000 / 2,500) = $400
Example 4:	750 (**below** the downside threshold level)	$32.00 (**below** the downside threshold level)	$1,000 x (750 / 2,500) = $300
Example 5:	1,000 (**below** the downside threshold level)	$24.00 (**below** the downside threshold level)	$1,000 x ($24.00 / $80.00) = $300

In example 1, the final levels of both the SPX Index and the XBI Shares are at or above their downside threshold levels. Therefore, investors receive at maturity the stated principal amount of the securities and the contingent semi-annual coupon with respect to the final observation date. However, investors do not participate in the appreciation of either underlying.

In examples 2 and 3, the final level of one underlying is at or above its downside threshold level but the final level of the other underlying is below its downside threshold level. Therefore, investors are exposed to the downside performance of the worst performing underlying at maturity and receive at maturity an amount equal to the stated principal amount *times* the performance factor of the worst performing underlying.

Similarly, in examples 4 and 5, the final level of each underlying is below its respective downside threshold level, and investors receive at maturity an amount equal to the stated principal amount *times* the performance factor of the worst performing underlying. In example 4, the SPX Index has declined 70% from the respective initial level to the respective final level, while the XBI Shares have declined 60% from the respective initial level to the respective final level. Therefore, the payment at maturity equals the stated principal amount *times* the performance factor of the SPX Index, which is the worst performing underlying in this example. In example 5, the SPX Index has declined 60% from the respective initial level, while the XBI Shares have declined 70% from the respective initial level to the respective final level. Therefore the payment at maturity equals the stated principal amount *times* the performance factor of the XBI Shares, which are the worst performing underlying in this example.

If the securities have not been redeemed prior to maturity and the final level of EITHER underlying is below its respective downside threshold level, you will be exposed to the downside performance of the worst performing underlying at maturity, and your payment at maturity will be less than $650 per security and could be zero.

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

Risk Factors

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

§ **The securities do not guarantee the return of any principal.** The terms of the securities differ from those of ordinary debt securities in that they do not guarantee the repayment of principal. If the securities have not been redeemed prior to maturity and the final level of **either** underlying is less than its downside threshold level of 65% of its initial level, you will be exposed to the decline in the closing level of the worst performing underlying, as compared to its initial level, on a 1-to-1 basis, and you will receive for each security that you hold at maturity an amount equal to the stated principal amount *times* the performance factor of the worst performing underlying. **In this case, the payment at maturity will be less than 65% of the stated principal amount and could be zero.**

§ **The securities do not provide for regular interest payments.** The terms of the securities differ from those of ordinary debt securities in that they do not provide for the regular payment of interest. The securities will pay a contingent semi-annual coupon only if the closing level of each underlying is at or above 65% of its respective initial level, which we refer to as the respective coupon barrier level, on the related observation date. If, on the other hand, the closing level of either underlying is lower than the coupon barrier level for such underlying on the relevant observation date for any interest period, we will pay no coupon on the applicable coupon payment date. It is possible that the closing level of one or both underlyings will remain below the respective coupon barrier level(s) for extended periods of time or even throughout the entire term of the securities. If you do not earn sufficient contingent semi-annual coupons over the term of the securities, the overall return on the securities may be less than the amount that would be paid on a conventional debt security of ours of comparable maturity.

§ **The securities are subject to our redemption right.** The term of the securities, and thus your opportunity to earn a potentially above-market coupon if the closing level of each underlying is greater than or equal to the coupon barrier level for such underlying on semi-annual observation dates, may be limited by our right to redeem the securities at our option on any semi-annual redemption date, beginning August 22, 2019. The term of your investment in the securities may be limited to as short as six months. It is more likely that we will redeem the securities when it would be advantageous for you to continue to hold the securities. As such, we will be more likely to redeem the securities when the closing level of each underlying on the observation dates is at or above the coupon barrier level for such underlying, which would otherwise result in an amount of interest payable on the securities that is greater than instruments of a comparable maturity and credit rating trading in the market. In other words, we will be more likely to redeem the securities at a time when the securities are paying an above-market coupon. If the securities are redeemed prior to maturity, you will receive no more contingent semi-annual coupon payments, may be forced to invest in a lower interest rate environment and may not be able to reinvest at comparable terms or returns.

On the other hand, we will be less likely to exercise our redemption right when the closing level of either underlying is below the respective coupon barrier level and/or when the final level for either underlying is expected to be below the respective downside threshold level, such that you will receive no contingent semi-annual coupons and/or that you will suffer a significant loss on your initial investment in the securities at maturity. Therefore, if we do not exercise our redemption right, it is more likely that you will receive few or no contingent semi-annual coupons and suffer a significant loss at maturity.

§ **You are exposed to the price risk of both underlyings, with respect to both the contingent semi-annual coupons, if any, and the payment at maturity, if any.** Your return on the securities is not linked to a basket consisting of both underlyings. Rather, it will be contingent upon the independent performance of each underlying. Unlike an instrument with a return linked to a basket of underlying assets, in which risk is mitigated and diversified among all the components of the basket, you will be exposed to the risks related to both underlyings. Poor performance by **either** underlying over the term of the securities may negatively affect your return and will not be offset or mitigated by any positive performance by the other underlying. To receive any contingent semi-annual coupons, **each** underlying must close at or above its respective coupon barrier level on the applicable observation date. In addition, if **either** underlying has declined to below its respective downside threshold level as of the final observation date, you will be **fully exposed** to the decline in the worst performing

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

underlying over the term of the securities on a 1-to-1 basis, even if the other underlying has appreciated or not declined as much. Under this scenario, the value of any such payment will be less than 65% of the stated principal amount and could be zero. Accordingly, your investment is subject to the price risk of both underlyings.

§ **Because the securities are linked to the performance of the worst performing underlying, you are exposed to greater risks of no contingent semi-annual coupons and sustaining a significant loss on your investment than if the securities were linked to just one index.** The risk that you will not receive any contingent semi-annual coupons, or that you will suffer a significant loss on your investment, is greater if you invest in the securities as opposed to substantially similar securities that are linked to the performance of just one underlying. With two underlyings, it is more likely that either underlying will close below its coupon barrier level on any observation date, or below its downside threshold level on the final observation date, than if the securities were linked to only one underlying. Therefore, it is more likely that you will not receive any contingent semi-annual coupons and that you will suffer a significant loss on your investment.

§ **The contingent semi-annual coupon, if any, is based only on the value of each underlying on the related semi-annual observation date.** Whether the contingent semi-annual coupon will be paid on any coupon payment date will be determined at the end of the relevant interest period, based on the closing level of each underlying on the relevant semi-annual observation date. As a result, you will not know whether you will receive the contingent semi-annual coupon on any coupon payment date until near the end of the relevant semi-annual period. Moreover, because the contingent semi-annual coupon is based solely on the value of each underlying on semi-annual observation dates, if the closing level of either underlying on any observation date is below the coupon barrier level for such underlying, you will receive no coupon for the related interest period, even if the level of such underlying was at or above its respective coupon barrier level on other days during that interest period and even if the closing level of the other underlying is at or above the coupon barrier level for such underlying.

§ **Investors will not participate in any appreciation in either underlying.** Investors will not participate in any appreciation in either underlying from the initial level for such underlying, and the return on the securities will be limited to the contingent semi-annual coupons, if any, that are paid with respect to each observation date on which the closing level of each underlying is greater than or equal to its respective coupon barrier level until the securities are redeemed or reach maturity.

§ **The securities are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the securities.** You are dependent on our ability to pay all amounts due on the securities at maturity or on any coupon payment date, and therefore you are subject to our credit risk. The securities are not guaranteed by any other entity. If we default on our obligations under the securities, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the securities prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the securities.

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

§ **Investing in the securities exposes investors to risks associated with investments with a concentration in the biotechnology sector.** The stocks included in the S&P Biotechnology Select Industry™ Index (the "share underlying index") and that are generally tracked by the SPDR® S&P® Biotech ETF are stocks of companies primarily engaged in research, development, manufacturing and/or marketing of products based on genetic analysis and genetic engineering. Because the value of the securities is linked to the performance of the underlying shares, an investment in the securities exposes investors to risks associated with investments in securities with a concentration in the biotechnology sector. Industry-specific risks to which companies in the biotechnology sector are subject may include the following:

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

- o After spending heavily on research and development, their products or services may not prove commercially successful or may become obsolete quickly;

- o The biotechnology industry may be subject to greater governmental regulation than other industries, and changes in governmental policies and the need for regulatory approvals may have a material adverse effect on the industry;

- o Companies in the biotechnology industry are subject to risks arising from new technologies and competitive pressures; and

- o Companies in the biotechnology industry are heavily dependent on patents and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

- o The XBI Shares may be subject to increased price volatility as it is linked to a single industry, market or sector and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting that industry, market or sector. The price of the XBI Shares may be, and has recently been, volatile, and we can give you no assurance that the volatility will lessen.

§ **The market price will be influenced by many unpredictable factors.** Several factors, many of which are beyond our control, will influence the value of the securities in the secondary market and the price at which MS & Co. may be willing to purchase or sell the securities in the secondary market. We expect that generally the level of interest rates available in the market and the value of each underlying on any day, including in relation to its respective coupon barrier level and downside threshold level, will affect the value of the securities more than any other factors. Other factors that may influence the value of the securities include:

- o the volatility (frequency and magnitude of changes in value) of each underlying and of the stocks composing the SPX Index and the share underlying index,

- o whether the closing level of either underlying has been below its respective coupon barrier level on any observation date,

- o geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the component stocks of the underlyings or securities markets generally and which may affect the value of each underlying,

- o dividend rates on the securities underlying the SPX Index and the share underlying index,

- o the time remaining until the securities mature,
- o interest and yield rates in the market,
- o the availability of comparable instruments,
- o the composition of the underlyings and changes in the constituent stocks of the SPX Index and the share underlying index,
- o the occurrence of certain events affecting the XBI Shares that may or may not require an adjustment to the adjustment factor, and
- o any actual or anticipated changes in our credit ratings or credit spreads.

Some or all of these factors will influence the price that you will receive if you sell your securities prior to maturity. In particular, if either underlying has closed near or below its coupon barrier level and downside threshold level, the market value of the securities is expected to decrease substantially and you may have to sell your securities at a substantial discount from the stated principal amount of $1,000 per security.

You cannot predict the future performance of either underlying based on its historical performance. The value of either underlying may decrease and be below the coupon barrier level for such underlying on each observation date so that you will receive no return on your investment, and one or both underlyings may close below the respective downside threshold level(s) on the final observation date so that you lose more than 35% or all of your initial investment in the securities. There can be no assurance that the closing level of each underlying will be at or above the respective coupon barrier level on any observation date so that you will receive a coupon payment on the securities for the applicable interest period or that they

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

will be at or above their respective downside threshold levels on the final observation date so that you do not suffer a significant loss on your initial investment in the securities. See "S&P 500® Index Historical Performance" and "SPDR® S&P® Biotech ETF Historical Performance" below.

§ **The antidilution adjustments the calculation agent is required to make do not cover every event that could affect the XBI Shares.** MS & Co., as calculation agent, will adjust the adjustment factor for certain events affecting the XBI Shares. However, the calculation agent will not make an adjustment for every event that could affect the XBI Shares. If an event occurs that does not require the calculation agent to adjust the adjustment factor, the market price of the securities may be materially and adversely affected.

§ **Adjustments to the XBI Shares or the share underlying index could adversely affect the value of the securities.** The investment adviser to the XBI Shares, SSgA Funds Management, Inc. (the "Investment Adviser"), seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the share underlying index. Pursuant to its investment strategy or otherwise, the Investment Advisor may add, delete or substitute the stocks composing the XBI Shares. Any of these actions could adversely affect the price of the XBI Shares and, consequently, the value of the securities. S&P Dow Jones Indices LLC ("S&P") is responsible for calculating and maintaining the share underlying index. S&P can add, delete or substitute the stocks underlying the share underlying index that could change the value of the share underlying index, and, consequently, the price of the XBI Shares and the value of the securities.

§ **The performance and market price of the XBI Shares, particularly during periods of market volatility, may not correlate with the performance of the share underlying index, the performance of the component securities of the share underlying index or the net asset value per share of the XBI Shares.** The XBI Shares do not fully replicate the share underlying index and may hold securities that are different than those included in the share underlying index. In addition, the performance of the XBI Shares will reflect additional transaction costs and fees that are not included in the calculation of the share underlying index. All of these factors may lead to a lack of correlation between the performance of XBI Shares and the share underlying index. In addition, corporate actions (such as mergers and spin-offs) with respect to the equity securities underlying the XBI Shares may impact the variance between the performances of XBI Shares and the share underlying index. Finally, because the shares of the XBI Shares are traded on an exchange and are subject to market supply and investor demand, the market price of one share of the XBI Shares may differ from the net asset value per share of the XBI Shares.

In particular, during periods of market volatility, or unusual trading activity, trading in the securities underlying the XBI Shares may be disrupted or limited, or such securities may be unavailable in the secondary market. Under these circumstances, the liquidity of the XBI Shares may be adversely affected, market participants may be unable to calculate accurately the net asset value per share of the XBI Shares, and their ability to create and redeem shares of the XBI Shares may be disrupted. Under these circumstances, the market price of shares of the XBI Shares may vary substantially from the net asset value per share of the XBI Shares or the level of the share underlying index.

For all of the foregoing reasons, the performance of the XBI Shares may not correlate with the performance of the share underlying index, the performance of the component securities of the share underlying index or the net asset value per share of the XBI Shares. Any of these events could materially and adversely affect the price of the shares of the XBI Shares and, therefore, the value of the securities. Additionally, if market volatility or these events were to occur on the final observation date, the calculation agent would maintain discretion to determine whether such market volatility or events have caused a market disruption event to occur, and such determination may affect the payment at maturity of the securities. If the calculation agent determines that no market disruption event has taken place, the payment at maturity would be based on the published closing price per share of the XBI Shares on the final observation date, even if the XBI Shares' shares are underperforming the share underlying index or the component securities of the share underlying index and/or trading below the net asset value per share of the XBI Shares.

§ **Investing in the securities is not equivalent to investing in the underlyings or the stocks composing the SPX Index or the share underlying index.** Investing in the securities is not equivalent to investing in either underlying or the component stocks of the SPX Index or the share underlying index. Investors in the securities will not participate in any positive performance of either underlying, and will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute the SPX Index or the share underlying index.

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

§ **The securities will not be listed on any securities exchange and secondary trading may be limited. Accordingly, you should be willing to hold your securities for the entire 3-year term of the securities**. The securities will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the securities. MS & Co. may, but is not obligated to, make a market in the securities and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the securities, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the securities easily. Since other broker-dealers may not participate significantly in the secondary market for the securities, the price at which you may be able to trade your securities is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at any time, MS & Co. were to cease making a market in the securities, it is likely that there would be no secondary market for the securities. Accordingly, you should be willing to hold your securities to maturity.

§ **The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the securities in the original issue price reduce the economic terms of the securities, cause the estimated value of the securities to be less than the original issue price and will adversely affect secondary market prices.** Assuming no change in market conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the securities in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

The inclusion of the costs of issuing, selling, structuring and hedging the securities in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the securities less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the underlyings, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

§

The estimated value of the securities is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price. These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the securities than those generated by others, including other dealers in the market, if they attempted to value the securities. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your securities in the secondary market (if any exists) at any time. The value of your securities at any time after the date of this document will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also "The market price will be influenced by many unpredictable factors" above.

§ **Hedging and trading activity by our affiliates could potentially affect the value of the securities.** One or more of our affiliates and/or third-party dealers have carried out, and will continue to carry out, hedging activities related to the securities (and to other instruments linked to the underlyings and the share underlying index), including trading in the XBI Shares, the stocks that constitute the SPX Index or the share underlying index as well as in other instruments related to the underlyings. As a result, these entities may be unwinding or adjusting hedge positions during the term of the securities, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the final observation date approaches. Some of our affiliates also trade the underlyings and other financial instruments related to the underlyings and the share underlying index on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date could have increased the initial level of an underlying, and, therefore, could have increased (i) the coupon barrier level for such underlying, which, if the securities have not been redeemed, is the value at or above which such underlying must close on the observation dates in order for you to earn a contingent semi-annual coupon (depending also on the performance of the other underlying), and (ii) the downside threshold level for such underlying, which, if the securities have not been redeemed prior to maturity, is the value at or above which the underlying must close on the final observation date so that you are not exposed to the negative performance of the worst performing underlying at maturity (depending also on the performance of the other underlying). Additionally, such hedging or trading activities during the term of the securities could affect the value of an underlying on the observation dates, and, accordingly, whether we pay a contingent semi-annual coupon on the securities and the amount of cash you receive at maturity, if any (depending also on the performance of the other underlying).

§ **The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the securities.** As calculation agent, MS & Co. has determined the initial level, coupon barrier level and downside threshold level for each underlying and will determine the payment at maturity, if any, whether you receive a contingent semi-annual coupon on each coupon payment date and whether to make any adjustments to the adjustment factor. Moreover, certain determinations made by MS & Co., in its capacity as calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the closing price or index closing value, as applicable, of any underlying in the event of a market disruption event or discontinuance of the SPX Index or the share underlying index. These potentially subjective determinations may affect the payout to you upon an optional early redemption or at maturity, if any. For further information regarding these types of determinations, see "Additional Information About the Securities—Additional Provisions—Calculation agent," "—Market disruption event," "—Postponement of observation dates," "—Discontinuance of the SPX Index; alteratio method of calculation," "—Discontinuance of the XBI Shares and/or the share underlying index; alteration of method of calculation" and "—Alternate exchange calculation in case of an event of default" below. In addition, MS & Co. has determined the estimated value of the securities on the pricing date.

§ **Adjustments to the SPX Index could adversely affect the value of the securities.** The publisher of the SPX Index may add, delete or substitute the component stocks of such underlying or make other methodological changes that could change the value of such underlying. Any of these actions could adversely affect the value of the securities. The publisher of the SPX Index may also discontinue or suspend calculation or publication of such underlying at any time. In these circumstances, MS & Co., as the calculation agent, will have the sole discretion to substitute a successor index that is comparable to the discontinued index. MS & Co. could have an economic interest that is different than that of investors in the securities insofar as, for example, MS & Co. is permitted to consider indices that are calculated and published by MS & Co. or any of its affiliates. If MS & Co. determines that there is no appropriate successor index on any observation date, the determination of whether a contingent semi-annual coupon will be payable on the securities on the applicable coupon payment date, and/or the amount payable at maturity, will be based on the value of such underlying, based on the closing prices of the stocks constituting such underlying at the time of such discontinuance, without rebalancing or substitution, computed by MS & Co. as calculation agent in accordance with the formula for calculating such underlying last in effect prior to such discontinuance, as compared to the coupon barrier level or downside threshold level, as applicable (depending also on the performance of the other underlying).

§ **The U.S. federal income tax consequences of an investment in the securities are uncertain.** There is no direct legal authority as to the proper treatment of the securities for U.S. federal income tax purposes, and, therefore, significant aspects of the tax treatment of the securities are uncertain.

Please read the discussion under "Additional Information—Tax considerations" in this document concerning the U.S. federal income tax consequences of an investment in the securities. We intend to treat a security for U.S. federal income tax purposes as a single financial contract that provides for a coupon that will be treated as gross income to you at the time received or accrued, in accordance with your regular method of tax accounting. Under this treatment, the ordinary income treatment of the coupon payments, in conjunction with the capital loss treatment of any loss recognized upon the sale, exchange or settlement of the securities, could result in adverse tax consequences to holders of the securities because the deductibility of capital losses is subject to limitations. We do not plan to request a ruling from the Internal Revenue Service (the "IRS") regarding the tax treatment of the securities, and the IRS or a court may not agree with the tax treatment described herein. If the IRS were successful in asserting an alternative treatment for the securities, the timing and character of income or loss on the securities might differ significantly from the tax treatment described herein. For example, under one possible treatment, the IRS could seek to recharacterize the securities as debt instruments. In that event, U.S. Holders (as defined below) would be required to accrue into income original issue discount on the securities every year at a "comparable yield" determined at the time of issuance (as adjusted based on the difference, if any, between the actual and the projected amount of any contingent payments on the securities) and recognize all income and gain in respect of the securities as ordinary income. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the securities, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features.

Non-U.S. Holders (as defined below) should note that we currently intend to withhold on any coupon paid to Non-U.S. Holders generally at a rate of 30%, or at a reduced rate specified by an applicable income tax treaty under an "other income" or similar provision, and will not be required to pay any additional amounts with respect to amounts withheld.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. While it is not clear whether the securities would be viewed as similar to the prepaid forward contracts described in the notice, it is possible that any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect. The notice focuses on a number of issues, the most relevant of which for holders of the securities are the character and timing of income or loss and the degree, if any, to which income realized by non-U.S. investors should be subject to withholding tax. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the securities, including possible alternative treatments, the issues presented by this notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

S&P 500® Index Historical Performance

The following graph sets forth the daily closing values of the SPX Index for the period from January 1, 2014 through February 15, 2019. The related table sets forth the published high and low closing values, as well as end-of-quarter closing values, of the SPX Index for each quarter in the same period. The closing value of the SPX Index on February 15, 2019 was 2,775.60. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The SPX Index has at times experienced periods of high volatility, and you should not take the historical values of the SPX Index as an indication of its future performance. No assurance can be given as to the level of the SPX Index on any observation date, including the final observation date.

SPX Index Daily Closing Values

January 1, 2014 to February 15, 2019

**The black solid line in the graph indicates the coupon barrier level and the downside threshold level of 1,804.14, which is 65% of the initial level.*

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

S&P 500® Index	**High**	**Low**	**Period End**
2014			
First Quarter	1,878.04	1,741.89	1,872.34
Second Quarter	1,962.87	1,815.69	1,960.23
Third Quarter	2,011.36	1,909.57	1,972.29
Fourth Quarter	2,090.57	1,862.49	2,058.90
2015			
First Quarter	2,117.39	1,992.67	2,067.89
Second Quarter	2,130.82	2,057.64	2,063.11
Third Quarter	2,128.28	1,867.61	1,920.03
Fourth Quarter	2,109.79	1,923.82	2,043.94
2016			
First Quarter	2,063.95	1,829.08	2,059.74
Second Quarter	2,119.12	2,000.54	2,098.86
Third Quarter	2,190.15	2,088.55	2,168.27
Fourth Quarter	2,271.72	2,085.18	2,238.83
2017			
First Quarter	2,395.96	2,257.83	2362.72
Second Quarter	2,453.46	2,328.95	2,423.41
Third Quarter	2,519.36	2,409.75	2,519.36
Fourth Quarter	2,690.16	2,529.12	2,673.61
2018			
First Quarter	2,872.87	2,581.00	2,640.87
Second Quarter	2,786.85	2,581.88	2,718.37
Third Quarter	2,930.75	2,713.22	2,913.98
Fourth Quarter	2,925.51	2,351.10	2,506.85
2019			
First Quarter (through February 15, 2019)	2,775.60	2,447.89	2,775.60

"Standard & Poor's®," "S&P®," "S&P 500®," "Standard & Poor's 500" and "500" are trademarks of Standard and Poor's Financial Services LLC. See "S&P 500® Index" in the accompanying index supplement.

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

SPDR® S&P® Biotech ETF Historical Performance

The following graph sets forth the daily closing prices of the XBI Shares for the period from January 1, 2014 through February 15, 2019. The related table sets forth the published high and low closing prices, as well as end-of-quarter closing prices, of the XBI Shares for each quarter in the same period. The closing price of the XBI Shares on February 15, 2019 was $86.59. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The XBI Shares have at times experienced periods of high volatility, and you should not take the historical closing prices of the XBI Shares as an indication of their future performance. No assurance can be given as to the closing level of the XBI Shares on any observation date, including the final observation date.

XBI Shares Daily Closing Prices
January 1, 2014 to February 15, 2019

**The black solid line in the graph indicates the coupon barrier level and the downside threshold level of $56.284, which is approximately 65% of the initial level.*

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

SPDR® S&P® Biotech ETF (CUSIP 78464A870)	High ($)	Low ($)	Period End ($)
2014			
First Quarter	56.90	42.97	47.49
Second Quarter	51.35	40.27	51.35
Third Quarter	54.30	44.87	51.99
Fourth Quarter	63.45	48.48	62.21
2015			
First Quarter	79.33	61.43	75.17
Second Quarter	86.57	68.78	84.08
Third Quarter	90.36	60.02	62.25
Fourth Quarter	72.62	61.16	70.08
2016			
First Quarter	67.83	45.73	51.66
Second Quarter	59.87	49.55	54.09
Third Quarter	68.83	55.11	66.29
Fourth Quarter	68.13	53.31	59.19
2017			
First Quarter	72.32	59.59	69.34
Second Quarter	80.31	66.84	77.18
Third Quarter	86.57	74.47	86.57
Fourth Quarter	88.51	79.95	84.87
2018			
First Quarter	97.03	85.31	87.73
Second Quarter	101.15	82.90	95.19
Third Quarter	100.84	93.08	95.87
Fourth Quarter	94.90	65.42	71.75
2019			
First Quarter (through February 15, 2019)	86.59	71.21	86.59

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

Additional Terms of the Securities

Please read this information in conjunction with the summary terms on the front cover of this pricing supplement.

Additional Terms:
If the terms described herein are inconsistent with those described in the accompanying product supplement, index supplement or prospectus, the terms described herein shall control.

Day count convention:	Interest will be computed on the basis of a 360-day year of twelve 30-day months.
SPX Index publisher:	S&P Dow Jones Indices LLC or any successor thereof
Share underlying index:	S&P Biotechnology Select Industry™ Index
Share underlying index publisher:	S&P Dow Jones Indices LLC or any successor thereof
Denominations:	$1,000 per security and integral multiples thereof
Interest period:	The semi-annual period from and including the original issue date (in the case of the first interest period) or the previous scheduled coupon payment date, as applicable, to but excluding the following scheduled coupon payment date, with no adjustment for any postponement thereof.
Senior security or subordinated security:	Senior
Specified currency:	U.S. dollars
Record date:	One business day prior to the related scheduled coupon payment date; *provided* that any contingent semi-annual coupon payable at maturity shall be payable to the person to whom the payment at maturity shall be payable.
Postponement of observation dates:	The observation dates are subject to postponement due to non-index business days and non-trading days, as applicable, or certain market disruption events, as described in the following paragraph. If a market disruption event with respect to either underlying occurs on any scheduled observation date, or if any such observation date is not an index business day with respect to the SPX Index or a trading day with respect to the XBI Shares, the index closing value or the closing price, as applicable, solely for such underlying for such date will be determined on the immediately succeeding index business day or trading day, as applicable, on which no market disruption event will have occurred with respect to such affected underlying; *provided* that the closing level for either underlying will not be determined on a date later than the fifth scheduled index business day

	or trading day, as applicable, after the scheduled observation date and if such date is not an index business day or trading day, as applicable, or if there is a market disruption event on such date, the calculation agent will (i) if the affected underlying is the SPX Index, determine the index closing value of such underlying on such date in accordance with the formula for calculating such underlying last in effect prior to the commencement of the market disruption event (or prior to the non-index business day), without rebalancing or substitution, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension, limitation or non-index business day) on such date of each security most recently constituting such underlying, and (ii) if the affected underlying is the XBI Shares, determine the closing price of the XBI Shares on such fifth trading day based on the mean, as determined by the calculation agent, of the bid prices for the XBI Shares for such date obtained from as many recognized dealers in such security, but not exceeding three, as will make such bid prices available to the calculation agent. Bids of MS & Co. or any of its affiliates may be included in the calculation of such mean, but only to the extent that any such bid is the highest of the bids obtained. If no bid prices are provided from any third-party dealers, the closing price will be determined by the calculation agent in its sole and absolute discretion (acting in good faith) taking into account any information that it deems relevant.
Postponement of coupon payment dates (including the maturity date and redemption dates):	If any scheduled coupon payment date is not a business day, that semi-annual coupon, if any, shall be paid on the next succeeding business day; *provided* that the contingent semi-annual coupon, if any, with respect to the final observation date shall be paid on the maturity date; *provided further* that if, due to a market disruption event or otherwise, any observation date with respect to either underlying is postponed so that it falls less than two business days prior to the scheduled coupon payment date, maturity date or redemption date, as applicable, the coupon payment date, maturity date or redemption date, as applicable, shall be postponed to the second business day following the observation date as postponed, by which date the index closing value or closing price, as applicable, of each underlying has been determined. In any of these cases, no adjustment shall be made to any contingent semi-annual coupon payment, payment at maturity or redemption payment made on that postponed date.
Relevant exchange:	With respect to the SPX Index or its successor index, the share underlying index or its successor index, the primary exchange(s) or market(s) of trading for (i) any security then included in such index and (ii) any futures or options contracts related to such index or to any security then included in such index.
Business day:	Any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

	institutions are authorized or required by law or regulation to close in The City of New York.
Index business day:	With respect to the SPX index, a day, as determined by the calculation agent, on which trading is generally conducted on each of the relevant exchange(s) for such underlying, other than a day on which trading on such exchange(s) is scheduled to close prior to the time of the posting of its regular final weekday closing price.
Trading day:	With respect to the XBI Shares, a day, as determined by the calculation agent, on which trading is generally conducted on the New York Stock Exchange, The Nasdaq Stock Market LLC (the "Nasdaq"), the Chicago Mercantile Exchange and the Chicago Board of Options Exchange and in the over-the-counter market for equity securities in the United States.
Index closing value:	With respect to the SPX Index, index closing value on any index business day means the official closing value of such underlying, or any successor index as defined under "Discontinuance of the SPX Index; alteration of method of calculation" below), published at the regular official weekday close of trading on such index business day by the underlying index publisher for the SPX Index, as determined by the calculation agent. In certain circumstances, the index closing value for the SPX Index will be based on the alternate calculation of such underlying as described under "Discontinuance of the SPX Index; alteration of method of calculation" below.
Closing price:	Subject to the provisions set out under "Discontinuance of the XBI Shares and/or the share underlying index; alteration of method of calculation" below, the closing price for one share of the XBI Shares (or one unit of any other security for which a closing price must be determined) on any trading day means:

(i) if the XBI Shares (or any such other security) are listed on a national securities exchange (other than the Nasdaq), the last reported sale price, regular way, of the principal trading session on such day on the principal national securities exchange registered under the Securities Exchange Act of 1934, as amended, on which the XBI Shares (or any such other security) are listed,

(ii) if the XBI Shares (or any such other security) are securities of the Nasdaq, the official closing price of the XBI Shares published by the Nasdaq on such day, or

(iii) if the XBI Shares (or any such other security) are not listed on any national securities exchange but are included in the OTC Bulletin Board Service (the "OTC Bulletin Board") operated by the Financial Industry Regulatory Authority, Inc. ("FINRA"), the last reported sale price of the principal trading session on the OTC Bulletin Board on such day for the XBI Shares.

If the XBI Shares (or any such other security) are listed on any national securities exchange but the last reported sale price or the official closing price published by such exchange, or by the Nasdaq, as applicable, is not available pursuant to the preceding sentence, then the closing price for one share of the

XBI Shares (or one unit of any such other security) on any trading day will mean the last reported sale price of the principal trading session on the over-the-counter market as reported on the Nasdaq or the OTC Bulletin Board on such day. If a market disruption event (as defined below) occurs with respect to the XBI Shares (or any such other security) or the last reported sale price or the official closing price published by the Nasdaq, as applicable, for the XBI Shares (or any such other security) is not available pursuant to either of the two preceding sentences, then the closing price for any trading day will be the mean, as determined by the calculation agent, of the bid prices for the XBI Shares (or any such other security) for such trading day obtained from as many recognized dealers in such security, but not exceeding three, as will make such bid prices available to the calculation agent. Bids of MS & Co. and its successors or any of its affiliates may be included in the calculation of such mean, but only to the extent that any such bid is the highest of the bids obtained. If no bid prices are provided from any third-party dealers, such closing price will be determined by the calculation agent in its sole and absolute discretion (acting in good faith) taking into account any information that it deems relevant. The term "OTC Bulletin Board Service" will include any successor service thereto, or, if applicable, the OTC Reporting Facility operated by FINRA. See "Discontinuance of the XBI Shares and/or the share underlying index; alteration of method of calculation" below.

Market disruption event:

With respect to the SPX Index, market disruption event means:

(i) the occurrence or existence of any of:

(a) a suspension, absence or material limitation of trading of securities then constituting 20 percent or more of the value of such underlying (or a successor index) on the relevant exchange(s) for such securities for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such relevant exchange(s), or

(b) a breakdown or failure in the price and trade reporting systems of any relevant exchange as a result of which the reported trading prices for securities then constituting 20 percent or more of the value of such underlying (or a successor index) during the last one-half hour preceding the close of the principal trading session on such relevant exchange(s) are materially inaccurate, or

(c) the suspension, material limitation or absence of trading on any major U.S. securities market for trading in futures or options contracts or exchange-traded funds related to such underlying (or a

Morgan Stanley Finance LLC

Callable Contingent Income Securities due February 17, 2022
Payments on the Securities Based on the Worst Performing of the S&P 500® Index and the SPDR® S&P® Biotech ETF
Principal at Risk Securities

successor index) for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such market,

in each case as determined by the calculation agent in its sole discretion; and

(ii) a determination by the calculation agent in its sole discretion that any event described in clause (i) above materially interfered with our ability or the ability of any of our affiliates to unwind or adjust all or a material portion of the hedge position with respect to the securities.

For the purpose of determining whether a market disruption event exists at any time with respect to the SPX Index, if trading in a security included in such underlying is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the value of such underlying shall be based on a comparison of (x) the portion of the value of such underlying attributable to that security relative to (y) the overall value of such underlying, in each case immediately before that suspension or limitation.

For the purpose of determining whether a market disruption event exists at any time with respect to the SPX Index: (1) a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or market, (2) a decision to permanently discontinue trading in the relevant futures or options contract or exchange-traded fund will not constitute a market disruption event, (3) a suspension of trading in futures or options contracts or exchange-traded funds on such underlying by the primary securities market trading in such contracts or funds by reason of (a) a price change exceeding limits set by such securities exchange or market, (b) an imbalance of orders relating to such contracts or funds or (c) a disparity in bid and ask quotes relating to such contracts or funds will constitute a suspension, absence or material limitation of trading in futures or options contracts or exchange-traded funds related to such underlying and (4) a “suspension, absence or material limitation of trading” on any relevant exchange or on the primary market on which futures or options contracts or exchange-traded funds related to such underlying are traded will not include any time when such securities market is itself closed for trading under ordinary circumstances.

With respect to the XBI Shares, market disruption event means:

(i) the occurrence or existence of any of:

(a) a suspension, absence or material limitation of trading of the XBI Shares on the primary market for the XBI Shares for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session in such market; or a breakdown or failure in the price and trade reporting systems of the primary market for the XBI Shares as a result of which the reported trading prices for the XBI Shares during the last one-half hour preceding the close of the principal trading session in such market are materially inaccurate; or the suspension, absence or material limitation of trading on the primary market for trading in futures or options contracts related to the XBI Shares, if available, during the one-half hour period preceding the close of the principal trading session in the applicable market, in each case as determined by the calculation agent in its sole discretion; or

(b) a suspension, absence or material limitation of trading of stocks then constituting 20 percent or more of the value of the share underlying index for the XBI Shares on the relevant exchange(s) for such securities for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such relevant exchange(s), in each case as determined by the calculation agent in its sole discretion; or

(c) the suspension, material limitation or absence of trading on any major U.S. securities market for trading in futures or options contracts related to the share underlying index or the underlying shares for more than two hours of trading or during the one-half hour period preceding the close of the principal trading session on such market,

in each case as determined by the calculation agent in its sole discretion; and

(ii) a determination by the calculation agent in its sole discretion that any event described in clause (i) above materially interfered with our ability or the ability of any of our affiliates to unwind or adjust all or a material portion of the hedge position with respect to the securities.

For the purpose of determining whether a market disruption event exists at any time, if trading in a security included in the share underlying index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the share underlying index will be based on a comparison of (x) the portion of the level of the share underlying index attributable to that security relative to (y) the overall level of the share underlying index, in each case immediately before that suspension or limitation.

For the purpose of determining whether a market disruption event has occurred with respect to the underlying shares: (1) a limitation on the hours or number of days of trading will not constitute a market disruption event