

MORGAN STANLEY
Form 424B2
February 26, 2019

March 2019

Preliminary Pricing Supplement No. 1,634
Registration Statement Nos. 333-221595; 333-221595-01
Dated February 25, 2019
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Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. Equities

Callable Contingent Income Securities due March 22, 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 offered 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 September 30, 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.

SUMMARY 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:	\$
Stated principal amount:	\$1,000 per security
Issue price:	\$1,000 per security (see "Commissions and issue price" below)
Pricing date:	March 22, 2019
Original issue date:	March 29, 2019 (5 business days after the pricing date)
Maturity date:	March 22, 2022
Optional early redemption:	<p>Beginning on September 30, 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.</p> <p>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 10.50% (corresponding to approximately \$52.50 per semi-annual period per security) on the related contingent coupon payment date.</p>
Contingent semi-annual coupon:	<p>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.</p>
Payment at maturity:	<p>If the securities have not previously been redeemed, investors will receive on the maturity date a payment at maturity determined as follows:</p>

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:

Approximately \$979.20 per security, or within \$22.50 of that estimate. See “Investment Overview” beginning on page 3.

Commissions and issue price:

Per security

Total

	Price to public	Agent’s commissions⁽¹⁾	Proceeds to us⁽²⁾
	\$1,000	\$0	\$1,000
	\$	\$	\$

Selected dealers and their financial advisors will receive a structuring fee of \$2.50 per security from the agent or its affiliates. MS & Co. will not receive a sales commission with respect to the securities. 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
2017 Prospectus dated November 16, 2017

Index Supplement dated November 16,

Morgan Stanley Finance LLC

Callable Contingent Income Securities due March 22, 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 <i>plus</i> (ii) any contingent semi-annual coupon otherwise due with respect to the related observation date. Beginning on September 30, 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.
Redemption dates:	With respect to the SPX Index: _____, which is the closing level of such underlying on the pricing date
Initial level:	With respect to the XBI Shares: \$ _____, 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 With respect to the SPX Index, on any index business day, the index closing value of such underlying on such day
Closing level:	With respect to the XBI Shares, on any trading day, the closing price of one XBI Share on such day <i>times</i> 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 <i>divided by</i> the initial level
Coupon barrier level:	With respect to the SPX Index: _____, which is 65% of the initial level for such underlying
Downside threshold level:	With respect to the XBI Shares: \$ _____, which is 65% of the initial level for such underlying
Coupon payment dates:	With respect to the SPX Index: _____, which is 65% of the initial level for such underlying 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; <i>provided further</i> 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 March 15, 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:	61768DU37 / US61768DU372
Listing:	The securities will not be listed on any securities exchange.

Observation Dates, Coupon Payment Dates and Redemption Dates

Observation Dates

September 23, 2019

March 16, 2020

September 15, 2020

March 15, 2021

September 15, 2021

March 15, 2022 (final observation date)

Coupon Payment Dates / Redemption Dates

September 30, 2019

March 23, 2020

September 22, 2020

March 22, 2021

September 22, 2021

March 22, 2022 (maturity date)

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Principal at Risk Securities

Investment Overview

Callable Contingent Income Securities

Principal at Risk Securities

Callable Contingent Income Securities due March 22, 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 September 30, 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 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 10.50% (corresponding to approximately \$52.50 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 September 30, 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.

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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.

We are using this preliminary pricing supplement to solicit from you an offer to purchase the securities. You may revoke your offer to purchase the securities at any time prior to the time at which we accept such offer by notifying the relevant agent. We reserve the right to change the terms of, or reject any offer to purchase, the securities prior to their issuance. In the event of any material changes to the terms of the securities, we will notify you.

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.

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 will be less than \$1,000. We estimate that the value of each security on the pricing date will be approximately \$979.20, or within \$22.50 of that estimate. Our estimate of the value of the securities as determined on the pricing date will be set forth in the final pricing supplement.

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.

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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.

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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 September 30, 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.

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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 20, 2019:

Bloomberg Ticker Symbol:	SPX
Current Index Value:	2,784.70
52 Weeks Ago:	2,716.26
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 20, 2019:

Bloomberg Ticker Symbol:	XBI UP
Current Index Value:	\$85.30
52 Weeks Ago:	\$90.83
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 offered 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 price 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.

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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 prospective 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&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.

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Biotech ETF
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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 will be determined on the pricing date. All payments on the securities, if any, are subject to our credit risk. The below examples are based on the following terms:

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 10.50% (corresponding to approximately \$52.50 per semi-annual period per security) on the related contingent coupon payment date.

Contingent
Semi-Annual Coupon:

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 September 30, 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

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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
Hypothetical Downside Threshold Level:	With respect to the XBI Shares: \$52.00, which is 65% of the hypothetical initial level for such underlying With respect to the SPX Index: 1,625, 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 \$52.50 is used in these examples for ease of analysis.

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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)	\$52.50
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 \$52.50 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	XBI Shares	Payment at Maturity
	SPX Index		
Example 1:	3,700 (at or above the downside threshold level)	\$100.00 (at or above the downside threshold level)	\$1,052.50 (the stated principal amount <i>plus</i> the contingent semi-annual coupon with respect to the final observation date)

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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

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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.

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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 before you invest 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 September 30, 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

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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: