

SEK 5Y Equity Linked Bonus Note – OMX

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THESE NOTES ARE FOR DISTRIBUTION BY WAY OF PUBLIC OFFER IN SWEDEN ONLY – SEE SELLING RESTRICTIONS AND IMPORTANT INFORMATION AT THE END OF THIS MATERIAL FOR FULL DETAILS

Terms used but not defined herein are as defined in the Base Prospectus in respect of the Notes, Certificates and Warrants dated 15 December 2015 .

NON - PRINCIPAL PROTECTED

Indicative Terms and Conditions – 22nd April 2016 2016

ISSUER	Morgan Stanley & Co. International Plc
ISSUER RATING	A (S&P), A1 (Moody's)
TYPE	Note
DEALER	Morgan Stanley & Co International Plc
DISTRIBUTOR/INTERMEDIARY	Mangold
SALES PERIOD	7 March 2016 – 15 April 2016
CURRENCY	SEK
PRINCIPAL AMOUNT ("PA")	SEK 4,060,000
DENOMINATIONS (PAR)	SEK 10,000
ISSUE PRICE	100% (plus an additional subscription surcharge at the discretion of the Distributor of up to 2% of Par)
ISSUE DATE	3 May 2016
TRADE DATE	22 April 2016

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STRIKE DATE	22 April 2016										
DETERMINATION DATE	22 April 2021										
MATURITY DATE	3 May 2021, subject to adjustment in accordance with the Business Day Convention (i) in the event such date is not a Business Day or (ii) such that the Maturity Date shall always be at least seven (7) Business Days following the Determination Date.										
UNDERLYING	<table border="1"> <thead> <tr> <th>i</th> <th>Underlying</th> <th>Bloomberg Code</th> <th>Initial Reference Price</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>The OMX Stockholm 30 Index</td> <td>OMX Index</td> <td>1396.373</td> </tr> </tbody> </table>			i	Underlying	Bloomberg Code	Initial Reference Price	1	The OMX Stockholm 30 Index	OMX Index	1396.373
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1	The OMX Stockholm 30 Index	OMX Index	1396.373								
FINAL REDEMPTION AMOUNT	<p>An amount per Note in the Settlement Currency, as determined by the Determination Agent in accordance with the following:</p> <p>a) If on the Determination Date, the Final Reference Price is greater than or equal to the Coupon Barrier, an amount equal to:</p> <p>Par x [100% + Max (Coupon, Index Performance)]</p> <p>b) If above (a) does not apply and on the Determination Date, the Final Reference Price is greater than or equal to the Risk Barrier, an amount equal to:</p> <p>Par x 100%</p> <p>c) Else, if on the Determination Date, neither (a) nor (b) above applies, an amount equal to:</p> <p>Par x [Final Reference Price/Initial Reference Price]</p>										
INDEX PERFORMANCE	$\frac{\text{Final Average Price}}{\text{Initial Reference Price}} - 1$										
COUPON	25%										
COUPON BARRIER	80% x Initial Reference Price										
RISK BARRIER	60% x Initial Reference Price										
INITIAL REFERENCE PRICE	means the official closing level of the Underlying on the Strike Date										
FINAL REFERENCE PRICE	means the official closing level of the Underlying on the Determination Date										

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FINAL AVERAGE PRICE	means the arithmetic average of the official closing level of the Underlying on the Averaging Dates
AVERAGING DATES	Monthly on the 22 nd from and including April 2020 to and including the Determination Date In total 13 Observations, subject to adjustment if such date is not a Scheduled Trading Day or is a Disrupted Day
DETERMINATION AGENT	Morgan Stanley & Co. International plc
GOVERNING LAW	English Law
INDEX ADJUSTMENT EVENTS	Index Modification, Index Cancellation, Index Disruption
ADDITIONAL DISRUPTION EVENTS	Change in Law, Hedging Disruption, Increased Cost of Hedging
AVERAGING DATE DISRUPTION:	Modified Postponement
BUSINESS DAY CONVENTION:	Following, provided that the Maturity Date shall always be at least (5) Business Days following the Determination Date.
BUSINESS DAYS FOR PAYMENT PURPOSES	Stockholm
BUSINESS DAYS FOR TRADING PURPOSES	A Scheduled Trading Day in respect of the Underlying
MARKET MAKING	Under normal market conditions, and subject to applicable law and regulations and Morgan Stanley internal policy, Morgan Stanley & Co. International plc will use reasonable efforts to quote bid and offer prices. However, Morgan Stanley & Co. International plc will not be legally obliged to do so.
EARLY REDEMPTION AMOUNT UPON EVENT OF DEFAULT	If the Securities are accelerated following the occurrence of an Event of Default: Qualified Financial Institution Determination: an amount determined by the Determination Agent, acting in good faith and in a commercially reasonable manner, as at such date as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 Business Days prior to the date fixed for redemption of the Securities) to be the amount that a Qualified Financial Institution would charge either (as specified in the applicable Pricing Supplement): (i) to assume all of the Issuer's payment and other obligations with respect to such Securities as if no such Event of Default had occurred or (ii) to undertake obligations that would have the effect of preserving the economic equivalent of any payment by the Issuer to the Securityholder with respect to the Securities.
SETTLEMENT	Euroclear Sweden
LISTING	Application will be made to the Nasdaq OMX Stockholm Exchange
FORM OF NOTES	Registered

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ISSUING AND PAYING AGENT Skandinaviska Enskilda Banken AB

ISIN SE0008128805

SERIES EU338

INTERMEDIARY FEES In connection with the offer and sale of the Notes, the Issuer or the Dealer will pay to any intermediary a one time or recurring intermediary fee. The total intermediary fees payable, will not exceed 1.20 % per annum. The investor acknowledges and agrees that such fees will be retained by the intermediary. Further information is available from the sales intermediary upon request.

Morgan Stanley is not qualified to give legal, tax or accounting advice to its clients and does not purport to do so in this document. Clients are urged to seek the advice of their own professional advisers about the consequences of the proposals contained herein.

Selling Restrictions

Save as expressly permitted herein, no public offering of the Securities, or possession or distribution of any offering material in relation thereto, is permitted in any jurisdiction. This term sheet may not be used for the purpose of any offer or solicitation by anyone in any jurisdiction in which that offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

In each member state of the European Economic Area which has implemented the Prospectus Directive (Directive 2003/71/EC), as amended by Directive 2010/73/EC, no offer of the Securities to the public (as defined for the purposes of such Directive and any implementing measures in any such member state) may be made, except in circumstances which do not result in any breach of such Directive and any such implementing measures by the offeror or the Issuer, the Dealer and their respective affiliates and for this purpose an offer shall not be treated as not requiring the publication of a prospectus pursuant to Article 3 of the Prospectus Directive, or any corresponding provision of any such implementing measures solely by virtue of the application of Article 3(2)(b) (offer to fewer than 150 persons) or any corresponding provision of any such implementing measures.

The Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any State in the United States, and are subject to U.S. tax requirements. The Securities may not be offered, sold or delivered at any time, directly or indirectly, within the United States (which term includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America) or to or for the account of a U.S. Person (as defined in Regulation S under the Securities Act of 1933, as amended). In purchasing the Securities, you represent and warrant that you are neither located in the United States nor a U.S. Person and that you are not purchasing for the account or benefit of any such person.

The Offering Circular and Pricing Supplement prepared by the Issuer or any of its affiliates in connection with the Securities shall not constitute a valid prospectus pursuant to Directive 2003/71/EC (as amended). Neither the Issuer nor any of its affiliates consent to, the use of the Offering Circular and the Pricing Supplement in connection with any on-selling of the Securities and each of the Issuer and its affiliates disclaims any liability in such circumstances.

Risk Factors

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Potential investors are urged to consult with their legal, regulatory, investment, accounting, tax and other advisors with regard to any proposed or actual investment in the Securities and to review the Offering Circular.

Please see the Offering Circular together with the Pricing Supplement for a full detailed description of the Securities and in particular, please review the Risk Factors associated with these Securities. Investing in the Securities entails certain risks including, but not limited to, the following:

Capital is not protected: the final redemption amount depends on the performance of the Underlying and could be zero.

Product Market Risk: The value of the Securities and the returns available under the terms of the Securities will be influenced and dependent on the value of the Underlying. It is impossible to predict how the level of the Underlying will vary over time. The historical performance (if any) of the Underlying is not indicative of its future performance.

Adjustments by the Determination Agent: The terms and conditions of the Notes will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Notes or any exchanges are affected by market disruption, adjustment events or circumstances affecting normal activities.

In addition, other circumstances may occur which either increase the liability of the Issuer fulfilling its obligations under the Securities or increase the liability of any hedging activities related to such obligations, including without limitation the adoption of or any change in any tax law relating to a common system of financial transaction tax in the European Union or otherwise.

In such circumstances, the Determination Agent can in its sole and absolute discretion determine whether to redeem the Securities early, or adjust the terms of the Securities, which may include without limitation adjustments to the Initial Reference Price, the Final Redemption Amount or the Underlying. The Determination Agent is not required but has the discretion to make adjustments with respect to each and every corporate action. Potential investors should see the Offering Circular for a detailed description of potential adjustment events and adjustments.

Adjustment and Discontinuation Risk: The Sponsor or issuer of the Underlying can add, delete or substitute stocks or other underlying constituents constituting the Underlying or make other methodological changes that could change the value of the Underlying without regard to the interests of holders of the Notes. Any of these decisions/determinations may adversely affect the value of the Notes and may result in the investor receiving a return that is materially different from what he/she would have received if the event had not occurred.

Credit Risk: Investors are exposed to the credit risk of the Issuer. The Securities are essentially a loan to the Issuer with a repayment amount linked to the performance of the Underlying that the Issuer promises to pay at maturity. There is the risk, however, that the Issuer may not be able to fulfill its obligations, irrespective of whether the Securities are referred to as capital or principal protected. Investors may lose all or part of their investment if the Issuer is unable to pay the coupons (if any) or the redemption amount. No assets of the Issuer are segregated and specifically set aside in order to pay the holders of the Securities in the event of liquidation of the Issuer, and the holders of the Securities will rank behind secured or preferred creditors.

Exit Risk:

Any secondary market price of the Securities will depend on many factors, including the value and volatility of the Underlying(s), interest rates, the dividend rate on the stocks that compose the Underlying (if any), time remaining to maturity and the creditworthiness of the Issuer. The secondary market price may be lower than the market value of the issued Securities as at the Issue Date to take into account amounts paid to distributors and other intermediaries relating to the issue and sale of the Securities as well as amounts relating to the hedging of the Issuer's obligations.

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As a result of all of these factors, the holder may receive an amount in the secondary market which may be less than the then intrinsic market value of the Security and which may also be less than the amount the holder would have received had the holder held the Security through to maturity.

Liquidity Risk:

Any secondary market in the Securities made by the Dealer will be made on a reasonable efforts basis only and subject to market conditions, law, regulation and internal policy. Even whilst there may be a secondary market in the Securities it may not be liquid enough to facilitate a sale by the holders.

Hedging Risk: On or prior to and after the Trade Date, the Issuer, through its affiliates or others, will likely hedge its anticipated exposure under the Notes by taking positions in the Underlying, in option contracts on the Underlying or positions in any other available securities or instruments. In addition, the Issuer and its affiliates trade the Underlying as part of their general businesses. Any of these activities could potentially affect the value of the Underlying, and accordingly, could affect the payout to holders on the Notes.

Potential Conflict of Interest:

The Determination Agent, which is also the Issuer, will determine the pay-out to the investor at maturity. Morgan Stanley & Co. International plc and its affiliates may trade the Underlying on a regular basis as part of its general broker-dealer business and may also carry out hedging activities in relation to the Notes. Any of these activities could influence the Determination Agent's determination of adjustments made to any Notes and any such trading activity could potentially affect the price of the Underlying and, accordingly, could affect the investor's pay-out on any Note.

Underlying Sponsor Risk: The Sponsor or issuer of the relevant Underlying is not an affiliate of the Issuer or its affiliates and is not involved with this offering in any way. Consequently, the Issuer and the Determination Agent have no ability to control the actions of the Sponsor of the relevant Underlying, including and rebalancing that could trigger an adjustment to the terms of the Notes by the Determination Agent.

Index Disclaimer

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Any investment in the product made with the intention to offer, sell or otherwise transfer (together, "distribute" and each a "distribution") such product to prospective investors will be deemed to include, without limitation, the following representations, undertakings and acknowledgements:

- (i) you shall only distribute as principal or, alternatively, acting as an agent on behalf of your unnamed principals and will not do so as agent for any Morgan Stanley entity (together "Morgan Stanley") who shall

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- (ii) if you distribute any material prepared and transmitted by the Issuer or by Morgan Stanley, you shall only distribute the entire material and not parts thereof. Any material you, or any third party you engage on your behalf, prepare shall be true and accurate in all material respects and consistent in all material respects with the content of the Offering Circular and the Pricing Supplement and shall not contain any omissions that would make them misleading. You shall only prepare and distribute such material in accordance with all applicable laws, regulations, codes, directives, orders and/or regulatory requirements, rules and guidance in force from time to time ("Regulations"). You acknowledge that neither the Issuer nor Morgan Stanley shall have any liability in respect of such material which shall, for the avoidance of doubt, at all times be your sole responsibility;
- (iii) you will not, directly or indirectly, distribute or arrange the distribution of the product or disseminate or publish (which for the avoidance of doubt will include the dissemination of any such materials or information via the internet) any materials or carry out any type of solicitation in connection with the product in any country or jurisdiction, except under circumstances that will result in compliance with all applicable Regulations and selling practices, and will not give rise to any liability for the Issuer or Morgan Stanley. For the avoidance of doubt, this includes compliance with the selling restrictions mentioned herein and all applicable sanctions laws and programs, including without limitation the U.S. Department of Treasury's Office of Foreign Assets Control;
- (iv) if you receive any fee, rebate or discount, you shall not be in breach of any Regulation or customer or contractual requirements or obligations and you shall, where required to do so (whether by any applicable Regulation, contract, fiduciary obligation or otherwise), disclose such fees, rebates and discounts to investors. You acknowledge that where fees are payable, or rebates or discounts applied, the Issuer and Morgan Stanley are obliged to disclose the amounts and/or basis of such fees, rebates or discounts at the request of any of your investors or where required by any applicable Regulations. In relation to any Security issued pursuant to a personal recommendation to a retail client in the UK, you agree to be remunerated only by way of adviser charges which have been pre-agreed with the client and not to solicit or accept any third party commissions, remuneration or benefits of any kind in relation to such recommendation;
- (v) you agree and undertake to indemnify and hold harmless and keep indemnified and held harmless the Issuer, the Dealer and each of their respective affiliates and their respective directors, officers and controlling persons from and against any and all losses, actions, claims, damages and liabilities (including without limitation any fines or penalties and any legal or other expenses incurred in connection with defending or investigating any such action or claim) caused directly or indirectly by you or any of your affiliates or agents to comply with any of the provisions set out in (i) to (vi) above, or acting otherwise than as required or contemplated herein.

YOU AGREE THAT THE REPRESENTATIONS, UNDERTAKINGS AND ACKNOWLEDGEMENTS IN THIS DOCUMENT ARE BINDING ON YOU WITH RETROSPECTIVE EFFECTS AS OF THE TRADE DATE.

WE OFFER TO PURCHASE FROM MORGAN STANLEY & CO. INTERNATIONAL PLC THE SPECIFIED QUANTITY OF NOTES DESCRIBED IN THIS TERMSHEET, UPON THE TERMS SET OUT IN THIS TERMSHEET, SUBJECT TO ANY MODIFICATIONS AGREED BETWEEN US.

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Mangold

Name _____

Signature _____

Date: _____

Acknowledged, agreed and accepted

Morgan Stanley & Co. International plc

By: _____

Name _____

Title _____

Date: _____

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