

# SEK 7Y Equity Linked Note – Global Basket

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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.

## PRINCIPAL PROTECTED

### Indicative Terms and Conditions – 22<sup>nd</sup> April 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 4,680,000
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)

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<b>ISSUE DATE</b>	3 May 2016																																												
<b>TRADE DATE</b>	22 April 2016																																												
<b>STRIKE DATE</b>	22 April 2016																																												
<b>DETERMINATION DATE</b>	24 April 2023																																												
<b>MATURITY DATE</b>	4 May 2023, 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.																																												
<b>REFERENCE UNDERLYING</b>	<table border="1"> <thead> <tr> <th>i</th> <th>Reference Underlying<sub>i</sub></th> <th>Bloomberg Ticker</th> <th>Strike<sub>i</sub></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Duke Energy Corp</td> <td>DUK UN Equity</td> <td>77.01</td> </tr> <tr> <td>2</td> <td>Iberdrola SA</td> <td>IBE SM Equity</td> <td>6.131</td> </tr> <tr> <td>3</td> <td>National Australia Bank Ltd</td> <td>NAB AU Equity</td> <td>27.64</td> </tr> <tr> <td>4</td> <td>Nestle SA-Reg</td> <td>NESN VX Equity</td> <td>72.35</td> </tr> <tr> <td>5</td> <td>National Grid Plc</td> <td>NG/ LN Equity</td> <td>952.8</td> </tr> <tr> <td>6</td> <td>Oversea-Chinese Banking Corp</td> <td>OCBC SP Equity</td> <td>9.39</td> </tr> <tr> <td>7</td> <td>Swisscom AG-Reg</td> <td>SCMN VX Equity</td> <td>491.6</td> </tr> <tr> <td>8</td> <td>TeliaSonera AB</td> <td>TELIA SS Equity</td> <td>39.5</td> </tr> <tr> <td>9</td> <td>United Overseas Bank Ltd</td> <td>UOB SP Equity</td> <td>19.65</td> </tr> <tr> <td>10</td> <td>Verizon Communications Inc</td> <td>VZ UN Equity</td> <td>50.55</td> </tr> </tbody> </table>	i	Reference Underlying <sub>i</sub>	Bloomberg Ticker	Strike <sub>i</sub>	1	Duke Energy Corp	DUK UN Equity	77.01	2	Iberdrola SA	IBE SM Equity	6.131	3	National Australia Bank Ltd	NAB AU Equity	27.64	4	Nestle SA-Reg	NESN VX Equity	72.35	5	National Grid Plc	NG/ LN Equity	952.8	6	Oversea-Chinese Banking Corp	OCBC SP Equity	9.39	7	Swisscom AG-Reg	SCMN VX Equity	491.6	8	TeliaSonera AB	TELIA SS Equity	39.5	9	United Overseas Bank Ltd	UOB SP Equity	19.65	10	Verizon Communications Inc	VZ UN Equity	50.55
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<b>FINAL REDEMPTION AMOUNT</b>	<p>An amount per Note in the Settlement Currency, as determined by the Determination Agent in accordance with the following:</p> <p><b>Par x [ 100% + Participation x Max(0%, Basket Performance) x FX<sub>End</sub>/FX<sub>Start</sub> ]</b></p>																																												
<b>BASKET PERFORMANCE</b>	$\sum_{i=1}^{10} \frac{1}{10} \left( \frac{\text{Final Average Reference Price}_i}{\text{Initial Reference Price}_i} - 1 \right)$																																												
<b>FX<sub>START</sub></b>	The FX Rate, as defined below, determined on the business day <i>preceding</i> the Strike Date, being 8.10840																																												
<b>FX<sub>END</sub></b>	The FX Rate, as defined below, determined on the business day <i>following</i> the Determination Date																																												
<b>FX RATE</b>	Targeted to be the USD-SEK RATE (the number of SEK per USD), calculated by																																												

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	using - The daily Swedish Krona Spot WM/Reuters Mid fixing published at 16:00 GMT
<b>PARTICIPATION</b>	105%
<b>INITIAL REFERENCE PRICE<sub>i</sub></b>	means the official closing level of Underlying <sub>i</sub> on the Determination Date
<b>FINAL AVERAGE REFERENCE PRICE<sub>i</sub></b>	means the arithmetic average of the official closing level of Underlying <sub>i</sub> on the Averaging Out Dates
<b>AVERAGING OUT DATES</b>	Monthly on the 22 <sup>nd</sup> from and including October 2021 to and including the Determination Date. In total <b>19</b> Observations, subject to adjustment if such date is not a Scheduled Trading Day or is a Disrupted Day
<b>AVERAGING DATE DISRUPTION:</b>	Modified Postponement
<b>DETERMINATION AGENT</b>	Morgan Stanley & Co. International plc
<b>GOVERNING LAW</b>	English Law
<b>DISRUPTION EVENTS</b>	Merger Event, Tender Offer, Nationalisation, Delisting, Insolvency
<b>ADDITIONAL DISRUPTION EVENTS</b>	Change in Law, Hedging Disruption, Increased Cost of Hedging, Loss of Stock Borrow
<b>BUSINESS DAY CONVENTION:</b>	Following
<b>INCOVERTIBILITY EVENT PROVISIONS:</b>	Not Applicable
<b>IMPLEMENTATION OF FINANCIAL TRANSACTION TAX</b>	Applicable
<b>BUSINESS DAYS FOR PAYMENT PURPOSES</b>	Stockholm
<b>BUSINESS DAYS FOR VALUATION PURPOSES</b>	A Scheduled Trading Day in respect of the Underlyings
<b>POTENTIAL ADJUSTMENT EVENTS</b>	As per the Conditions
<b>MARKET MAKING</b>	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.
<b>EARLY REDEMPTION AMOUNT</b>	If the Securities are accelerated following the occurrence of an Event of Default: Qualified Financial Institution Determination: an amount determined by the

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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.

<b>SETTLEMENT</b>	Euroclear Sweden
<b>LISTING</b>	Application will be made to the Nasdaq OMX Stockholm Exchange
<b>FORM OF NOTES</b>	Dematerialised
<b>ISSUING AND PAYING AGENT</b>	Skandinaviska Enskilda Banken AB
<b>ISIN</b>	SE0008129100
<b>SERIES</b>	EU339
<b>INTERMEDIARY FEES</b>	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**

No public offering of the Notes, or possession or distribution of any offering material in relation thereto, is permitted in any jurisdiction where action for that purpose is required unless the relevant action has been taken.

The Notes must not be offered or sold in any jurisdiction except to persons whose investment activities involve them in acquiring, holding, managing or disposing (as principal or agent) of investments of a nature similar to the Notes and who are particularly knowledgeable in investment matters.

In each member state of the European Economic Area which has implemented the Prospectus Directive (Directive 2003/71/EC, as amended), no offer of the Notes 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 public 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.

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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.

## Risk Factors

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 Notes and to review the Base Prospectus.

Please see the Base Prospectus together with the Final Terms for a full detailed description of the Notes and in particular, please review the Risk Factors associated with these Notes. Investing in the Notes entails certain risks including, but not limited to, the following:

**Adjustments by the Determination Agent:** The terms and conditions of the Securities will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Securities or any exchanges are affected by market disruption, adjustment events or circumstances affecting normal activities. These circumstances include the Nationalisation, Delisting, Insolvency or a Takeover or Merger of the share issuers of the Underlying(s) as applicable.

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 Base Prospectus for a detailed description of potential adjustment events and adjustments.

**Basket Components Risk:** The Securities will be redeemed at an amount determined by reference to the performance of the Basket Components and such performance will therefore affect the nature and value of the investment return on the Securities. Securityholders and prospective purchasers of Securities should conduct their own investigations and, in deciding whether or not to purchase Securities, prospective purchasers should form their own views of the merits of an investment related to the Basket Components based upon such investigations and not in reliance on any information given in this document.

**Capital protection at maturity:** Capital protection is provided at maturity only. If the Securities are sold prior to maturity, or redeemed by the Issuer for reasons stated in the Base Prospectus, this document and the Final Terms or if there is a change in tax law), the proceeds may be less than the initial investment.

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**Exit Risk:** The secondary market price of the Securities will depend on many factors, including the value and volatility of the Underlying, interest rates, 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. 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.

**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 their 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.

**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 holder.

**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 Securities 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 Securities.

**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.

**No Shareholder Rights:** A holder of Notes will have no beneficial interest in the relevant Underlying nor any voting rights and will not have the right to receive dividends or other distributions with respect to the relevant Underlying.

**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 Securities. Any of these activities could influence the Determination Agent's determination of adjustments made to any Securities and any such trading activity could potentially affect the price of the Underlying and, accordingly, could affect the investor's pay-out on any Security.

**Underlying Issuer Risk:** The 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 issuer of the relevant Underlying, including any rebalancing that could trigger an adjustment to the terms of the Notes by the Determination Agent.

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## Investor Representations

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 assume no responsibility or liability whatsoever in relation to any such distribution. You shall distribute the product in your own name and to such customers as you identify in your own discretion, at your own risk and under your sole responsibility. You shall make such enquiries you deem relevant in order to satisfy yourself that the Securities are appropriate or suitable for each of the prospective investors and that the prospective investors (a) have the requisite capacity and authority to purchase the Security and (b) understand the risks and are capable of assessing and assuming the risks associated with an investment in the Security;
- (ii) you shall not make any representation or offer any warranty to investors regarding the Security, the Issuer or Morgan Stanley or make any use of the Issuer’s or Morgan Stanley’s name, brand or intellectual property which is not expressly authorized and you shall not represent you are acting as an agent of Morgan Stanley in such distribution. You acknowledge that neither the Issuer nor Morgan Stanley assume any responsibility or liability whatsoever in relation to any representation or warranty you make in breach hereof;
- (iii) 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 Base Prospectus and the Final Terms 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;
- (iv) 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;
- (v) 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 your 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.
- (vi) 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

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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 (v) 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 EFFECT 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.

Mangold

Name \_\_\_\_\_

Signature \_\_\_\_\_  
Date: \_\_\_\_\_

Acknowledged, agreed and accepted

Morgan Stanley & Co. International plc

By:  
Name \_\_\_\_\_  
Title \_\_\_\_\_  
Date: \_\_\_\_\_

To the extent there is any conflict between these representations and warranties and any terms included in a signed distribution agreement between us, the terms of such distribution agreement shall apply.

## Important Information

THIS COMMUNICATION IS DIRECTED TO THOSE PERSONS WHO ARE ELIGIBLE COUNTERPARTIES OR PROFESSIONAL CLIENTS (AS DEFINED IN EU DIRECTIVE 2004/39/EC). THE NOTES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS AT ANY TIME (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933 OR THE U.S. INTERNAL REVENUE CODE).

The Notes 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. In purchasing the Notes, 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. This information has been prepared solely for information purposes and is not an offer (or a solicitation of an offer) to buy or sell the Notes. No representation or warranty is given with respect to the accuracy or completeness of the information contained in this term sheet. Morgan Stanley & Co. International plc ("MSI plc") and its affiliates disclaim any and all liability relating to this information, including without limitation any express or implied representations or warranties for, statements contained in, and omissions from, this information. Additional information is available upon request. MSI plc (and any of its affiliates) may make markets, have positions, and effect transactions in Notes and instruments of issuers

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Any Intermediary based in the EEA is obliged under its regulations to disclose to investors the existence, nature and amount of such commission or fee. Investors should ensure that they have been informed about any fee or commission arrangements by the intermediary before making any purchase of the relevant securities.

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