

MORGAN STANLEY  
Form FWP  
August 21, 2018

August 2018

Preliminary Terms No. 904

Registration Statement No. 333-221595

Dated August 21, 2018

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Fixed Rate Step-Up Callable Notes due 2030

As further described below, we, Morgan Stanley, have the right to redeem the notes, in whole or in part, on any **semi-annual** redemption date, beginning **August 27, 2019**, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest thereon to but excluding the redemption date. Subject to our semi-annual redemption right, interest will accrue and be payable on the notes semi-annually, in arrears, in (i) **years 1 to 6**, at an annual rate of **4.125%** and (ii) **years 7 to maturity**, at an annual rate of **4.75%**.

**All payments are subject to the credit risk of Morgan Stanley. If Morgan Stanley defaults on its 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

|                                    |                                                                                                                                                                                                               |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issuer:</b>                     | <b>Morgan Stanley</b>                                                                                                                                                                                         |
| <b>Aggregate principal amount:</b> | \$ . May be increased prior to the original issue date but we are not required to do so.                                                                                                                      |
| <b>Issue price:</b>                | \$1,000 per note                                                                                                                                                                                              |
| <b>Stated principal amount:</b>    | \$1,000 per note                                                                                                                                                                                              |
| <b>Pricing date:</b>               | <b>August , 2018</b>                                                                                                                                                                                          |
| <b>Original issue date:</b>        | <b>August 27, 2018</b> ( business days after the pricing date)                                                                                                                                                |
| <b>Maturity date:</b>              | <b>August 27, 2030</b>                                                                                                                                                                                        |
| <b>Interest accrual date:</b>      | <b>August 27, 2018</b>                                                                                                                                                                                        |
| <b>Payment at maturity:</b>        | The payment at maturity per note will be the stated principal amount plus accrued and unpaid interest<br><u>From and including the original issue date to but excluding August 27, 2024: 4.125% per annum</u> |
| <b>Interest rate:</b>              | <u>From and including August 27, 2024 to but excluding the maturity date: 4.75% per annum</u>                                                                                                                 |
| <b>Interest payment period:</b>    | <b>Semi-annually</b>                                                                                                                                                                                          |

|                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Interest payment period end dates:</b>        | <b>Unadjusted</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Interest payment dates:</b>                   | Each <b>February 27</b> and <b>August 27</b> , beginning <b>February 27, 2019</b> ; <i>provided</i> that if any such day is not a business day, that interest payment will be made on the next succeeding business day and no adjustment will be made to any interest payment made on that succeeding business day.                                                                                                                                                                                                                                                                        |
| <b>Day-count convention:</b>                     | <b>30/360</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Optional early redemption:</b>                | Beginning <b>August 27, 2019</b> , we have the right to redeem the notes, <b>at our discretion</b> , in whole or in part, on any semi-annual redemption date at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest thereon to but excluding the redemption date. If we decide to redeem some or all of the notes, we will give you notice at least <b>5 business days</b> before the redemption date specified in the notice. No further payments will be made on the redeemed notes once they have been redeemed. See “The Notes.” |
| <b>Redemption percentage at redemption date:</b> | 100% per note redeemed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Redemption dates:</b>                         | Each <b>February 27</b> and <b>August 27</b> , beginning <b>August 27, 2019</b> .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Specified currency:</b>                       | U.S. dollars                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| No listing:                                      | The notes will not be listed on any securities exchange.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Denominations:                                   | <b>\$1,000 / \$1,000</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| CUSIP:                                           | <b>61760QLS1</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| ISIN:                                            | <b>US61760QLS11</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Book-entry or certificated note:                 | Book-entry                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Business day:                                    | New York                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Agent:                                           | Morgan Stanley & Co. LLC (“MS & Co.”), a wholly owned subsidiary of Morgan Stanley. See “Supplemental Information Concerning Plan of Distribution; Conflicts of Interest.”                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Calculation agent:                               | Morgan Stanley Capital Services LLC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Trustee:                                         | The Bank of New York Mellon                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Estimated value on the pricing date:</b>      | Approximately <b>\$968.50</b> per note, or within <b>\$18.50</b> of that estimate. See “The Notes” on page 2.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Commissions and issue price:                     | Price to public    Agent’s commissions <sup>(1)</sup> Proceeds to issuer <sup>(2)</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Per note</b>                                  | <b>\$1,000</b> \$                    \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Total</b>                                     | <b>\$</b> \$                    \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

(1) Selected dealers, including Morgan Stanley Wealth Management (an affiliate of the agent), and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of \$ for each note they sell. See “Supplemental Information Concerning 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 5.

**You should read this document together with the related prospectus supplement and prospectus, each of which can be accessed via the hyperlinks below, before you decide to invest.**

**[Prospectus Supplement dated November 16, 2017](#)**

**[Prospectus dated November 16, 2017](#)**

**The notes 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.**

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov). Alternatively, the issuer, any underwriter or any dealer participating in this offering will arrange to send you the prospectus if you request it by calling toll-free 1-800-584-6837.

Fixed Rate Step-Up Callable Notes due 2030

The Notes

The notes offered are debt securities of Morgan Stanley. Interest on the notes will accrue and be payable on the notes **semi-annually**, in arrears, (i) from the **original issue date until August 27, 2024**, at rate of **4.125% per annum**; and (ii) from **August 27, 2024 until the maturity date**, at a rate of **4.75% per annum**. Beginning **August 27, 2019**, we have the right to redeem the notes, **at our discretion**, in whole or in part, on any semi-annual redemption date at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest thereon to but excluding the redemption date. If we decide to redeem some or all of the notes, we will give you notice **at least 5 business days** before the redemption date specified in the notice. On or before the redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on that date. If such money is so deposited, on and after the redemption date, interest will cease to accrue on the notes (unless we default in the payment of the redemption price and accrued interest) and such notes will cease to be outstanding. We describe the basic features of these notes in the sections of the accompanying prospectus called “Description of Debt Securities—Fixed Rate Debt Securities” and prospectus supplement called “Description of Notes,” subject to and as modified by the provisions described below. For information regarding notices of redemption, see “Description of Debt Securities—Redemption and Repurchase of Debt Securities—Notice of Redemption” in the accompanying prospectus. All payments on the notes are subject to the credit risk of Morgan Stanley.

The stated principal amount and issue price of each note is \$1,000. This price includes costs associated with issuing, selling, structuring and hedging the notes, which are borne by you, and, consequently, the estimated value of the notes on the pricing date will be less than the issue price. We estimate that the value of each note on the pricing date will be approximately **\$968.50** or within **\$18.50** of that estimate. Our estimate of the value of the notes 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 notes on the pricing date, we take into account that the notes comprise both a debt component and a performance-based component linked to interest rates. The estimated value of the notes is determined using our own pricing and valuation models, market inputs and assumptions relating to 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 notes?*

In determining the economic terms of the notes, including the interest rate applicable to each interest payment period, 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 notes?*

The price at which MS & Co. purchases the notes in the secondary market, absent changes in market conditions, including those related to interest rates, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type, the costs of unwinding the related hedging transactions and other factors.

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

Fixed Rate Step-Up Callable Notes due 2030

Risk Factors

*The notes involve risks not associated with an investment in ordinary fixed rate notes. This section describes the most significant risks relating to the notes. For a complete list of risk factors, please see the accompanying prospectus supplement and prospectus. You should carefully consider whether the notes are suited to your particular circumstances before you decide to purchase them. Accordingly, prospective investors should consult their financial and legal advisers as to the risks entailed by an investment in the notes and the suitability of the notes in light of their particular circumstances.*

**The notes have early redemption risk.** The issuer retains the option to redeem the notes, in whole or in part, on any semi-annual redemption date, beginning on **August 27, 2019**, on at least **5** business days' prior notice. It is more likely that the issuer will redeem the notes in whole prior to their stated maturity date to the extent that the interest § payable on the notes is greater than the interest that would be payable on other instruments of the issuer of a comparable maturity, of comparable terms and of a comparable credit rating trading in the market. If the notes are redeemed, in whole or in part, prior to their stated maturity date, **you will receive no further interest payments** on the redeemed notes and may have to re-invest the proceeds in a lower interest rate environment.

**Investors 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 notes.** Investors are dependent on our ability to pay all amounts due on the notes on interest payment dates, redemption dates and at maturity and therefore investors are subject to our credit risk and to changes in the market's view of our creditworthiness. The notes are not guaranteed by § any other entity. If we default on our obligations under the notes, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the notes 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 value of the notes.

**The price at which the notes may be sold prior to maturity will depend on a number of factors and may be substantially less than the amount for which they were originally purchased.** Some of these factors include, but are not limited to: (i) actual or anticipated changes in interest and yield rates, (ii) any actual or anticipated changes in our credit ratings or credit spreads and (iii) time remaining to maturity. Generally, the longer the time remaining to § maturity and the more tailored the exposure, the more the market price of the notes will be affected by the other factors described in the preceding sentence. This can lead to significant adverse changes in the market price of securities like the notes. Depending on the actual or anticipated level of interest and yield rates, the market value of the notes is expected to decrease and you may receive substantially less than 100% of the issue price if you are able to sell your notes prior to maturity.

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

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

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

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

**Morgan Stanley & Co. LLC, which is a subsidiary of the issuer, has determined the estimated value on the § pricing date.** MS & Co. has determined the estimated value of the notes on the pricing date.

**The issuer, its subsidiaries or affiliates may publish research that could affect the market value of the notes. They also expect to hedge the issuer's obligations under the notes.** The issuer or one or more of its affiliates may, at present or in the future, publish research reports with respect to movements in interest rates generally. This § research is modified from time to time without notice to you and may express opinions or provide recommendations that are inconsistent with purchasing or holding the notes. Any of these activities may affect the market value of the notes. In addition, the issuer's subsidiaries expect to hedge the issuer's obligations under the notes and they may realize a profit from that expected hedging activity even if investors do not receive a favorable investment return under the terms of the notes or in any secondary market transaction.

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**The calculation agent, which is a subsidiary of the issuer, will make determinations with respect to the notes.** Any of these determinations made by the calculation agent may adversely affect the payout to investors. Moreover, certain determinations made by the calculation agent may require it to exercise discretion and make subjective judgments. These potentially subjective determinations may adversely affect the payout to you on the notes. For further information regarding these types of determinations, see “Description of Debt Securities—Fixed Rate Debt Securities” and related definitions in the accompanying prospectus.

Fixed Rate Step-Up Callable Notes due 2030

Use of Proceeds and Hedging

The proceeds we receive from the sale of the notes will be used for general corporate purposes. We will receive, in aggregate, \$1,000 per note issued, because, when we enter into hedging transactions in order to meet our obligations under the notes, our hedging counterparty will reimburse the cost of the Agent's commissions. The costs of the notes borne by you and described on page 2 above comprise the Agent's commissions and the cost of issuing, structuring and hedging the notes.

Supplemental Information Concerning Plan of Distribution; Conflicts of Interest

The agent may distribute the notes through Morgan Stanley Smith Barney LLC ("Morgan Stanley Wealth Management"), as selected dealer, or other dealers, which may include Morgan Stanley & Co. International plc ("MSIP") and Bank Morgan Stanley AG. Morgan Stanley Wealth Management, MSIP and Bank Morgan Stanley AG are affiliates of Morgan Stanley. Selected dealers, including Morgan Stanley Wealth Management, and their financial advisors will collectively receive from the agent, Morgan Stanley & Co. LLC, a fixed sales commission of \$ for each note they sell.

MS & Co. is our wholly owned subsidiary and it and other subsidiaries of ours expect to make a profit by selling, structuring and, when applicable, hedging the notes. When MS & Co. prices this offering of notes, it will determine the economic terms of the notes such that for each note the estimated value on the pricing date will be no lower than the minimum level described in "The Notes" on page 2.

MS & Co. will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account.

Acceleration Amount in Case of an Event of Default

In case an event of default with respect to the notes shall have occurred and be continuing, the amount declared due and payable per note upon any acceleration of the notes shall be an amount in cash equal to the stated principal

amount plus accrued and unpaid interest.

#### Contact Information

Morgan Stanley Wealth Management 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.

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