

Morgan Stanley

Free Writing Prospectus
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Morgan Stanley Third Quarter 2010 Overview

November 2010

Notice

The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, 2010 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including any amendments thereto, all of which are available on www.morganstanley.com.

This presentation may contain forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made, which reflect management's current estimates, projections, expectations or beliefs and which are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of risks and uncertainties that may affect the future results of the Company, please see the Company's Annual Report on Form 10-K for the year ended December 31, 2009, 2010 Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including any amendments thereto.

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

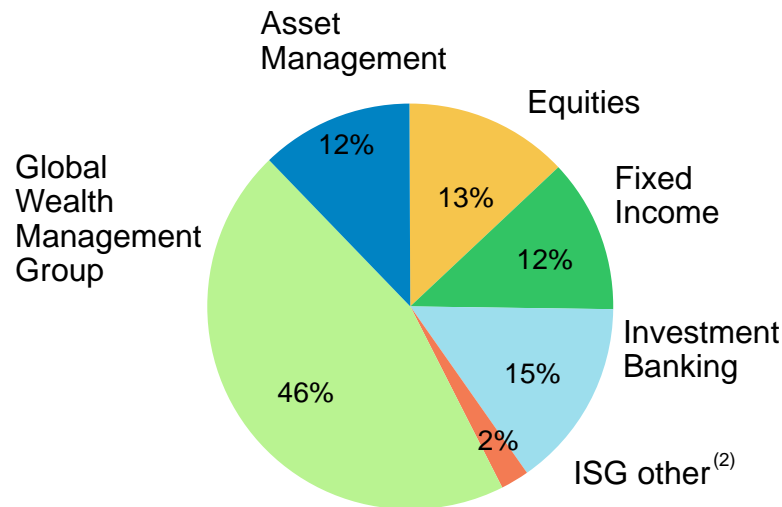
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Consolidated Financial Highlights

3Q10 Net Revenues of \$6.8 Bn ⁽¹⁾

Business Mix 3Q10



3Q 2010 Highlights -

- Third quarter revenues were \$6.8 billion
 - Includes negative impact of \$731 million from tightening of debt-related credit spreads ⁽³⁾
- Results reflect:
 - Broad based strength in Investment Banking
 - Muted Fixed Income Sales and Trading revenue
 - Improved performance and positive cash flows in both Global Wealth Management and Asset Management
- Earnings Per Diluted Share were (\$0.07)
 - Income from Continuing Operations of \$0.05 per Diluted Share
- Book Value increased to \$31.25, primarily due to the issuance of \$5.6 billion in common equity to CIC
- Continued investment in people, platform & client-focused strategy

Source:

Morgan Stanley Earnings Conference Call, SEC Filings

(1) The quarter ended September 30, 2010 includes results from the Morgan Stanley Smith Barney joint venture effective from May 31, 2009.

(2) Includes Principal investments, Other Sales & Trading and Other revenues

(3) Represents the changes in Morgan Stanley's credit spreads resulting from fluctuation in the fair value of certain of its long-term and short-term borrowings (commonly referred to as "DVA").

Executing Our Business Strategy

Institutional Securities

Leading position in many businesses, with upside from more broadly leveraging our client franchise

Wealth Management

World's largest wealth management firm, with upside from integration

Asset Management

Institutional asset management focus, with upside from ongoing optimization

Global Footprint

Historic U.S./European strength complemented with the best Asian strategic relationships and targeted strength in emerging markets

Long Term Performance Goals

Strengthen Institutional Securities

- Strong talent pool
- Increase footprint
- Expand market share

Integrate and build MSSB

- One MSSB platform
- Improve PBT margin to 20%+ post-integration
- Grow net new money

Rebuild strong Asset Management

- Restructure business / return to profitability
- Rebuild investment culture

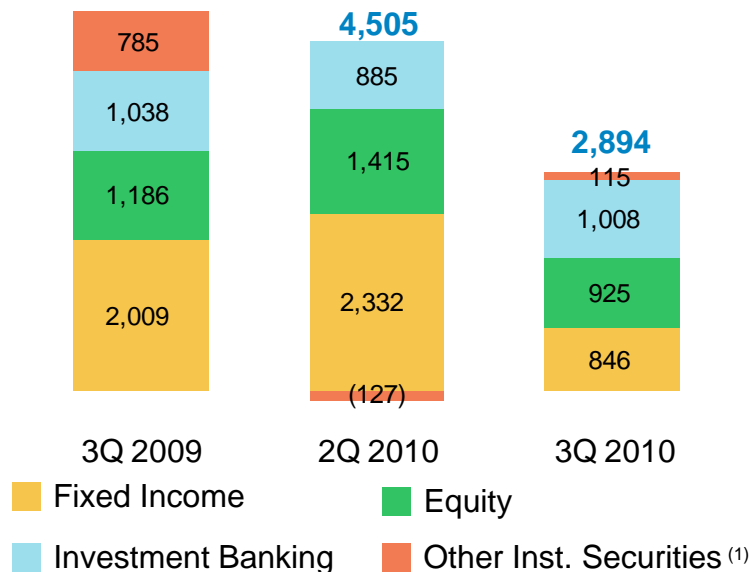
Leverage Global Footprint

- Leverage relationships with MUFG and CIC
- Continue to add talent internationally

Institutional Securities

Net Revenue

(\$mm) **5,018**



3Q 2010 Highlights -

- Net Revenues of \$2.9 billion
 - Includes negative impact of approximately \$731 million from tightening of debt-related credit spreads⁽²⁾
- For the first nine months of 2010, Investment Banking was:
 - #1 In Global IPOs
 - #2 in Global Completed M&A
 - #3 in Global Announced M&A & Global Equity
- Muted Fixed Income Sales and Trading revenue
 - Asian equity business up 25%

Profit Before Tax

(\$mm) **1,339**



Source:

Morgan Stanley Earnings Conference Call, SEC Filings, Thomson Reuters – for the period of January 1, 2010 to September 30, 2010

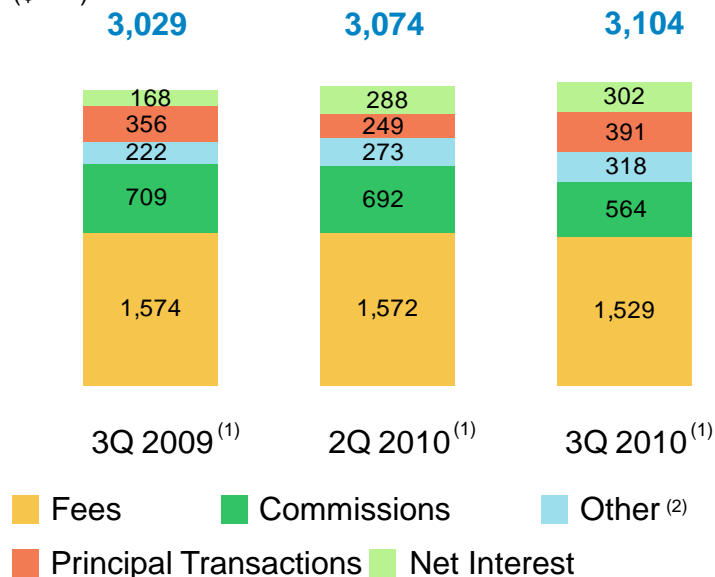
(1) Includes Principal investments, Other Sales & Trading and Other revenues.

(2) Represents the changes in Morgan Stanley's credit spreads resulting from fluctuation in the fair value of certain of its long-term and short-term borrowings (commonly referred to as "DVA").

Global Wealth Management Group

Net Revenue

(\$mm)

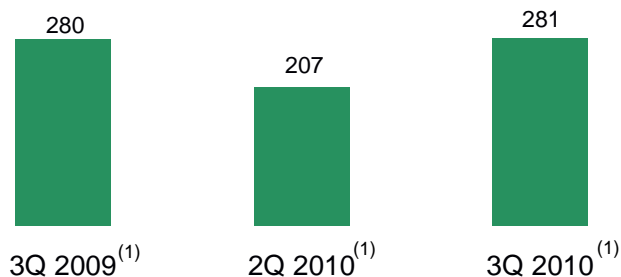


3Q 2010 Highlights -

- Stable revenues of \$3.1 billion
- 281 million PBT and 9% PBT margin
 - Quarterly integration costs of approximately \$83 million
- 18,119 Financial Advisors
- \$1.6 trillion total client assets
- \$5 billion in retail net new assets

Profit Before Tax

(\$mm)



Source:

Morgan Stanley Earnings Conference Call, SEC Filings

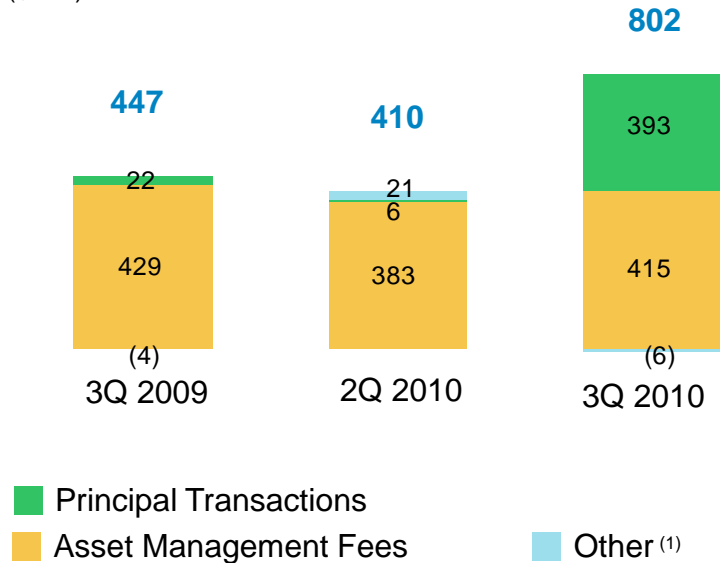
(1) Results include Morgan Stanley Smith Barney joint venture effective from May 31, 2009.

(2) "Other" includes Investment Banking and Other revenues.

Asset Management

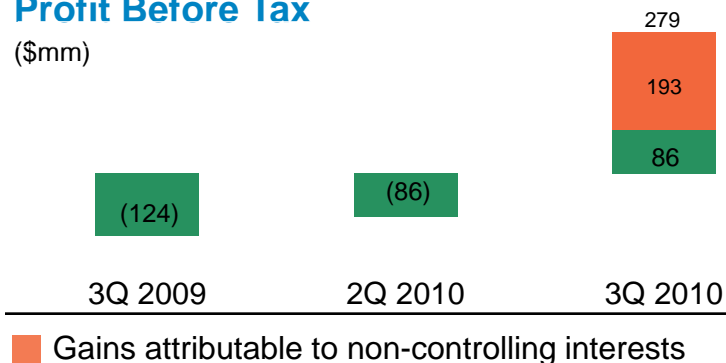
Net Revenue

(\$mm)



Profit Before Tax

(\$mm)



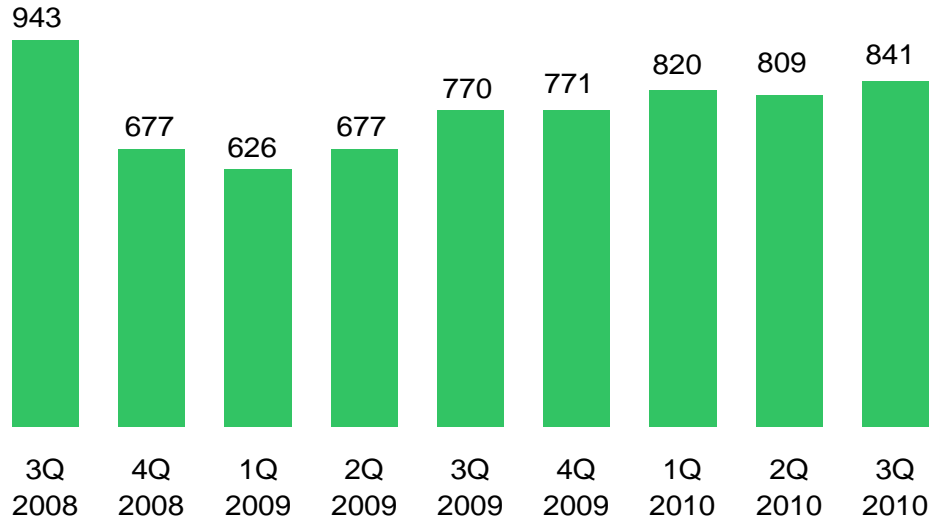
3Q 2010 Highlights -

- Net Revenues of \$802 million
- Core Asset Management - \$380 million
- Merchant Banking - \$422 million
 - includes \$203 million of gains from consolidated Morgan Stanley Real Estate Funds
- PBT of \$279 million for a margin of 35%
 - Excluding gains attributable to non-controlling interests, PBT was \$86MM for a margin of 14%
- Total assets under management of \$273 billion
 - Asset inflows of \$2.9 billion
- As of August 2010, over 70% of our long-term strategies continued to outperform their respective benchmarks on a three, five, and ten-year basis

Balance Sheet and Capital

Total Assets

(\$Bn)



3Q10 Key Capital Ratios (Basel I)

Tier 1 Common Ratio

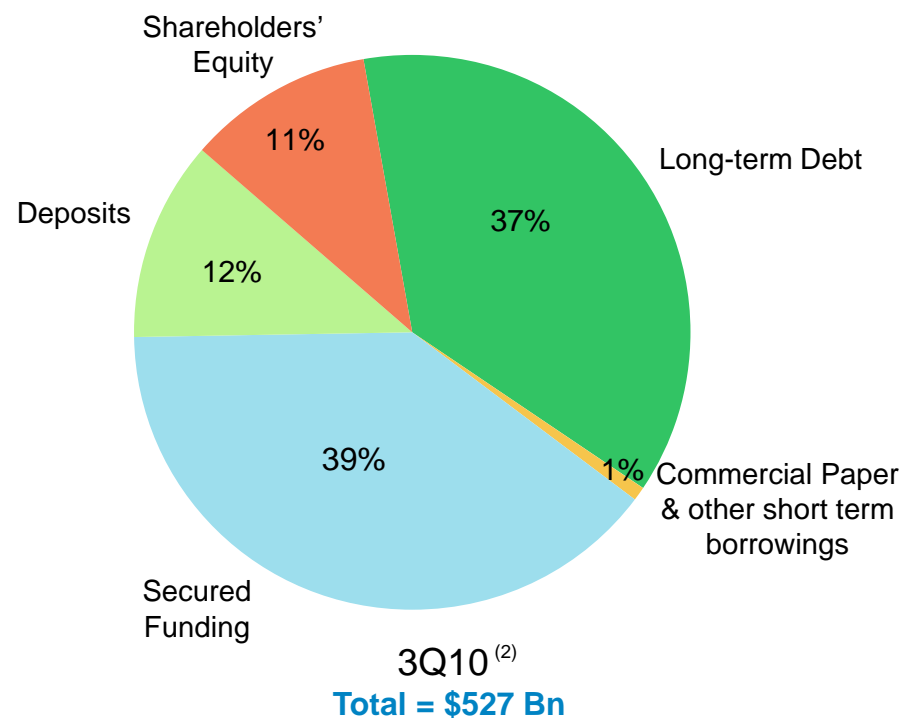
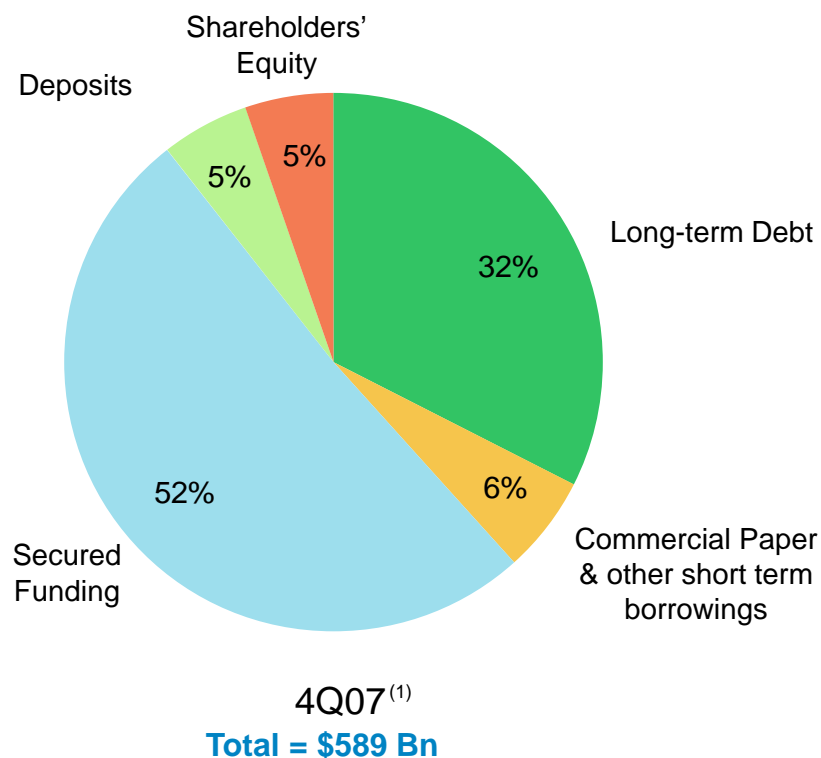
10.7%

Tier 1 Capital Ratio

16.5%

Funding Diversification

Composition of Funding Liabilities and Equity



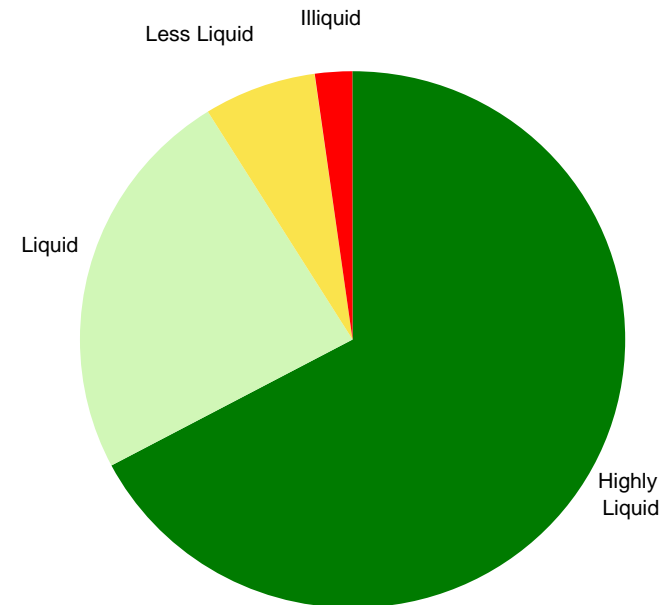
Source: Morgan Stanley SEC Filings

- (1) 4Q07 numbers as reported on a fiscal-year basis. 4Q07 Liabilities and Equity – Commercial Paper & Other Short-Term Borrowings - \$34.5, Long-Term Debt - \$190.6, Secured Financing - \$301.0, Deposits - \$31.2, Shareholders Equity - \$31.3
- (2) 3Q10 numbers as reported on a calendar-year basis. 3Q10 Liabilities and Equity – Commercial Paper & Other Short-Term Borrowings - \$4.6, Long-Term Debt - \$196.5, Secured Financing - \$208, Deposits - \$61.2, Shareholders Equity (Excluding Non-controlling Interests) - \$56.8.

Secured Funding Term Consistent with Asset Fundability

Focus on Liquidity Characteristics of Assets

- Assets Tiered by Fundability:
 - **Highly Liquid** – Governments, Agencies, Open Market Operations and Central Clearing Counterparty eligible collateral
 - **Liquid** - AAA or AA bonds, Supranationals, Primary Index equities and Sovereigns like Great Britain or Denmark
 - **Less Liquid** - Lower-rated Investment Grade bonds, Emerging Market Equities and Emerging Market Sovereigns such as Russia and Brazil
 - **Illiquid** - Sub-Investment Grade ABS, Unrated Convertible Bonds or Distressed Debt



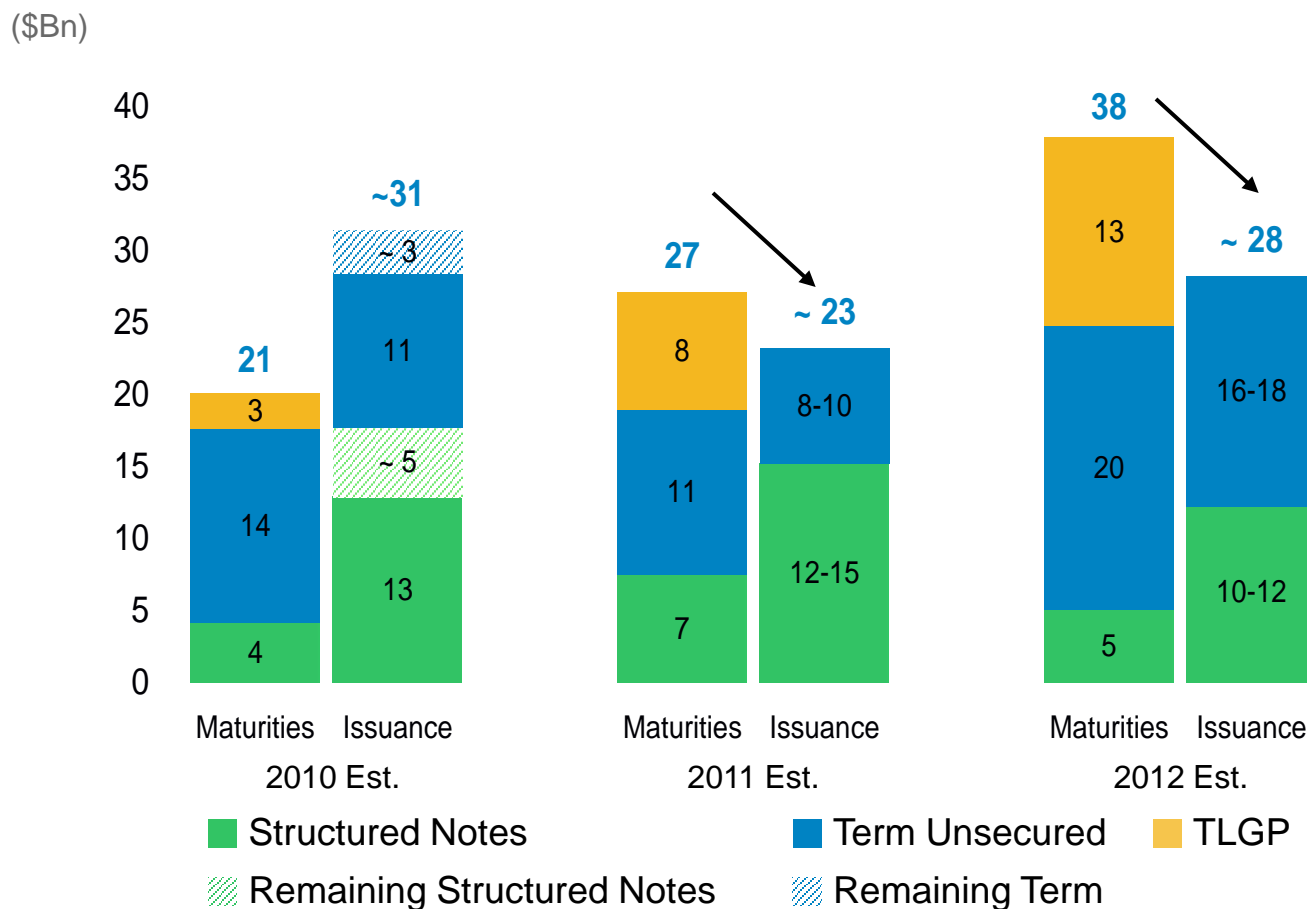
Strong Governance and Contingency Planning

- Each fundability category is risk managed with:
 - A target average maturity
 - A minimum maturity for incremental term secured funding trades
 - Global Liquidity Reserves held for the potential loss of secured funding
- Active limit monitoring and reporting to senior management (Asset Liability Committee)

Estimated Senior Unsecured Funding Issuance

As of 9/30/10

- Reduction in term funding planned for 2011 and 2012 given success in
 - Pre-funding
 - Structured Notes Issuance
 - Term Secured Funding
- Assumes a constant balance sheet through 2012



Well Positioned for Strong Execution Going Forward

Significant Market Share Opportunities

Targeted Growth Strategy

Experienced Leadership Team

Strategic Execution

Opportunity to Increase Share

- Clients receptive to Morgan Stanley offerings
- Expanding capability to deliver flow products and content / ideas across the firm
- Leadership in place
- Focused on disciplined execution