| EDGA & EDGX STOCK EXCHANGES | | | |
|---|---|---|---|
| Regulatory Information Circular | | | |
| Circular Number: | 2011-032 | Contact: | Jeff Rosenstrock |
| Date: | March 17, 2011 | Telephone: | (201) 942-8295 |

**Subject: Morgan Stanley Cushing MLP High Income Index ETNs due March 21, 2031**

**Background Information on the ETNs**

As more fully explained in the Registration Statement (No. 333-156423), Morgan Stanley Cushing® MLP High Income Index ETNs ("ETNs") issued by Morgan Stanley offer the opportunity for investors to receive at maturity, or upon an earlier call at Morgan Stanley's option or at the investor's request to repurchase a minimum of 100,000 ETNs, an amount of cash that may be more or less than the stated principal amount based on exposure to the positive or negative performance of the Cushing® MLP High Income Index (the "Index"), as reduced by an Annual Tracking Fee of 0.85%, as further described in the Registration Statement.

The Index was developed by Swank Energy Income Advisors, L.P. ("Swank"), as index sponsor, and is designed to allow investors the potential to receive quarterly coupons on the ETNs that generally reflect the distributions made by certain master limited partnerships ("MLPs") in the North American energy industry. The return on the ETNs will depend on both the amount, if any, of the quarterly coupons and the performance of the VWAP Level of the Index, subject to the Accrued Tracking Fee. In general, the amount of any quarterly coupons will depend on whether and to what extent the MLPs chosen by the Index methodology make distributions to the investors in those MLPs. In addition, the level of the Index is expected to increase in value if the MLPs chosen by the Index methodology increase in value and, conversely, the level of the Index is expected to decline if the MLPs constituting the Index decrease in value. The ETNs may pay a quarterly coupon during their term, but unlike ordinary debt securities, the ETNs do not pay fixed periodic interest and do not guarantee any return of principal. Accordingly, an investor could lose some or all of his or her initial investment. The ETNs are senior unsecured obligations of Morgan Stanley, and all payments on the ETNs are subject to the credit risk of Morgan Stanley.

The Index is a proprietary index developed by Swank and maintained and calculated by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("S&P"), as Index Calculation Agent. The Index includes securities from 30 MLPs. The Index utilizes a three tiered weighting system, based upon current indicative yields, to determine the Index constituents, as described in the Registration Statement.

The Index was established on July 19, 2010 with an initial value of 100 for a base date of January 1, 2004 (the "Base Date"). The Index is rebalanced on a quarterly basis in January, April, July and October of each year. In addition to the quarterly rebalancings, the Index is continually reviewed for adjustments to the Index composition necessitated by extraordinary corporate actions, including mergers, takeovers, spin-offs, delistings and bankruptcy filings involving the Index constituents. Changes to the Index may occur between the quarterly review periods if a specific corporate event makes a Index constituent ineligible.

**Payment at Maturity**

If ETNs have not previously been repurchased by Morgan Stanley, at maturity an investor will receive a cash payment per ETN, equal to (a) the product of (i) the Principal Amount and (ii) the Index Ratio as of the Final Valuation Date, plus (b) the final Coupon Amount, minus (c) the Accrued Tracking Fee as of the Final Valuation Date, if any, plus (d) the Stub Reference Distribution Amount as of the Final Valuation Date, if any. The Index Ratio will primarily depend on the volume-weighted average price of the Index constituents over a five-Index Business Day period near the end of the term of the ETNs.

**Investor Repurchase Option**

Subject to the requirements described in the Registration Statement, an investor may elect to have Morgan Stanley repurchase 100,000 or more of the ETNs. The Issuer may, from time to time in its sole discretion, reduce this minimum requirement in whole or in part. Any such reduction will be applied on a consistent basis for all holders of the ETNs at the time the reduction becomes effective.

If an investor elects a repurchase, the investor will receive per ETN a cash payment on the relevant Repurchase Date equal to (a) the product of (i) the Stated Principal Amount and (ii) the Index Ratio as of the Repurchase Valuation Date plus (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Repurchase Valuation Date if on the Repurchase Valuation Date the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, plus (c) the Adjusted Coupon Amount, if any, minus (d) the Adjusted Tracking Fee Shortfall, if any, as of the Repurchase Valuation Date, minus (e) the Repurchase Fee Amount of 0.125% of the Current Indicative Value as of the Index Business Day immediately preceding the Repurchase Valuation Date.

**Issuer Call Right**

Morgan Stanley will have the right to redeem the ETNs at any time, in whole but not in part, on any Business Day during the term of the ETNs (such date of repurchase, the "Call Settlement Date"). To exercise its repurchase right, Morgan Stanley will provide notice to the holders of the ETNs not less than 18 calendar days prior to the Call Settlement Date. In the event Morgan Stanley exercises this right, ETN holders will receive a cash payment equal to the Call Settlement Amount (as described in the Registration Statement), paid on the Call Settlement Date. The Call Settlement Amount may result in a significant or complete loss, but will not be less than $0.

For a more complete description of the ETNs and the payment at maturity, early repurchase provisions, early repurchase mechanics, valuation, fees and risk factors, consult the prospectus ("Prospectus") at www.morganstanley.com/etns/mlpy.

**Principal Risks**

Interested persons are referred to the Prospectus for a description of risks associated with an investment in the ETNs.  The ETNs are subject to the credit risk of Morgan Stanley, and any actual or anticipated changes to its credit ratings or credit spreads may adversely affect the market value of the ETNs. Investing in the ETNs involves a number of risks, industry stock market risk, sector risk, and VWAP Level risk. Additional selected risk considerations include: commodity price risk, fixed income risk and issuer call risk. Please see the Prospectus for additional risks of an investment in the ETNs at www.morganstanley.com/etns/mlpy.

**Exchange Rules Applicable to Trading in the ETNs**

The ETNs are considered equity securities, thus rendering trading in the ETNs subject to the Exchange's existing rules governing the trading of equity securities.

**Trading Hours**

Trading in the ETNs on EDGA and EDGX Exchanges (the "Exchanges") is on a UTP basis and is subject to the Exchanges equity trading rules. The ETNs will trade from 8:00 a.m. until 8:00 p.m. Eastern Time. Members trading the ETNs during the Extended Market Sessions (Pre-opening and Post-closing sessions) are exposed to the risk of the lack of the calculation or dissemination of underlying index value or intraday indicative value ("IIV"). For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in the Extended Market hours. Since the underlying index value and IIV are not calculated or widely disseminated during Extended Market hours, an investor who is unable to calculate implied values for certain derivative securities products during Extended Market hours may be at a disadvantage to market professionals.

**Trading Halts**

The Exchanges will halt trading in the ETNs in accordance with Exchange Rules 14.1(c)(4). The grounds for a halt under this Rule include a halt by the primary market because it stops trading the ETNs and/or a halt because dissemination of the IIV or applicable currency spot price has ceased, or a halt for other regulatory reasons. In addition, the Exchanges will stop trading the ETNs if the primary market de-lists the ETNs.

**Suitability**

Trading in the ETNs on the Exchanges will be subject to the provisions of EDGA and EDGX Exchange Rules 3.7. Members recommending transactions in the ETNs to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in Exchange Rules 3.7.

Members also should review FINRA Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

**Delivery of a Prospectus**

Pursuant to federal securities laws, investors purchasing ETNs must receive a prospectus prior to or concurrently with the confirmation of a transaction. Investors purchasing ETNs directly from the ETNs (by delivery of the Deposit Amount) must also receive a prospectus.

Prospectuses may be obtained through the Distributor or on the ETNs' website. The Prospectus does not contain all of the information set forth in the registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the ETNs, please refer to the ETNs registration statement.

**No-Action Relief Under Federal Securities Regulations**

The Securities and Exchange Commission has issued no-action relief from certain provisions of and rules under the Securities Exchange Act of 1934 (the "Exchange Act"), regarding trading in Deutsche Bank AG Exchange-Traded Notes (SEC Letter dated October 12, 2007) for securities with structures similar to that of the securities described herein (the "SEC Letter"). Members are advised to consult the SEC Letters, available at www.sec.gov, for more complete information regarding the matters covered therein.

**Regulation M Exemptions**

Generally, Rules 101 and 102 of Regulation M is an anti-manipulation regulation that, subject to certain exemptions, prohibits a "distribution participant" and the issuer or selling security holder, in connection with a distribution of securities, from bidding for, purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities, and affiliated purchasers of such persons.

The SEC Letter states that the SEC Division of Trading and Markets will not recommend enforcement action under Rule 101 of Regulation M against persons who may be deemed to be participating in a distribution of the notes to bid for or purchase the notes during their participation in such distribution.

Rule 102 of Regulation M prohibits issuers, selling security holders, or any affiliated purchaser of such person from bidding for, purchasing, or attempting to induce any person to bid for or purchase a covered security during the applicable restricted period in connection with a distribution of securities effected by or on behalf of an issuer or selling security holder. Rule 100 of Regulation M defines "distribution" to mean any offering of securities that is distinguished from ordinary trading transactions by the magnitude of the offering and the presence of special selling efforts and selling methods.

The SEC Letter states that the SEC Division of Trading and Markets will not recommend enforcement action under Rule 102 of Regulation M against the Issuer and its affiliated purchasers who bid for or purchase or redeem notes during the continuous offering of the notes.

**Section 11(d)(1) of the Exchange Act; Exchange Act Rule 11d1-2**

Section 11(d)(1) of the Exchange Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he or she participated as a member of a selling syndicate or group within thirty days prior to such transaction.

The SEC Letter states that the SEC Division of Trading and Markets will not recommend enforcement action under Section 11(d)(1) of the Exchange Act against broker-dealers who treat the notes, for purposes of Rule 11d1-2, as "securities issued by a registered . . . open-end investment company as defined in the Investment Company Act" and thereby, extend credit or maintain or arrange for the extension or maintenance of credit on the notes that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

**This Regulatory Information Circular is not a statutory Prospectus. Members should consult the ETNs' Registration Statement, SAI, Prospectus and website for relevant information.**

## Appendix A

| Ticker | Exchange-Trade Notes Name | CUSIP |
|---|---|---|
| MLPY | Morgan Stanley Cushing MLP High Income Index ETNs due March 21, 2031 | 61760E846 |