



## Information Circular 09-119

**Date:** May 13, 2009

**Re:** iPath Exchange Traded Notes

Pursuant to Rule 14.1(c)(2) of the Rules of BATS Exchange, Inc. (the "Exchange"), this Information Circular is being issued to advise you that the following securities have been approved for trading on the Exchange as UTP Derivative Securities pursuant to Chapter XIV of the Exchange's Rules.

**Security ("Notes")**

**Symbol**

Morgan Stanley 10% Stock Participation Accreting Redemption Quarterly-pay Securities Mandatorily Exchangeable for Common Stock of Baker Hughes Inc.

BSL

**Commencement of Trading on the Exchange:** May 14, 2009

**Issuer/Trust:** Morgan Stanley

**Issuer Website:** <http://www.morganstanley.com>

**Primary Listing Exchange:** NYSE Arca

**Primary Exchange Circular:** RB-08-309 (November 24, 2008)

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in this new product on the Exchange, as well as to provide certain characteristics and features of the Notes.

**Background Information on the Notes**

Morgan Stanley (the "Issuer") has issued 10% Stock Participation Accreting Redemption Quarterly-pay Securities ("SPARQS") mandatorily exchangeable for the common stock of Baker Hughes Inc. ("Baker"). The SPARQS were priced at \$ 20.92 each and mature on May 20, 2009.

The SPARQS will pay 10% coupon per annum, payable quarterly beginning August 20, 2008. If not previously called by the Issuer, investors will receive 0.25 shares of Baker common stock per SPARQS at maturity. SPARQS are not principal protected and Baker is not involved in the offering of SPARQS in any way and will have no obligation with respect to the SPARQS.

Beginning November 20, 2008, the Issuer may call all of the SPARQS for a cash call price that, together with coupons paid from the issue date through the call date, gives the SPARQS a yield to call of 17% of the issue price.

Since all payments which may be due to holders of SPARQS are the sole responsibility of the Issuer, it is the credit of Morgan Stanley which stands behind the SPARQS.

Investors in SPARQS will not be entitled to any rights with respect to Baker until such time as the Issuer shall deliver Baker shares to investors in the ELKS, if applicable.

It is expected that the market value of the SPARQS will depend substantially on the value of Baker and may be affected by a number of other interrelated factors including, among other things: the general level

of interest rates, the volatility of Baker stock, the time remaining to maturity, the dividend yield of Baker stock, and the credit ratings of the Issuer.

Investors should note that Baker is not involved in the subject offering and has no obligation with respect to these securities whatsoever, including any obligations with respect to the principal amount to be paid at maturity, or to take the needs of the Issuer or holders of SPARQS into consideration. Any dividends or distributions to the underlying common stock will not be paid to holders of SPARQS.

The Trustee for the securities is The Bank of New York.

### **Exchange Rules Applicable to Trading in the Notes**

Trading in the Notes on BATS is subject to BATS equity trading rules.

### **Trading Hours**

The Notes will trade on BATS between 8:00 a.m. and 4:00 p.m. ET.

Please note that trading in the Notes during the Exchange's pre-opening session may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the pre-opening session, (2) the indicative value may not be updated during the pre-opening session, (3) lower liquidity in the pre-opening session may impact pricing, (4) higher volatility in the pre-opening session may impact pricing, (5) wider spreads may occur in the pre-opening session, and (6) because the indicative value is not calculated or widely disseminated during the pre-opening session, an investor who is unable to calculate an implied value for the Notes in that session may be at a disadvantage to market professionals.

### **Suitability**

Trading in the securities on BATS will be subject to the provisions of Exchange Rule 3.7. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer. Members should adopt appropriate procedures for the opening and maintaining of accounts, including the maintaining of records prescribed by any applicable regulatory organization and by the rules and regulations of the Commission.

### **Trading Halts**

BATS will halt trading in the shares of a security in accordance with BATS Rule 14.1(c)(4). The grounds for a halt under BATS Rule 14.1(c)(4) include a halt by the primary market because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, BATS will stop trading the shares of a security if the primary market de-lists the security.

**This Information Circular is not a statutory prospectus. BATS Members should consult the prospectus for a security and the security's website for relevant information.**

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