

MORGAN STANLEY
Form FWP
June 26, 2018

Preliminary Terms

*To prospectus dated November 16, 2017 and
product supplement for knock-out notes dated November 16,
2017*

and index supplement dated November 16, 2017

Preliminary Terms No. 740

*Registration Statement Nos. 333-221595;
333-221595-01*

Dated June 26, 2018; Rule 433

Morgan Stanley Finance LLC

\$

Market Plus Notes Linked to the S&P 500® Index due January 2, 2020

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

General

The securities are designed for investors who seek exposure to the performance of the S&P 500® Index. Investors should be willing to forgo interest and dividend payments, and, if the Final Index Value is less than the Initial Index Value by more than 18.90%, be willing to lose a significant portion or all of their principal. If the Final Index Value is not less than the Initial Index Value by more than 18.90%, investors will receive at maturity a return reflecting the greater of (a) the Underlying Index Return and (b) the Contingent Minimum Return of 0%. However, if the Final Index Value is less than the Initial Index Value by more than 18.90%, investors will be fully exposed to the negative performance of the Underlying Index over the term of the securities, and will lose a significant portion or all of their investment.

Unsecured obligations of Morgan Stanley Finance LLC (“MSFL”), fully and unconditionally guaranteed by Morgan Stanley, maturing January 2, 2020†

Minimum purchase of \$10,000. Minimum denominations of \$1,000 and integral multiples thereof.

The securities are expected to price on or about June 29, 2018 and are expected to settle on or about July 5, 2018.

All payments are subject to our credit risk. If we default on our 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.

Key Terms

Issuer: Morgan Stanley Finance LLC
Guarantor: Morgan Stanley
Principal Amount: \$1,000 per security
Underlying Index: S&P 500® Index

Knock-Out Event: A Knock-Out Event occurs if the Final Index Value is less than the Initial Index Value by an amount greater than the Knock-Out Buffer Amount. Therefore, a Knock-Out Event will occur if the Final Index Value is less than the Knock-Out Level.

Knock-Out Buffer Amount: 18.90%

Knock-Out Level: , which is 81.10% of the Initial Index Value

Payment at Maturity: **If a Knock-Out Event HAS NOT occurred**, you will receive a cash payment at maturity per security equal to \$1,000 plus a return equal to \$1,000 *times* the greater of (i) the Contingent Minimum Return and (ii) the Underlying Index Return. Since the Contingent Minimum Return is 0%, you will receive only the repayment of your principal at maturity, without any positive return on your investment, if the Underlying Index declines in value but without triggering a Knock-Out Event. For additional clarification, please see “What is the Return on the Securities at Maturity Assuming a Range of Performance for the Underlying Index?” beginning on page 3.
If a Knock-Out Event HAS occurred, you will receive a cash payment at maturity that will reflect the percentage depreciation in the value of the Underlying Index over the term of the securities on a 1-to-1 basis. Under these circumstances, your payment at maturity per \$1,000 principal amount security will be calculated as follows: \$1,000 + (\$1,000 x Underlying Index Return)
If a Knock-Out Event has occurred, you will lose more than 18.90% of your investment. There is no minimum payment at maturity, and you could lose your entire investment.

Contingent Minimum Return: 0%

Underlying Index Return:
$$\frac{\text{Final Index Value} - \text{Initial Index Value}}{\text{Initial Index Value}}$$

Initial Index Value: The Index Closing Value on the Pricing Date

Final Index Value: The arithmetic average of the Index Closing Values on each of the five Averaging Dates.

Averaging Dates:[†] December 20, 2019, December 23, 2019, December 24, 2019, December 26, 2019 and December 27, 2019

Maturity Date: January 2, 2020[†]

Pricing Date: June 29, 2018

Issue Date: July 5, 2018 (3 business days after the Pricing Date)

Listing: The securities will not be listed on any securities exchange.

Estimated value on the Pricing Date: Approximately \$983.80 per security, or within \$10.00 of that estimate. See “Additional Terms Specific To The Securities” on page 2.

CUSIP / ISIN: 61768C6G7 / US61768C6G76

[†]Subject to postponement for non-index business days or in the event of a market disruption event and as described under “Description of Notes — Postponement of Valuation Date(s) or Review Date(s)” in the accompanying product supplement for knock-out notes.

Investing in the securities involves a number of risks. See “Risk Factors” beginning on page S-22 of the accompanying product supplement and “Selected Risk Considerations” beginning on page 7 of these preliminary terms.

Morgan Stanley and MSFL have filed a registration statement (including a prospectus, as supplemented by a product supplement for knock-out notes and an index supplement) with the Securities and Exchange Commission, or SEC, for the offering to which these preliminary terms relate. Before you invest, you should read the prospectus in that registration statement, the product supplement for knock-out notes, the index supplement and any other documents relating to this offering that Morgan Stanley and MSFL, have filed with the SEC for more complete information about Morgan Stanley, MSFL and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at [.www.sec.gov](http://www.sec.gov). Alternatively, Morgan Stanley, MSFL, any agent or any dealer participating in this offering will arrange to send you the prospectus, the product supplement for knock-out notes, the index supplement and these preliminary terms if you so request by calling toll-free 1-800-584-6837.

You may revoke your offer to purchase the securities at any time prior to the time at which we accept such offer on the date the securities are priced. We reserve the right to change the terms of, or reject any offer to purchase the securities prior to their issuance. In the event of any changes to the terms of the securities, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes in which case we may reject your offer to purchase.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the accuracy or the adequacy of these preliminary terms or the accompanying product supplement for knock-out notes, index supplement and prospectus. Any representation to the contrary is a criminal offense.

	Price to Public ⁽¹⁾	Fees and Commissions ⁽¹⁾⁽²⁾	Proceeds to Us ⁽³⁾
Per security	\$1,000	\$12.50	\$987.50
Total	\$	\$	\$

J.P. Morgan Securities LLC and JPMorgan Chase Bank, N.A. will act as placement agents for the securities. The placement agents will forgo fees for sales to certain fiduciary accounts. The total fees represent the amount that the (1) placement agents receive from sales to accounts other than such fiduciary accounts. The placement agents will receive a fee from the Issuer or one of its affiliates that will not exceed \$12.50 per \$1,000 principal amount of securities.

(2) Please see “Supplemental Plan of Distribution; Conflicts of Interest” in these preliminary terms for information about fees and commissions.

(3) See “Use of Proceeds and Hedging” on page 9.

The agent for this offering, Morgan Stanley & Co. LLC (“MS & Co.”), is an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See “Supplemental Plan of Distribution; Conflicts of Interest” below.

The securities 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.

References to “we,” “us” and “our” refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

Morgan Stanley

June 26, 2018

Additional Terms Specific to the Securities

You should read these preliminary terms together with the prospectus dated November 16, 2017, as supplemented by the product supplement for knock-out notes dated November 16, 2017 and the index supplement dated November 16, 2017. **These preliminary terms, together with the documents listed below, contain the terms of the securities and supersede all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours.** You should carefully consider, among other things, the matters set forth in “Risk Factors” in the accompanying product supplement for knock-out notes, as the securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisers before you invest in the securities.

You may access these documents on the SEC website at www.w.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

· Product supplement for knock-out notes dated November 16, 2017:

https://www.sec.gov/Archives/edgar/data/895421/000095010317011261/dp82809_424b2-knockout.htm

· Index supplement dated November 16, 2017:

https://www.sec.gov/Archives/edgar/data/895421/000095010317011283/dp82797_424b2-indexsupp.htm

· Prospectus dated November 16, 2017:

https://www.sec.gov/Archives/edgar/data/895421/000095010317011237/dp82798_424b2-base.htm

Terms used but not defined in these preliminary terms are defined in the product supplement for knock-out notes, the index supplement or in the prospectus.

The original issue price of each security is \$1,000. This price includes costs associated with issuing, selling, structuring and hedging the securities, which are borne by you, and, consequently, the estimated value of the securities on the Pricing Date will be less than \$1,000. We estimate that the value of each security on the Pricing Date will be approximately \$983.80, or within \$10.00 of that estimate. Our estimate of the value of the securities 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 securities on the Pricing Date, we take into account that the securities comprise both a debt component and a performance-based component linked to the Underlying Index. The estimated value of the securities is determined using our own pricing and valuation models, market inputs and assumptions relating to the Underlying Index, instruments based on the Underlying Index, 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 securities?

In determining the economic terms of the securities, including the Knock-Out Buffer Amount, the Knock-Out Level and the Contingent Minimum Return, 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 securities?

The price at which MS & Co. purchases the securities in the secondary market, absent changes in market conditions, including those related to the Underlying Index, 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 and other factors. However, because the costs associated with issuing, selling, structuring and hedging the securities are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the securities in the secondary market, absent changes in market conditions, including those related to the Underlying Index, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

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

What is the Return on the Securities at Maturity Assuming a Range of Performance for the Underlying Index?

The following table and graph illustrate the hypothetical return at maturity on the securities. The “Return on Securities” as used in these preliminary terms is the number, expressed as a percentage, that results from comparing the payment at maturity per \$1,000 principal amount security to \$1,000. The hypothetical returns set forth below assume an Initial Index Value of 2,500.00 and a Knock-Out Level of 2,027.50 (which is 81.10% of the hypothetical Initial Index Value) and reflect the Contingent Minimum Return of 0%. The actual Initial Index Value and Knock-Out Level will be set on the Pricing Date. If a Knock-Out Event occurs, your investment will be fully exposed to the decline in the Underlying Index over the term of the securities. The hypothetical returns set forth below are for illustrative purposes only and may not reflect the actual returns applicable to a purchaser of the securities.

Final Index Value	Underlying Index Return	Return on Securities
4,000.00	60.00%	60.00%
3,750.00	50.00%	50.00%
3,500.00	40.00%	40.00%
3,250.00	30.00%	30.00%
3,000.00	20.00%	20.00%
2,750.00	10.00%	10.00%
2,625.00	5.00%	5.00%
2,500.00	0%	0%
2,375.00	-5.00%	0%
2,250.00	-10.00%	0%
2,027.50	- 18.90%	0%
2,025.00	-19.00%	-19.00%
2,000.00	-20.00%	-20.00%
1,750.00	-30.00%	-30.00%
1,500.00	-40.00%	-40.00%
1,000.00	-60.00%	-60.00%
500.00	-80.00%	-80.00%
0.00	-100.00%	-100.00%

Hypothetical Examples of Amounts Payable at Maturity

The following examples illustrate how the returns on the securities set forth in the table on the previous page are calculated.

Example 1: The value of the Underlying Index decreases from the Initial Index Value of 2,500 to a Final Index Value of 1,500. Because the Final Index Value is less than the Knock-Out Level, a Knock-Out Event has occurred. Therefore, the investor does **not** receive the benefit of the Contingent Minimum Return of 0% and is therefore exposed to the negative performance of the Underlying Index on a 1-to-1 basis. The investor receives a payment at maturity based on the Underlying Index Return of -40%, which is significantly less than the principal amount, calculated as follows:

$$\$1,000 + (\$1,000 \times -40\%) = \$600$$

Example 2: The value of the Underlying Index increases from the Initial Index Value of 2,500 to a Final Index Value of 3,000. Because the Underlying Index Return of 20% is greater than the Contingent Minimum Return of 0%, the investor receives a payment at maturity per \$1,000 principal amount security, calculated as follows:

$$\$1,000 + (\$1,000 \times 20\%) = \$1,200$$

Example 3: The value of the Underlying Index decreases from the Initial Index Value of 2,500 to a Final Index Value of 2,375. Because the Final Index Value is greater than or equal to the Knock-Out Level, a Knock-Out Event has not occurred. Because the Underlying Index Return of -5.00% is less than the Contingent Minimum Return of 0%, the investor receives the benefit of the Contingent Minimum Return and therefore receives a payment at maturity per \$1,000 principal amount security, calculated as follows:

$$\$1,000 + (\$1,000 \times 0\%) = \$1,000$$

Selected Purchase Considerations

APPRECIATION POTENTIAL; NO GUARANTEED RETURN OF ANY PRINCIPAL — The securities provide the opportunity to participate in the appreciation of the Underlying Index at maturity. *If a Knock-Out Event HAS NOT occurred*, meaning that the Final Index Value is greater than or equal to the Knock-Out Level, because of the Contingent Minimum Return, you will receive at maturity no less than the \$1,000 principal amount for each security, and you will participate in any appreciation of the Underlying Index over the term of the securities. Since the Contingent Minimum Return is 0%, you will receive only the repayment of your principal at maturity, without any positive return on your investment, if the Underlying Index declines in value but without triggering a Knock-Out Event. *However, if a Knock-Out Event HAS occurred*, meaning that the Final Index Value is less than the Knock-Out Level, you will lose a significant portion or all of your investment based on a 1% loss for every 1% decline in the Final Index Value, as compared to the Initial Index Value. Because the securities are our unsecured obligations, payment of any amount at maturity is subject to our ability to pay our obligations as they become due.

SECURITIES LINKED TO THE S&P 500® Index —The S&P 500 Index, which is calculated, maintained and published by S&P Dow Jones Indices LLC (“S&P”), consists of stocks of 500 component companies selected to provide a performance benchmark for the U.S. equity markets. The calculation of the S&P 500® Index is based on the relative value of the float adjusted aggregate market capitalization of the 500 component companies as of a particular time as compared to the aggregate average market capitalization of 500 similar companies during the base period of the years 1941 through 1943. For additional information about the S&P 500® Index, see the information set forth under “S&P 500 Index” in the accompanying index supplement.

TAX TREATMENT – You should review carefully the section entitled “United States Federal Taxation” in the accompanying product supplement for knock-out notes. Although there is uncertainty regarding the U.S. federal income tax consequences of an investment in the securities due to the lack of governing authority, in the opinion of our counsel, Davis Polk & Wardwell LLP, under current law, and based on current market conditions, a security should be treated as a single financial contract that is an “open transaction” for U.S. federal income tax purposes. Assuming this treatment of the securities is respected, your gain or loss on the securities should be treated as long-term capital gain or loss if you have held the securities for more than one year, and short-term capital gain or loss otherwise, even if you are an initial purchaser of securities at a price that is below the principal amount of the securities.

The Internal Revenue Service (the “IRS”) or a court, however, may not respect this characterization or treatment of the securities, in which case the timing and character of any income or loss on the securities could be significantly and adversely affected. For example, under one possible treatment, the IRS could seek to recharacterize the securities as debt instruments. In that event, you would be required to accrue into income original issue discount on the securities every year at a “comparable yield” determined at the time of issuance and recognize all income and gain in respect of the securities as ordinary income. Additionally, as discussed under “United States Federal Taxation—FATCA” in the accompanying product supplement for knock-out notes, the withholding rules commonly referred to as “FATCA” would apply to the securities if they were recharacterized as debt instruments. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the securities, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features. We do not plan to request a ruling from the IRS regarding the tax treatment of the securities, and the IRS or a court may not agree with the tax treatment described above.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which any income (including any mandated accruals) realized by non-U.S. holders should be subject to withholding tax; and whether these investments are or should be subject to the “constructive ownership” rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, possibly with retroactive effect.

As discussed in the accompanying product supplement for knock-out notes, Section 871(m) of the Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder (“Section 871(m)”) generally impose a 30% (or a lower applicable treaty rate) withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities (each, an “Underlying Security”). Subject to certain exceptions, Section 871(m) generally applies to securities that substantially replicate the economic performance of one or more Underlying Securities, as determined based on tests set forth in the applicable Treasury regulations (a “Specified Security”). However, pursuant to an IRS notice, Section 871(m) will not apply to securities issued before January 1, 2019 that do not have a delta of one with respect to any Underlying Security. Based on our determination that the securities do not have a delta of one with respect to any Underlying Security, our counsel is of the opinion that the securities should not be Specified Securities and, therefore, should not be subject to Section 871(m).

Our determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on your particular circumstances, including whether you enter into other transactions with respect to an Underlying Security. If withholding is required, we will not be required to pay any additional amounts with respect to the amounts so withheld.

You should consult your tax adviser regarding the treatment of the securities, including possible alternative characterizations, the issues presented by the 2007 notice, the potential application of Section 871(m) and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

The discussion in the preceding paragraphs under “Tax Treatment” and the section entitled “United States Federal Taxation” in the accompanying product supplement for knock-out notes, insofar as they purport to describe provisions of U.S. federal income tax laws or legal conclusions with respect thereto, constitute the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of an investment in the securities.

Selected Risk Considerations

An investment in the securities involves significant risks. Investing in the securities is not equivalent to investing directly in the Underlying Index or any of the component stocks of the Underlying Index. These risks are