Article 450 of CRR Disclosure

Remuneration Policy

Morgan Stanley International Limited

As at 31 December 2015

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1. Remuneration Policy Disclosures for Year Ended December 31, 2015

Morgan Stanley (the Company) is committed to a responsible and effective compensation program that is shareholder-aligned, motivating, competitive, and reflects current best practices in corporate governance, risk management and regulatory principles.

2. Categories of staff whose professional activities have a material impact on the Company's risk profile and compliance with the UK Remuneration Code

The information outlined in this disclosure provides an overview of Morgan Stanley's compliance with the UK Remuneration Code and relates primarily to Senior Management and other employees whose professional activities have a material impact on the risk profile of the Company in the UK and global subsidiaries and branches of the UK regulated entities, as required in Senior Management Arrangements, Systems and Controls (SYSC) 19D.3.13, and Section 7.5 of the Prudential Regulation Authority (PRA) Rulebook and Article 450 of Capital Requirements Regulation ((EU) No 575/2013).

In compliance with the EBA Regulatory Technical Standards' (RTS) definition of 'material risk takers' for remuneration purposes ((EU) No 604/2014), the following criteria are used in the determination of employees that are subject to the full requirements of the Remuneration Code, known as "Code Staff": Roles identified under qualitative criteria (RTS Article 3) include Directors of the main UK Boards (Article 3 (1)), Non-Executive Directors (Article 3 (2)), Voting Members of the EMEA Operating Committee and EMEA Risk Committee, and employees that hold Significant Influence Function roles (Article 3 (3)), EMEA Heads of Control Functions (Article 3 (4) and Article 3 (9)), In-Business Risk Managers (Article 3 (5)), Heads of Material Business Units (Article 3 (6)), direct reports, with managerial responsibility of those identified in Article 3 (4) and Article 3 (5) (Article 3 (7)), direct reports who have material delegated or stand in responsibility of those identified in Article 3 (6) (Article 3 (8)), members of the EMEA Risk Committee and other committees with risk management responsibilities (Article 3 (10)), Managers within Credit and Market Risk, Trading Desk Heads and any Trader with responsibility for risk exposures over prescribed thresholds (Article 3 (11) and Article 3 (12)), all Managing Director Traders (not already identified under Article 3 (11) or Article 3 (12)) (Article 3 (13)), employees with New Product Approval (NPA) authority (Article 3 (14)), and any manager of employees identified under Article 3 (1) through to Article 3 (14) (Article 3 (15)). Many employees are identified under multiple qualitative criteria.

With regard to the quantitative criteria (RTS Article 4), employees are identified by the quantitative thresholds outlined in the RTS. We sought and received approval from the Company's regulators to exclude, as Code Staff, employees who met the quantitative threshold but have no material impact on the risk profile of a Material Business Unit through their professional activities (as outlined in SYSC 19A.3.4, 19D.3.5 and Section 3.2 of the PRA Rulebook), and employees who only carry out professional activities and have authority in a Non-Material Business Unit.

In 2015, the Human Resources department continued to enhance the way in which the Company monitors and manages the composition of employees, including newly hired employees, considered Code Staff throughout the year, through reviews with Control Function Heads, Senior Management and Business Unit Heads. There is also on-going dialogue between Legal and Compliance, Risk Functions and Human Resources to analyze the population: for example, whether changes in organizational or functional responsibilities or employees' individual risk profiles may warrant any change in Code Staff designations. In addition, the Company analyses risk capital thresholds in the overseas subsidiaries and branches to ascertain the material risk posed therein to ensure Code Staff representation where necessary.

In addition, the EMEA Remuneration Oversight Committee (EROC) provides formal oversight of EMEA remuneration matters to ensure remuneration practices in EMEA are compliant with relevant UK and EU legislation and follow good practice standards. The EROC met six times in 2015. The EROC consists of the EMEA Control Function Heads and the EMEA Chief Operating Officer. EROC certified compliance to regulatory requirements, and the EMEA CEO confirmed that compliance.

3. Decision-making process used for determining the remuneration policy

3a. Composition and mandate of the Remuneration Committee

The Remuneration Committee of Morgan Stanley is the Compensation, Management Development and Succession (CMDS) Committee of the Morgan Stanley Board of Directors (the Board), which consists of four directors, including the independent Lead Director of the Board, all of whom are independent under the New York Stock Exchange listing standards and the independence requirements of the Company. In 2015, the CMDS Committee members were: Hutham Olayan (Chair), Erskine B. Bowles (independent Lead Director), James Owens, and Klaus Kleinfeld. The CMDS Committee held 11 meetings during 2015. The CMDS Committee operates under a written charter adopted by the Board. The CMDS Committee Charter is available on Morgan Stanley's website at http://www.morganstanley.com/about-us-governance/comchart.html.

Each year, the CMDS Committee reviews the annual incentive compensation pool for variable compensation and the design and structure of the Company's compensation programs, including the form of deferred incentive awards, deferral formulas, vesting and timing of payments and cancellation/clawback provisions. Annual incentive compensation is granted to eligible employees after a comprehensive review and evaluation of Company, business unit and individual performance for the year, both on a year-over-year basis and as compared to our key competitors.

3b. Role of the relevant stakeholders and external consultant

The CMDS Committee receives information and guidance throughout the year on matters relating to compensation globally, including regulatory and legislative developments. For example, the CMDS Committee certify on an annual basis that Morgan Stanley complies with the UK Remuneration Code. The CMDS Committee reviews the Company's compensation programs, including with the Chief Risk Officer (CRO), to help ensure that such arrangements are consistent with the safety and soundness of the Company and do not encourage excessive risk-taking, and are otherwise consistent with applicable related regulatory rules and guidance.

The CMDS Committee retains an independent compensation consultant and evaluates the independence of such consultant and other advisors as required by any applicable law, regulation and listing standard. The CMDS Committee's compensation consultant, Pay Governance, has been retained since October 2012 and has assisted the CMDS Committee in collecting and evaluating external market data regarding executive compensation and performance and advises the CMDS Committee on developing trends and best practices in executive compensation and equity and incentive plan design. In performing these services, Pay Governance met regularly with the CMDS Committee, including without management present. Pay Governance does not provide any other services to the Company or its executive officers. The Company has affirmatively determined that no conflict of interest has arisen in connection with the work of Pay Governance as compensation consultant for the CMDS Committee.

4. Link between pay and performance

The CMDS Committee and the Company continually evaluate the Company's compensation programs with a view toward balancing the following key objectives:

1. **DELIVER PAY FOR SUSTAINABLE PERFORMANCE**

   The Company's compensation program emphasizes discretionary variable annual incentive compensation (including deferred incentive compensation) and for senior executives, long-term incentive compensation with specific financial targets. Variable annual incentive compensation and long-term incentive compensation are adjusted year-over-year to appropriately reward annual achievement of the Company's financial and strategic objectives. In addition, long-term incentive compensation serves the shareholders' interests by conditioning payment upon future performance that executes on the Company's long-term business strategy. The structure of the Company's compensation program balances the objectives of delivering returns for shareholders and providing appropriate rewards to motivate superior and long-term individual performance.

2. **ALIGN EXECUTIVE COMPENSATION WITH SHAREHOLDERS' INTERESTS**

   The Company delivers a significant portion of incentive compensation in deferred equity awards to align employee interests with those of shareholders. The Company believes that linking incentive compensation amounts to performance and delivering a significant portion of annual and long term incentives as deferred equity awards that are impacted, up or down, by future stock price performance and are subject to cancellation and clawback over a multi-year period helps motivate employees to achieve financial and strategic goals.

   Members of the Company's Operating Committee are subject to an Equity Ownership Commitment. With effect from January 2016 (which included 2015 year end awards) based on feedback from shareholders, we revised our Equity Ownership Commitment in order to enhance the alignment between the long-term interests of our shareholders and our Operating Committee members. Further information on the Equity Ownership Commitment can be found on our website at http://www.morganstanley.com/about-us-governance/ownershipcommit.

3. **ATTRACT AND RETAIN TOP TALENT**

   The Company competes for talent globally with investment banks, commercial banks, brokerage firms, hedge funds and other companies offering financial services, and the Company's ability to sustain or improve its position in this highly competitive environment depends substantially on its ability to continue to attract and retain the most highly qualified employees. In support of the Company's recruitment and retention objectives, the Company continually monitors competitive pay levels and the Company manages any competing requirements with sound structures in its incentive awards which include vesting, deferred payment and cancellation and clawback provisions that protect the Company's interests.

4. **MITIGATE EXCESSIVE RISK-TAKING**

   The Company is committed to responsible and effective compensation programs that mitigate excessive risk-taking by employees. As noted above, the CMDS Committee is advised by the CRO and the CMDS Committee's independent compensation consultant to help ensure that the structure and design of compensation arrangements do not incentivize unnecessary or excessive risk-taking that threatens the Company's interests or gives rise to risk that could have a material adverse effect on the Company. The CRO concluded that the Company's current compensation programs for 2015 do not incentivize employees to take unnecessary or excessive risk and that such programs do not create risks that are reasonably likely to have a material adverse effect on the Company.

5. Design characteristics of the Remuneration System

Compensation for the majority of employees is comprised of two key elements:

- Fixed pay that is comprised of base salary and, in certain circumstances, one or more allowances that are reviewed at least annually; and
- Variable annual incentive compensation that is discretionary based on risk-adjusted performance measures.

The variable annual incentive compensation for Code Staff may be payable in upfront cash bonus, stock bonus awards and a mix of deferred cash-based and equity awards and, at a minimum, is structured to satisfy the following requirements of Remuneration Code Principle 12 ('Remuneration Structures'), and Section 15 of the PRA Rulebook ('Remuneration Structures'):

- Ratio between the fixed and the variable components of total compensation does not exceed 1:2 (this is maximum allowed under the applicable law and regulations, and follows approval from Morgan Stanley International Holdings Inc (as the sole shareholder of Morgan Stanley International Limited), and was obtained in accordance with the applicable UK rules and regulations);
- 40% or 60% of variable annual incentive compensation is deferred over a period of three years;
- The deferred variable annual incentive compensation is in the form of 50% deferred equity awards, with the remaining 50% in the form of deferred cash-based awards;
- The remaining variable annual incentive compensation is awarded as 50% stock bonus awards, with the remaining 50% as upfront cash bonus;
- Deferred equity awards are subject to a 6 month post-conversion sales restriction and stock bonus awards vest after 6 months; and
- Variable annual incentive compensation is subject to clawback for a period of at least 7 years from the date on which it is awarded in those jurisdictions where legally enforceable.

Per Remuneration Code guidance, Code Staff whose (i) variable annual incentive compensation is no more than 33% of their total compensation, and (ii) total compensation is no more than £500,000 (or the local currency equivalent) are not subject to the full scope of Remuneration Principles. However, such Code Staff employees continue to be subject to the Company's deferral practices for the general employee population. The following table provides details of the principal variable annual incentive compensation elements for Code Staff in 2015, including the deferral policy and vesting criteria.

<table>
<tr><th>CODE STAFF COMPENSATION ELEMENTS</th><th>DESCRIPTION</th><th>CANCELLATION AND CLAWBACK FEATURES</th></tr>
<tr><td>a. Deferred Cash-Based Awards</td><td>The deferred cash-based awards provide a cash incentive with a rate of return based upon notional reference investments. The terms of deferred cash-based awards support retention objectives and mitigate excessive risk-taking. Awards are payable, and cancellation provisions lift, pro-rata over the three years following grant.</td><td rowspan="3">All vested and unvested awards will be cancelled in full or, in the case of (a)(iii) in full or in part, if any of the following events occur prior to the applicable scheduled distribution date:

(a) the employee takes any action, or omits to take any action (including with respect to direct supervisory responsibilities), where such action or omission:

i. causes a restatement of the Company's consolidated financial results;

ii. constitutes a violation of the Company's Global Risk Management Principles, Policies and Standards (where prior authorization and approval of appropriate senior management was not obtained) whether such action results in a favorable or unfavorable impact to the Company's consolidated financial results; or

iii. causes a loss in the current year on a trade or transaction originating in the current year or in any prior year for which revenue was recognized and which was a factor in the participant's award determination, and violated internal control policies that resulted from the employee's:

1. Violation of business unit, product or desk specific risk parameters;

2. Use of an incorrect valuation model, method, or inputs for transactions subject to the "STAR" approval process;

3. Failure to perform appropriate due diligence prior to a trade or transaction or failure to provide critical information known at the time of the transaction that might negatively affect the valuation of the transaction;

4. Failure to timely monitor or escalate to management a loss position pursuant to applicable policies and procedures; or

(b) (Not applicable to stock bonus awards) the Company and/or relevant business unit suffers a material downturn in its financial performance or the Company and/or relevant business unit suffers a material failure of risk management.

Furthermore, awards are subject to cancellation for competition, cause (i.e., any act or omission that constitutes a breach of obligation to the Company, including failure to comply with internal compliance, ethics or risk management standards and failure or refusal to perform duties satisfactorily, including supervisory and management duties), disclosure of proprietary information and solicitation of employees or clients. Beginning with awards made in 2014, awards granted to members of the Company's Operating Committee are also subject to clawback if the CMDS Committee determines that the Operating Committee member had significant responsibility for a material adverse outcome for the Company or any of its businesses or functions.

Any shares or amounts distributed in respect of variable incentive compensation awards are subject to repayment, recovery and recapture pursuant to the Morgan Stanley Code Staff Clawback Policy, as amended from time to time, and any applicable clawback, repayment, recapture or recovery requirements imposed under applicable laws, rules and regulations.</td></tr>
<tr><td>b. Equity Awards — Restricted Stock Units (RSUs) and Stock Bonus Awards</td><td>RSUs support retention objectives and link realized value to shareholder returns. The terms of RSUs serve to mitigate excessive risk-taking. RSUs convert to shares of Morgan Stanley common stock, and cancellation provisions lift, pro-rata over the three years following grant.

Stock bonus awards vest after 6 months.

Employees receive dividend equivalents with respect to the RSUs and stock bonus awards in the form of additional stock units, which are subject to the same vesting, cancellation and payment provisions as the award to which dividend equivalents relate.</td></tr>
<tr><td>c. Long-Term Incentive Program (LTIP) Awards

(for Code Staff who are Executive Officers)</td><td>Future-oriented LTIP awards incentivize forward-looking performance by tying compensation to the Company's long-term financial performance over a three year period (2016 – 2018).

Each LTIP award consists of a target number of performance stock units that will vest and convert to shares of the Company's common stock in 2019 only if the Company achieves predetermined performance goals that are established by the CMDS Committee.

If the performance goals are not met, the LTIP awards will be cancelled without payment.

If, after conversion of the LTIP awards, the CMDS Committee determines that the performance certified by the CMDS Committee was based on materially inaccurate financial statements, then the shares delivered will be subject to clawback by the Company.</td></tr>
<tr><td>d. Cash Bonus</td><td>Paying a portion of compensation in upfront cash bonus is aligned with competitive pay approaches.</td><td>Any cash bonus is subject to repayment, recovery and recapture pursuant to the Morgan Stanley Code Staff Clawback Policy, as amended from time to time, and any applicable clawback, repayment, recapture or recovery requirements imposed under applicable laws, rules and regulations.</td></tr>
</table>

5a. Risk Adjustment

The Company continues to monitor the effectiveness of its compensation structure and evaluate whether it achieves balanced risk-taking and has a thorough process of considering risk-adjusted performance, compliance with risk limits and the market and competitive environment when sizing and allocating annual incentive compensation pools.

The Company's independent control functions take part in a formalized review process for identifying and evaluating situations occurring throughout the course of the year that could require explicit ex-post adjustment, such as cancellation or clawback of previously awarded compensation, as well as adjustments to current in-year compensation. In 2014, this process was enhanced by the formalized EMEA malus review process as part of EROC governance.

All variable compensation for Code Staff, have provisions that allow for clawback of any awards or compensation paid or delivered. The Operating Committee cancellation provision allows for Operating Committee deferred equity and deferred cash awards to be cancelled in full or in part prior to distribution at the sole discretion of the CMDS Committee if the Operating Committee member had significant responsibility for a material adverse outcome for the Company, or any of its businesses or functions.

5b. Performance Measurement

Employee eligibility for annual incentive compensation is discretionary and subject to a multi-dimensional performance measurement, which considers amongst other factors, individual, Company and business segment performance. In order to maintain a fully flexible annual remuneration policy, including the possibility to pay zero annual incentive compensation, pre-established Company performance priorities are non-formulaic in nature.

The Company has a Global Incentive Compensation Discretion Policy that sets forth standards for the exercise of managerial discretion in annual incentive compensation decisions. The policy requires consideration of a number of factors including performance which includes, but is not limited to, feedback elicited through the Company's talent development processes; client service; contribution to revenue and profitability (with consideration of risk taken); teamwork; management abilities (including the ability to attract and retain key talent); technical, substantive skills; adherence to core franchise values, business principles and policies; and market and competitive conditions.

6. Ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU (CRD IV)

Morgan Stanley's policy on ratios between fixed and variable compensation is to allow for flexibility, whilst recognizing the need to ensure that levels of compensation are appropriately balanced between fixed, short- and long-term variable incentive compensation. Morgan Stanley International Holdings Inc., as the sole shareholder of Morgan Stanley International Limited (the senior UK holding company), approved a ratio of 1:2 of fixed compensation to variable compensation for Identified Staff (Code Staff) in the EU businesses with effect from the date of implementation of CRD IV in accordance with SYSC 19D.3.49 and section 15.10 of the PRA Rulebook. The ratio approved is the maximum allowed under CRD IV.

7. Performance criteria on which the entitlement variable compensation is based

The Global Incentive Compensation Discretion Policy, noted above, also provides guidelines to help ensure that annual incentive compensation decisions take relevant factors into consideration, including actual and potential risks to the Company that the employee may be able to control or influence. The policy specifically provides that all managers must consider whether or not an employee managed risk appropriately and effectively managed and supervised the risk control practices of his or her employee reports during the performance year. Managers are required to certify that they have followed the requirements of Company policies and escalated situations potentially requiring attention for possible cancellations or clawback.

Other criteria that may be taken into account in deciding whether to award variable compensation and the amount to award includes: business and market conditions, conduct, adherence to the Company's Code of Conduct and policies, and contribution to the performance and profitability of both the business unit and the Company. Pursuant to the Company's Global Incentive Compensation Discretion Policy, in order to be eligible for any annual incentive compensation, the individual must also remain an active employee performing duties on behalf of the Company, who has not given or been given notice of termination, at the time annual incentive compensation is communicated across the Company to the eligible population of employees.

8. Main parameters and rationale for any variable component scheme and any other non-cash benefit

Employees who reach a certain eligibility threshold receive a portion of their variable annual incentive compensation in the form of deferred incentive compensation awards. In 2015 and in general over the years (and also as a result of following Remuneration Code Principles), as an eligible employee's compensation and responsibilities increase, a greater percentage of his or her annual incentive compensation, relative to other employees, is delivered as deferred incentive compensation awards, rather than as an upfront cash bonus.

The mix of deferred cash-based awards and equity awards is determined based on a variety of factors, including the number of shares available for grant under the Company's equity plans and, for Code Staff, ensuring compliance with the Remuneration Code Principle that states at least 50% of any variable remuneration consists of an appropriate balance of shares or share linked instruments. Delivering a portion of deferred incentive compensation awards in the form of equity links variable compensation to Company performance through the Company's stock price performance. In addition, risk outcomes that result in a negative impact to the Company reduce the value of the equity and the employee is subject to this decline in value through the deferral period.

In 2015, the Company continued to include cancellation provisions that apply to a broad scope of employee behavior in all deferred incentive compensation awards, including deferred cash-based awards and equity awards. Beginning with awards made in 2014, awards granted to members of the Company's Operating Committee are also subject to clawback if the CMDS Committee determines that the Operating Committee member had significant responsibility for a material adverse outcome for the Company or any of its businesses or functions. In addition, from 1 January 2015, awards of variable annual incentive compensation made to the Company's identified Code Staff are subject to clawback requirements in those jurisdictions where it is legally enforceable.

Morgan Stanley believes that its compensation decisions for 2015 demonstrate its focus on long-term profitability and commitment to sustainable shareholder value with appropriate rewards to retain and motivate top talent throughout economic cycles.

9. Aggregate quantitative information on remuneration, broken down by business area

The following tables set out aggregate quantitative information on remuneration of Code Staff who are employed by, or are seconded to, the following Morgan Stanley entities that were subject to the Remuneration Code in 2015:

- Morgan Stanley & Co. International plc
- Morgan Stanley International Incorporated
- Morgan Stanley Bank International Limited
- Morgan Stanley Investment Management Limited
- Morgan Stanley UK Limited
- OOO Morgan Stanley Bank

	INSTITUTIONAL SECURITIES GROUP	NON-INSTITUTIONAL SECURITIES GROUP [1]
Aggregate Remuneration (£ millions)	£304.6	£97.9

[1] Group includes Company functions, Investment Management, Operations and Technology.

10. Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following:

10a. Amounts of remuneration for financial year 2015, split into fixed and variable remuneration, and the number of beneficiaries

	SENIOR MANAGEMENT	MANAGEMENT BODY	OTHERS
Number of Beneficiaries (Code Staff)	27	26	351
Fixed Remuneration (£ millions)	£25.6	£20.6	£164.8
Variable Remuneration (£ millions)[1]	£21.7	£19.9	£150.0

[1] Variable remuneration awarded for performance year 2015 contained deferred equity incentives including restricted stock units plus deferred cash incentives.

10b. Amounts and forms of variable remuneration for 2015, split into cash, shares, share-linked instruments and other types

	SENIOR MANAGEMENT	MANAGEMENT BODY	OTHERS
Variable Remuneration (£ millions)			
Cash	£3.7	£3.2	£53.2
Deferred Cash	£7.3	£6.0	£42.3
Deferred Stock	£10.7	£10.7	£54.5

10c. Amounts of outstanding deferred remuneration, split into vested and unvested portions

	SENIOR MANAGEMENT	MANAGEMENT BODY	OTHERS
Deferred Remuneration (£ millions)			
Vested at Year End 2015[1]	£15.9	£14.4	£54.3
Unvested at Year End 2015[2]	£27.0	£49.2	£149.5

[1] Vested deferred equity and cash-based incentives awarded prior to performance year 2015 and vested at 31 December 2015.

[2] Deferred equity and cash-based incentives awarded during and prior to performance year 2015 and unvested at 31 December 2015.

10d. Amounts of deferred remuneration awarded during the financial year 2015, paid out, and reduced through performance adjustments

	SENIOR MANAGEMENT	MANAGEMENT BODY	OTHERS
Deferred Remuneration (£ millions)			
Awarded	£18.0	£16.7	£96.8
Paid out from Prior Years	£25.9	£24.6	£129.0
Reduced from Prior Years	£0.1	£0.5	£5.6

10e. New sign-on payments made during the financial year 2015, and the number of beneficiaries of those payments

	SENIOR MANAGEMENT	MANAGEMENT BODY	OTHERS
Remuneration (£ millions)			
No. of Beneficiaries	0	0	5
Total	£0.0	£0.0	£1.7

10f. Amounts of severance payments awarded during the financial year 2015, number of beneficiaries and highest such award to a single person

	SENIOR MANAGEMENT/ MANAGEMENT BODY	OTHERS
Severance payments awarded in 2015 (£ millions)	£1.5	£0.8
Number of beneficiaries	5	7
Highest such award to a single person (£ millions)	£1.0	£0.3

10g. The number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500,000 and aggregated for remuneration of EUR 5 million and above

REMUNERATION (€ MILLIONS)	NUMBER OF INDIVIDUALS
Over €1MM and up to €1.5MM	76
Over €1.5MM and up to €2MM	51
Over €2MM and up to €2.5MM	30
Over €2.5MM and up to €3MM	14
Over €3MM and up to €3.5MM	6
Over €3.5MM and up to €4MM	3
Over €4MM and up to €4.5MM	6
Over €4.5MM and up to €5MM	3
Over €5MM	9

11. For institutions that are significant in terms of their size, internal organisation and the nature, scope, and the complexity of their activities, the quantitative information referred to in this Article shall also be made available to the public at the level of members of the management body of the institution.

See disclosures in tables above.

This document represents the annual Remuneration Disclosure of the MSI Group, as required under the Capital Requirements Regulations (CRR). The annual public Pillar III qualitative and quantitative disclosures are published separately, and can be found at http://www.morganstanley.com/about-us-ir/pillar-uk.html.