

**MORGAN STANLEY & CO. INTERNATIONAL plc**  
*as issuer*  
*(incorporated with limited liability in England and Wales)*

---

**Issue by Morgan Stanley & Co. International plc of up to 10,000 Five-Year Leveraged  
Certificates linked to a Reference Fund Basket, due January 2020  
(the "Certificates" or the "Securities")**

---

**Regulation S Program for the Issuance of Notes, Series A and B, Warrants and Certificates**

**This Prospectus**

This document constitutes a prospectus (the "**Prospectus**") for the purposes of Article 5.3 of Directive 2003/71/EC as amended by Directive 2010/73/EU (the "**Prospectus Directive**") relating to the Certificates to be issued by Morgan Stanley & Co. International plc (the "**Issuer**" or "**MSI plc**" or "**MSIP**"). This Prospectus has been approved by the Central Bank of Ireland ("**Central Bank**"), as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Certificates, which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

**Listing**

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and to trading on its regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments. Application will also be made for the Certificates to be listed on the Official List and admitted to trading on the Euro TLX market, an MTF organised and managed by Euro TLX SIM S.p.A. and which is not a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments.

**The Program**

The Certificates are being issued under the Regulation S Program for the Issuance of Notes, Series A and B, Warrants and Certificates (the "**Program**") of the Issuer (and two other issuers).

**Status of the Certificates**

The Certificates are unsecured and unsubordinated general obligations of the Issuer and not of any affiliate of the Issuer. The Certificates are not bank deposits and are not insured or guaranteed by the UK Financial Services Compensation Scheme, the United States Federal Deposit Insurance Corporation or any other governmental agency in any jurisdiction, nor are they obligations of, or guaranteed by, a bank.

**Risk warning**

**The Certificates are not principal protected. You could lose some or up to all of your investment, depending on the performance of the Reference Fund Basket (as described herein).** Before purchasing the Certificates, you should consider, in particular, "*Risk Factors*" below.

**Information incorporated by reference**

This Prospectus incorporates by reference the Registration Document dated 13 June 2014 and certain other filings in relation to the Issuer. The Registration Document has been approved by the *Luxembourg Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purposes of the Prospectus Directive, and filed with the Central Bank of Ireland in accordance with Article 11 of the Prospectus Directive. See "*Documents Incorporated by Reference*" below. You should read this Prospectus together with such information from the Registration Document and such filings.

The date of this Prospectus is 24 November 2014

## IMPORTANT NOTICES

### *The Certificates may not be a suitable investment for all investors*

An investment in the Certificates entails certain risks.

Each potential investor should determine whether an investment in the Certificates is appropriate in its particular circumstances. An investment in the Certificates requires a thorough understanding of the nature of the relevant transaction. Potential investors should be experienced with respect to an investment in the Certificates and be aware of the related risks.

An investment in the Certificates is only suitable for potential investors who:

- have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Certificates and the information contained or incorporated by reference into this document;
- have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of the potential investor's particular financial situation and to evaluate the impact the Certificates will have on their overall investment portfolio;
- understand thoroughly the terms of the Certificates and are familiar with the behaviour of the reference funds (the "**Reference Funds**") in the basket of reference funds (the "**Reference Fund Basket**") to which the Certificates are linked and financial markets;
- are capable of bearing the economic risk of an investment in the Certificates until the maturity of the Certificates;
- recognise that it may not be possible to dispose of the Certificates for a substantial period of time, if at all, before the maturity; and
- are familiar with the behaviour of the Reference Funds and relevant financial markets and be able to evaluate (either alone or with the help of a financial and legal adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios.

*A potential investor should not invest in the Certificates unless it has the expertise (either alone or with a financial and legal adviser) to:*

- *understand the terms and conditions of Certificates and the mechanics for the calculation of the investment returns;*
- *evaluate how the Certificates will perform under changing conditions;*
- *evaluate the resulting effects on the value of the Certificates; and*
- *understand and assess the impact this investment will have on the potential investor's overall investment portfolio.*

*MSI plc, as Issuer and Dealer, disclaims any responsibility to advise prospective investors of any matters arising under the law of the country in which it resides that may affect the purchase of, or holding of, or the receipt of payments on the Certificates.*

Investing in the Certificates involves risks. See the section entitled "**Risk Factors**" below.

*Responsibility statement and consent to use this Prospectus*

MSI plc accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of MSI plc (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject to the conditions set out below, in connection with a Non-exempt Offer (as defined below) of the Certificates, the Issuer consents to the use of this Prospectus by Consultinvest Investimenti SIM S.p.A. (the "**Authorised Offeror**" or "**Distribution Agent**").

The consent of the Issuer is subject to the following conditions:

- (i) the consent is only valid during the period from, and including, 25 November 2014 to, and including, 23 December 2014 (the "**Offer Period**"); and
- (ii) the consent only extends to the use of this Prospectus to make Non-exempt Offers (as defined below) of the Certificates in the Republic of Italy.

A "**Non-exempt Offer**" of the Certificates is an offer of the Certificates that is not within an exemption from the requirement to publish a prospectus under the Prospectus Directive.

The Issuer may give consent to one or more additional Authorised Offerors after the date of this Prospectus or may discontinue or change the Offer Period, in which case a notice will be published on the Distribution Agent's website ([www.consultinvest.it](http://www.consultinvest.it)). For the avoidance of doubt, no supplement to this Prospectus will be published in relation thereto.

The Issuer may also change the conditions of the offer in which case the Issuer will publish a notice on the Issuer's website ([www.morganstanleyiq.eu](http://www.morganstanleyiq.eu)) and a notice will be published on the Distribution Agent's website ([www.consultinvest.it](http://www.consultinvest.it)), provided that, prior to the listing of the Certificates on the regulated market of the Irish Stock Exchange, any such information will be the subject of a supplement to this Prospectus under Article 16 of the Prospectus Directive. See also "Conditions to which the offer is subject" in item 7 of "*Offer Information*" below.

The Issuer accepts responsibility for the content of this Prospectus in relation to any person purchasing the Certificates pursuant to a Non-exempt Offer where the offer to the Investor (as defined in the paragraph below) is made (i) by an Authorised Offeror (or the Issuer, Dealer or Distribution Agent named herein), (ii) in a Member State for which the Issuer has given its consent, (iii) during the Offer Period for which the consent is given and (iv) in compliance with the other conditions attached to the giving of the consent, all as set forth in this Prospectus or as subsequently published in accordance with the paragraph immediately above. However, none of the Issuer and the Dealer has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

**Any person (an "Investor") intending to acquire or acquiring any Certificates from an Authorised Offeror will do so, and offers and sales of Certificates to an Investor by the relevant Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with Investors in connection with the offer or sale of the Certificates and, accordingly, this Prospectus will not contain such information and an Investor must obtain such information from the relevant Authorised Offeror. Information in relation to an offer to the public will be made available at the time such sub-offer is made, and such information will also be provided by the relevant Authorised Offeror at the time of such offer.**

*Other important notices*

**THE CERTIFICATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE CERTIFICATES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS**

(AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE "*SUBSCRIPTION AND SALE*" AND "*NO OWNERSHIP BY U.S. PERSONS*" below.

Each investor must comply with all applicable laws and regulations in each country or jurisdiction in or from which the investor purchases, offers, sells or delivers the Certificates or has in the investor's possession or distributes this Prospectus or any accompanying Contractual Terms.

THE CERTIFICATES ARE NOT BANK DEPOSITS AND ARE NOT INSURED BY THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY, NOR ARE THEY OBLIGATIONS OF, OR GUARANTEED BY, A BANK.

No person has been authorised by MSI plc to give any information or to make any representation not contained or incorporated by reference in this Prospectus, and, if given or made, that information or representation should not be relied upon as having been authorised by MSI plc. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Certificates will, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of MSI plc since the date hereof or, as the case may be, the date upon which this Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which have been incorporated into this Prospectus by way of a supplement to this Prospectus, or that any other information supplied from time to time is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Investors should review, *inter alia*, the most recent financial statements of MSI plc when evaluating any Certificates or an investment therein (such financial statements shall not form a part of this Prospectus unless they have been expressly incorporated herein, including by way of a supplement to this Prospectus).

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by MSI plc to inform themselves about and to observe those restrictions.

The Issuer does not intend to provide post-issuance information in respect of the Certificates.

This Prospectus should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference therein.

Each recipient of this Prospectus will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of MSI plc and of the terms of the Certificates.

This Prospectus may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which that offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

The Certificates do not qualify as units of a collective investment scheme according to the relevant provisions of the Swiss Federal Act on Collective Investments Scheme ("CISA"), as amended, and are not registered thereunder. Therefore, the Certificates are neither governed by the CISA nor supervised by the Swiss Financial Market Supervisory Authority ("FINMA"). Accordingly, investors do not have the benefit of the specific investor protection provided under the CISA.

All references in this Prospectus to "euro", "€" and "EUR" are to the lawful single currency of the member states of the European Union who have adopted and continue to retain a common single currency through monetary union in accordance with European Union treaty law (as amended from time to time), all references to "U.S. dollars", "U.S.\$", "USD" and "\$" are to the lawful currency of the United States of America.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES

**COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

**IN CONNECTION WITH THE ISSUE OF THE CERTIFICATES, THE DISTRIBUTION AGENT OR ANY OTHER AGENT SPECIFIED FOR THAT PURPOSE IN THE CONTRACTUAL TERMS AS THE STABILISING MANAGER (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) MAY OVER-ALLOT THE CERTIFICATES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY AGENT OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISING ACTION. ANY STABILISING ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE CERTIFICATES IS MADE AND, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, BUT MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE CERTIFICATES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE CERTIFICATES. ANY STABILISING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## TABLE OF CONTENTS

|   | <b>Page</b> |
|---|-------------|
| IMPORTANT NOTICES .....   | II          |
| SUMMARY .....   | 1           |
| RISK FACTORS .....  | 16          |
| DOCUMENTS INCORPORATED BY REFERENCE .....   | 26          |
| SELECTED FINANCIAL INFORMATION OF MSI PLC .....   | 28          |
| CONDITIONS OF THE CERTIFICATES .....  | 29          |
| TERMS AND CONDITIONS OF THE CERTIFICATES .....  | 31          |
| CONTRACTUAL TERMS .....   | 60          |
| ANNEX TO CONTRACTUAL TERMS (SPECIAL TERMS AND CONDITIONS) .....                           | 66          |
| INVESTMENT OBJECTIVE AND DESCRIPTION OF THE POTENTIAL RETURN ON THE<br>CERTIFICATES ..... | 77          |
| FORM OF THE CERTIFICATES .....  | 81          |
| SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL<br>FORM .....          | 82          |
| BENEFIT PLAN INVESTORS .....  | 86          |
| UNITED KINGDOM TAXATION .....   | 87          |
| IRISH TAXATION .....  | 89          |
| ITALIAN TAXATION .....  | 90          |
| EUROPEAN UNION SAVINGS DIRECTIVE .....  | 93          |
| SUBSCRIPTION AND SALE .....   | 94          |
| NO OWNERSHIP BY U.S. PERSONS .....  | 97          |
| GENERAL INFORMATION .....   | 98          |
| INDEX OF DEFINED TERMS .....  | 100         |

## SUMMARY

*Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".*

| Section A – Introduction and Warnings |                                   |   |
|---------------------------------------|-----------------------------------|---|
| A.1                                   | <b>Introduction and Warnings:</b> | <p>This summary should be read as introduction to the Prospectus. Any decision to invest in the Certificates should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Certificates.</p>   |
| A.2                                   | <b>Consent:</b>                   | <p>The Issuer consents to the use of the Prospectus by Consultinvest Investimenti SIM S.p.A. (as an authorised offeror or distribution agent), subject to the following conditions:</p> <ul style="list-style-type: none"> <li>• the consent is only valid during the Offer Period (defined in E.3 below); and</li> <li>• the consent only extends to the use of the Prospectus to make an offer of the Certificates in the Republic of Italy that is not within an exemption from the requirement to publish a prospectus under the Prospectus Directive.</li> </ul> <p>The Issuer may give consent to one or more additional authorised offerors after the date of the Prospectus or may discontinue or change the Offer Period, in which case a notice will be published on the Distribution Agent's website (<a href="http://www.consultinvest.it">www.consultinvest.it</a>). For the avoidance of doubt, no supplement to this Prospectus will be published in relation thereto.</p> <p><b>An investor intending to acquire or acquiring the Certificates from an Authorised Offeror will do so, and offers and sales of the Certificates to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocation, settlement arrangements and any expenses or taxes to be charged to the investor (the "Terms and Conditions of the Non-exempt Offer"). The Issuer will not be a party to any such arrangements with Investors (other than the Distribution Agent) in connection with the offer or sale of the Certificates and, accordingly, this Prospectus and any Contractual Terms will not contain such information. The Terms and Conditions of the Non-exempt Offer shall be published by that Authorised Offeror on its website at the relevant time. None of the Issuer, the Dealer or other Authorised Offeror has any responsibility or liability for such</b></p> |

|                           |   |  |
|---------------------------|---|--|
|                           |   | <b>information.</b>  |
| <b>Section B – Issuer</b> |   |  |
| B.1                       | <b>Legal name and commercial name of the Issuer:</b>  | Morgan Stanley & Co. International plc (" <b>MSI plc</b> " or " <b>MSIP</b> ")   |
| B.2                       | <b>Domicile and legal form of the Issuer, the legislation under which the Issuer operates and its country of incorporation:</b> | MSI plc was incorporated in England and Wales on 28 October 1986. MSI plc was incorporated as a company limited by shares under the Companies Act 1985 and operates under the Companies Act 2006. MSI plc was re-registered as a public limited company on 13 April 2007. MSI plc's registered office is at 25 Cabot Square, Canary Wharf, London E14 4QA.   |
| B.4b                      | <b>Trends:</b>  | The business of Morgan Stanley, the ultimate holding company of MSI plc, in the past have been, and in the future may continue to be, materially affected by many factors, including: the effect of economic and political conditions and geopolitical events; the effect of market conditions, particularly in the global equity, fixed income, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate markets; the impact of current, pending and future legislation (including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act")), regulation (including capital, leverage and liquidity requirements), policies (including fiscal and monetary) and legal and regulatory actions in the United States of America ("U.S.") and worldwide; the level and volatility of equity, fixed income, and commodity prices, interest rates, currency values and other market indices; the availability and cost of both credit and capital as well as the credit ratings assigned to Morgan Stanley's unsecured short-term and long-term debt; investor, consumer and business sentiment and confidence in the financial markets; the performance of Morgan Stanley's acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements; Morgan Stanley's reputation; inflation, natural disasters and acts of war or terrorism; the actions and initiatives of current and potential competitors as well as governments, regulators and self-regulatory organizations; the effectiveness of Morgan Stanley's risk management policies; technological changes and risks, including cybersecurity risks; or a combination of these or other factors. In addition, legislative, legal and regulatory developments related to Morgan Stanley's businesses are likely to increase costs, thereby affecting results of operations. These factors also may have an adverse impact on Morgan Stanley's ability to achieve its strategic objectives. |
| B.5                       | <b>The group and the Issuer's position within the group:</b>  | MSI plc forms part of a group of companies including MSI plc and all of its subsidiary and associated undertakings (" <b>MSI plc Group</b> "). MSI plc's ultimate U.K. parent undertaking is Morgan Stanley International Limited and MSI plc's ultimate parent undertaking and controlling entity is Morgan Stanley.  |
| B.9                       | <b>Profit Forecast:</b>   | Not Applicable. MSI plc does not provide profit forecasts.   |
| B.10                      | <b>Audit Report Qualifications:</b>   | Not Applicable. There are no qualifications in the auditor's reports on the financial statements of MSI plc for the years ended 31 December 2012 and 31 December 2013.   |



| B.12  | Selected Historical Key Financial Information:                             | Selected key financial information relating to MSI plc:   |                          |         |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
|---|--|---|--------------------------|---------|--|--|---|-------------|-------------|--------------------------|--|------|------|--------------|---------|---------|---------|---------|------------------------------|---------|---------|---------|---------|---|-------------|-------------|--------------------------|--|------|------|---|-------|-------|------------------|-------|--------------------------|-----|-----|-------|-----|-----------------------------------|---|----|-------|-----|
|   |  | <table><tr><th rowspan="2">Balance Sheet (<i>in \$ millions</i>)</th><th rowspan="2">31 Dec 2012</th><th rowspan="2">31 Dec 2013</th><th colspan="2">Six months ended 30 June</th></tr><tr><th>2013</th><th>2014</th></tr><tr><td>Total assets</td><td>552,841</td><td>519,566</td><td>613,232</td><td>471,255</td></tr><tr><td>Total liabilities and equity</td><td>552,841</td><td>519,566</td><td>613,232</td><td>471,255</td></tr></table><br><table><tr><th rowspan="2">Consolidated Income Statement (<i>in \$ millions</i>)</th><th rowspan="2">31 Dec 2012</th><th rowspan="2">31 Dec 2013</th><th colspan="2">Six months ended 30 June</th></tr><tr><th>2013</th><th>2014</th></tr><tr><td>Net gains on financial instruments classified as held for trading</td><td>3,571</td><td>4,082</td><td>1,953 (restated)</td><td>2,201</td></tr><tr><td>Profit (loss) before tax</td><td>242</td><td>173</td><td>(136)</td><td>362</td></tr><tr><td>Profit (loss) for the year/period</td><td>9</td><td>37</td><td>(192)</td><td>234</td></tr></table> <p>There has been no material adverse change in the prospects of MSI plc since 31 December 2013, the date of the latest published annual audited accounts of MSI plc, nor any significant change in the financial or trading position of the MSI plc Group since 30 June 2014, the date of the latest published interim financial statements of MSI plc.</p> |                          |         |  |  | Balance Sheet ( <i>in \$ millions</i> ) | 31 Dec 2012 | 31 Dec 2013 | Six months ended 30 June |  | 2013 | 2014 | Total assets | 552,841 | 519,566 | 613,232 | 471,255 | Total liabilities and equity | 552,841 | 519,566 | 613,232 | 471,255 | Consolidated Income Statement ( <i>in \$ millions</i> ) | 31 Dec 2012 | 31 Dec 2013 | Six months ended 30 June |  | 2013 | 2014 | Net gains on financial instruments classified as held for trading | 3,571 | 4,082 | 1,953 (restated) | 2,201 | Profit (loss) before tax | 242 | 173 | (136) | 362 | Profit (loss) for the year/period | 9 | 37 | (192) | 234 |
| Balance Sheet ( <i>in \$ millions</i> )                           | 31 Dec 2012  | 31 Dec 2013   | Six months ended 30 June |         |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
|   |  |   | 2013                     | 2014    |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
| Total assets  | 552,841  | 519,566   | 613,232                  | 471,255 |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
| Total liabilities and equity                                      | 552,841  | 519,566   | 613,232                  | 471,255 |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
| Consolidated Income Statement ( <i>in \$ millions</i> )           | 31 Dec 2012  | 31 Dec 2013   | Six months ended 30 June |         |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
|   |  |   | 2013                     | 2014    |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
| Net gains on financial instruments classified as held for trading | 3,571  | 4,082   | 1,953 (restated)         | 2,201   |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
| Profit (loss) before tax  | 242  | 173   | (136)                    | 362     |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
| Profit (loss) for the year/period                                 | 9  | 37  | (192)                    | 234     |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
| B.13  | Recent Events materially relevant to evaluation of solvency of the Issuer: | Not Applicable. MSI plc considers that no event particular to itself and which is to a material extent relevant to the evaluation of its solvency has taken place since the publication of its last annual financial statements.  |                          |         |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
| B.14  | Dependence upon other entities within the group:                           | See Element B.5 for the group and the Issuer's position within the group.<br><br>MSI plc's ultimate parent undertaking and controlling entity is Morgan Stanley. There are substantial inter-relationships between MSI plc and Morgan Stanley as well as other companies in the group comprising Morgan Stanley and its consolidated subsidiaries (the " <b>Morgan Stanley Group</b> "), including the provision of funding, capital, services and logistical support to or by MSI plc, as well as common or shared business or operational platforms or systems, including employees.  |                          |         |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |
| B.15  | The Issuer's Principal Activities:   | The principal activity of the MSI plc Group is the provision of financial services to corporations, governments and financial institutions. MSI plc operates globally. It operates branches in the Dubai International Financial Centre, France, Korea, the Netherlands, New Zealand, Poland, the Qatar Financial Centre and Switzerland.   |                          |         |  |  |   |             |             |                          |  |      |      |              |         |         |         |         |                              |         |         |         |         |   |             |             |                          |  |      |      |   |       |       |                  |       |                          |     |     |       |     |                                   |   |    |       |     |

|                                     |  |   |
|-------------------------------------|--|---|
| B.16                                | <b>Controlling Persons:</b>  | MSI plc is owned directly by Morgan Stanley UK Group (70% holding), Morgan Stanley Services (UK) Limited (10% holding), Morgan Stanley Finance Limited (10% holding) and Morgan Stanley Strategic Funding Limited (10% holding) and is ultimately controlled by Morgan Stanley.   |
| <b>Section C – The Certificates</b> |  |   |
| C.1                                 | <b>Type and class of the Certificates and ISIN Code:</b>                                 | <p><b>Title of Certificates:</b> Up to 10,000 Five-Year Leveraged Certificates linked to a Reference Fund Basket, due January 2020</p> <p><b>ISIN Code:</b> XS1140973733</p> <p><b>Common Code:</b> 114097373</p>   |
| C.2                                 | <b>Currency:</b>   | Euro ("EUR")  |
| C.5                                 | <b>Restrictions on Free Transferability:</b>   | <p>The Certificates will only be issued in circumstances which comply with the laws, guidelines, regulations, restrictions or reporting requirements which apply to the Certificates from time to time including the restrictions on the offer and sale of Certificates and the distribution of offering materials in various jurisdictions applicable at the date of the Prospectus.</p> <p>The Issuer and the Distribution Agent have agreed certain restrictions on the offer, sale and delivery of the Certificates and on the distribution of offering material in the United States, the EEA, Ireland and the Republic of Italy. However, the Certificates may be freely transferred in the relevant clearing system(s).</p> <p>The Certificates cannot be offered or sold in the United States or to US persons at any time.</p>   |
| C.8                                 | <b>The Rights attached to the Certificates, Ranking and Limitations to those Rights:</b> | <p><b>Rights:</b></p> <p>The Certificates give the right to each Securityholder to receive a potential return on the Certificates, including a right to exercise the Certificates (see Elements C.16 and C.18 below). The terms and conditions are governed under English law.</p> <p><b>Ranking:</b></p> <p>The Certificates are unsecured and unsubordinated general obligations of the Issuer and not of any affiliate of the Issuer. The Certificates constitute direct and general obligations of the Issuer which rank pari passu among themselves. The Certificates are not bank deposits and are not insured or guaranteed by the UK Financial Services Compensation Scheme, by the United States Federal Deposit Insurance Corporation or any other governmental agency in any jurisdiction, nor are they obligations of, or guaranteed by, a bank.</p> <p><b>Limitations to the rights:</b></p> <p>Notwithstanding that the Certificates are linked to the performance of funds, Securityholders do not have any rights in respect of any of such funds.</p> <p>The terms and conditions of the Certificates contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally and these provisions permit defined majorities to bind all Securityholders, including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority. Further, in certain circumstances, the Issuer may amend the terms and conditions of the Certificates, without the Securityholders' consent.</p> |

|      |  |  |
|------|--|--|
|      |  | <p>The terms and conditions of the Certificates permit the Issuer, on the occurrence of certain events and in certain circumstances, without the Securityholders' consent, to make adjustments to the terms and conditions of the Certificates, to terminate the Certificates prior to maturity, (where applicable) to postpone valuation of the underlying assets or scheduled payments under the Certificates, to substitute the Issuer with another permitted entity subject to certain conditions, and to take certain other actions with regard to the Certificates and the underlying assets (if any).</p> <p>Claims for principal on termination in respect of the Certificates shall become void unless (if the Certificates are in definitive form) the relevant Registered Certificate Forms are surrendered for payment within ten years of the due date for payment.</p> |
| C.11 | <b>Listing and Admission to Trading:</b>                                   | <p>Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and to trading on its regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments. Application will also be made for the Certificates to be listed on the Official List and admitted to trading on the Euro TLX market, an MTF organised and managed by Euro TLX SIM S.p.A. and which is not a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments.</p>  |
| C.15 | <b>How the value of the investment is affected by the Reference Funds:</b> | <p>The market price or value of the Certificates at any time is expected to be affected by changes in the value of the Reference Fund Basket to which the Certificates are linked.</p> <p>The Certificates are leveraged securities and investors should be aware that any change in the value of the Reference Fund Basket will have a magnified impact, whether positive or negative, on the value of the Certificates.</p> <p>The settlement amount payable on a Certificate is linked to the performance of the Reference Fund Basket on the valuation date of the Certificate, and whether a coupon amount is payable, and the amount of such coupon amount if payable, is dependent on the performance of the Reference Fund Basket on each quarterly coupon valuation date.</p> <p>See also Element C.18.</p>   |
| C.16 | <b>Maturity date of the Certificates:</b>                                  | <p>Each Certificate will be terminated in such manner, for such amount and on such date as set forth in C.18 below.</p>  |
| C.17 | <b>Settlement procedure of the Certificates:</b>                           | <p>The Certificates will be cash-settled by the payment of the Cash Settlement Amount.</p> <p>On the relevant date for termination of the Certificates, the Issuer shall pay the relevant termination amount to the Securityholders through the relevant clearing systems, and such amounts shall be credited to the relevant Securityholders' respective accounts held either with such clearing systems or with a financial intermediary that is a member of such clearing systems.</p>  |
| C.18 | <b>How the return on the Certificates takes place:</b>                     | <p>The Certificates offer the potential for payment of conditional Coupon Amounts on Coupon Payment Dates and a Cash Settlement Amount on termination of the Certificates.</p> <p><b>Coupon Amount:</b></p> <p>A "<b>Coupon Amount</b>" (which may be zero) determined on the last Observation Date of each calendar quarter (and after adjustment for disrupted days, the "<b>Coupon Valuation Date</b>"), may be payable on the Certificates if on such Coupon Valuation Date the Leveraged Index,</p>   |

|  |  |
|--|--|
|  | <p>observed two Business Days before such Observation Date<sub>t</sub>, has increased by more than 3 per cent. since the Strike Date, for the avoidance of doubt, after deducting all financing costs and (the "unitised" value of) any prior Coupon Amounts paid (such an event being a "<b>Coupon Event</b>"). The Coupon Amount will be the product of (a) EUR 900 and (b) the difference between the Leveraged Index on such Coupon Valuation Date and 1.00 (such difference, "<b>Coupon<sub>t(Q)</sub></b>"). The Coupon Amount, if any, will be payable on the fifth Business Day after the Coupon Valuation Date, provided that the final Coupon Amount, if any, will be paid on the scheduled maturity of the Certificates.</p> <p><b>Termination of the Certificates</b></p> <p>Certificates will be terminated following any one of the circumstances described immediately below. The Cash Settlement Amount payable on the termination of the Certificates depends on the circumstance leading to the termination of the Certificates:</p> <p>(a) <b>Holder exercise:</b> Each holder of Certificates may, at its option, elect to terminate the Certificates on giving 5 Business Days' notice during the term of the Certificates until the Expiration Date. In such case, each exercised Certificate will be terminated for an amount equal to the product of (i) EUR 900 multiplied by (ii) the Leveraged Index on the fifth Business Day immediately following the date on which an Exercise Notice relating to the Certificates was duly delivered minus 3 per cent., payable on the third Business Day following such fifth Business Day on which the Leveraged Index is determined.</p> <p>(b) <b>Scheduled maturity:</b> If the Certificates are not exercised or terminated prior to the Expiration Date, they will be deemed to have been exercised on that date. In such case, each Certificate will be terminated for an amount equal to the product of (i) EUR 900 multiplied by (ii) the Leveraged Index (subject to a minimum of zero) on the Expiration Date, payable on the Scheduled Cash Settlement Payment Date.</p> <p>The Certificates could also be terminated due to illegality, tax event, event of default or a reference fund event, all as described below.</p> <p>The Cash Settlement Amount will not be less than zero.</p> <p>All valuation dates are subject to postponement for disruption events relating to the Reference Funds.</p> <p>All payment dates are subject to postponement for non-Business Days.</p> <p><b>Key Dates:</b></p> <p><b>Business Day</b> means a London, Milan and TARGET business day.</p> <p><b>Common Fund Business Day</b> means a day which is both (i) a Business Day and (ii) a reference fund business day (which means a day that the net asset value of a Reference Fund is scheduled to be published) for all the Reference Funds.</p> <p><b>Expiration Date</b> means 3 January 2020.</p> <p><b>Observation Date</b> means each day which is both a Business Day and Common Reference Fund Business Day from (and including) the Strike Date to (and including) the Expiration Valuation Date.</p> |
|--|--|

|  |  |  |
|--|--|--|
|  |  | <p><b>Scheduled Cash Settlement Payment Date</b> means the later of (i) 10 January 2020 and (ii) the fifth Business Day after the Expiration Date.</p> <p><b>Strike Date</b> means 9 January 2015 or, if such day is not an Observation Date, the next following Observation Date.</p> <p><b>Leveraged Index</b></p> <p>The Leveraged Index on any Observation Date represents the increase or decrease in the net asset value of the proportionate notional holdings of the Reference Funds represented by the Certificates since the Strike Date (as measured by Asset Performance and as may be periodically rebalanced) less the financing cost of providing additional leveraged economic exposure to the Reference Funds beyond the invested amount per Certificate of EUR 900 (as measured by the Cash Account) and less the <math>Coupon_{t(Q)}</math> if a Coupon Amount is payable on such Observation Date.</p> <p>On the Strike Date, the Leveraged Index is set at a notional value of 1.00. The Leveraged Index on any subsequent Observation Date (including any Valuation Date) is calculated as follows:</p> <ul style="list-style-type: none"> <li>(a) the Leveraged Index on the Rebalance Date preceding such Observation Date;</li> <li>(b) <i>PLUS</i> the Asset Performance;</li> <li>(c) <i>PLUS</i> the change in the Cash Account from the Rebalance Date preceding such Observation Date (which shall include adjustment for financing costs); and</li> <li>(d) <i>MINUS</i> the <math>Coupon_{t(Q)}</math> if a Coupon Amount is payable on such Observation Date.</li> </ul> <p><b>Asset Performance</b></p> <p>The "Asset Performance" on an Observation Date is the sum of the change in the value of each Reference Fund in the Reference Fund Basket from the Rebalance Date preceding such Observation Date to such Observation Date, multiplied by the then economic exposure to such Reference Fund in the Reference Fund Basket as determined on the last Rebalance Date. The economic exposure to the Reference Funds is "notional" or "synthetic" only as a holder will have no legal or beneficial ownership whatsoever in the Reference Funds.</p> <p><b>Cash Account</b></p> <p>The "Cash Account" measures the financing cost for providing the additional leveraged economic exposure to the Reference Fund Basket beyond the invested amount per Certificate of EUR 900 and accrues on a daily basis as against the entire Basket Value over the term of the Certificates. It is charged as the 3-month EURIBOR interest rate (as recorded at the start of each financing period) plus a financing spread of 1.1 per cent., applied to the value of the Cash Account (as at the start of each financing period), and is deducted from the level of the Leveraged Index to reduce the amount otherwise payable on the Certificates.</p> <p><b>Rebalancing and leverage features</b></p> <p>The investment objective of the Certificates is to provide an investor with a target leveraged economic exposure to the Reference Fund Basket of 175 per cent. This means that, after reducing the nominal amount of each Certificate having an Offer Price of EUR 1,000 by the amount of the distribution fee of</p> |
|--|--|--|

|  |  |
|--|--|
|  | <p>EUR 100, each Certificate of nominal amount of EUR 900 will provide economic exposure at the Strike Date to the Reference Fund Basket having a value of EUR 1,575 (being, EUR 900 multiplied by 175 per cent.). However, this target exposure of 175 per cent. can increase or decrease over time as the net asset value of each Reference Fund will change and does not remain constant. If the aggregate net asset value of the units of all the Reference Funds in the Reference Fund Basket (for the purpose of this paragraph, the "Aggregate NAV"):</p> <ul style="list-style-type: none"> <li>(a) increases, the target exposure will fall from 175 per cent; and</li> <li>(b) decreases, the target exposure will rise above 175 per cent.</li> </ul> <p>In order to maintain the target exposure at 175 per cent., the Aggregate NAV must increase or decrease, as applicable, and to achieve that, the Determination Agent will periodically adjust the units of the Reference Funds in the Reference Fund Basket so that the target exposure after such adjustment will be equal to 175 per cent. again. This act of rebalancing will take place on a Rebalance Date, which is:</p> <ul style="list-style-type: none"> <li>(a) each Coupon Payment Date; and</li> <li>(b) an Observation Date: <ul style="list-style-type: none"> <li>(i) which is not a Disrupted Day in respect of all the Reference Funds in the Reference Fund Basket;</li> <li>(ii) where the previous Observation Date was not a Rebalance Date; and</li> <li>(iii) where one or more of the following applies: (A) 90 days have elapsed since the last Rebalance Date; or (B) the effective leverage is greater than 185 per cent. or less than 165 per cent.</li> </ul> </li> </ul> <p><b>Return on each Certificate in the case of unscheduled early termination</b></p> <p>The Certificates may be terminated prior to the cash settlement payment date:</p> <ul style="list-style-type: none"> <li>(a) <b>at the Issuer's option for illegality or a tax event.</b> In such case, the amount payable on early termination shall be, for each Certificate, an amount determined by the Determination Agent, in its sole and absolute discretion, as representing the fair market value of such Certificate immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion;</li> <li>(b) <b>upon an event of default:</b> In such case, the amount payable on early termination shall be, for each Certificate, an amount determined by the Determination Agent, acting in good faith and in a commercially reasonable manner, as at such day as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 Business Days prior to the date fixed for termination of the Certificates), to be the amount that a Qualified Financial Institution would charge either to assume all of the Issuer's payment and other obligations with respect to the Certificates as if no such Event of Default had occurred or to undertake obligations that would have the effect of preserving the economic equivalent of any payment by the Issuer to the</li> </ul> |
|--|--|

|                          |   | <p>Securityholder with respect to the Certificates;</p> <p>(c) <b>upon a reference fund event:</b> In such case, the amount payable on early termination shall be, for each Certificate, an amount determined by the Determination Agent to be the fair market value of a Certificate based on the market conditions prevailing at the date of determination reduced to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation, any interest issued to or held by an investor in the relevant reference fund, options, swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the Certificates),</p> <p><b>in each case, if you have purchased the Certificates at the Issue Price, the early termination amount may be less than your initial investment and therefore you may lose some or all of your investment.</b></p>   |              |                |                |      |   |                                       |            |              |   |  |            |              |   |                                   |            |              |   |  |            |              |   |                                    |            |              |
|--------------------------|---|--|--------------|----------------|----------------|------|---|---------------------------------------|------------|--------------|---|--|------------|--------------|---|-----------------------------------|------------|--------------|---|--|------------|--------------|---|------------------------------------|------------|--------------|
| C.19                     | <b>Final reference price of the underlying:</b>                                 | The net asset value of each Reference Fund in the Reference Fund Basket will be determined by the Determination Agent on the Valuation Date of the Certificate. For the purposes of calculating the final termination amount payable on the Cash Settlement Payment Date, the net asset value of each Reference Fund in the Reference Fund Basket on the Valuation Date is taken into account.   |              |                |                |      |   |                                       |            |              |   |  |            |              |   |                                   |            |              |   |  |            |              |   |                                    |            |              |
| C.20                     | <b>Type of underlying and where information on the underlying can be found:</b> | <p>The Certificates are linked to a "Reference Fund Basket" comprising a basket of equally-weighted Reference Funds as set forth in the table below.</p> <table><tr><th>i</th><th>Reference Fund</th><th>Bloomberg Code</th><th>ISIN</th></tr><tr><td>1</td><td>CONSULTINVEST HIGH YIELD CLASSE I CAP</td><td>CONHYDI IM</td><td>IT0004977713</td></tr><tr><td>2</td><td>CONSULTINVEST MULTIMANAGER FLEX CLASSE I CAP</td><td>CONMMFI IM</td><td>IT0004977630</td></tr><tr><td>3</td><td>CONSULTINVEST GLOBAL CLASSE I CAP</td><td>CONGLBI IM</td><td>IT0004977358</td></tr><tr><td>4</td><td>CONSULTINVEST MULTIMANAGER LOW VOLATILITY CLASSE I CAP</td><td>CONMLVI IM</td><td>IT0004977655</td></tr><tr><td>5</td><td>CONSULTINVEST REDDITO CLASSE I CAP</td><td>CONREDI IM</td><td>IT0004977531</td></tr></table> <p>For further information on the risks related to each of the Reference Funds, please refer to the relevant prospectuses of the Reference Funds on the following website: (<a href="http://www.consultinvest.it/sgr/fondi.asp">http://www.consultinvest.it/sgr/fondi.asp</a>). None of the Issuer, the Dealer or any of their affiliates has had any involvement in the preparation of such prospectuses and has not reviewed them, and takes no responsibility whatsoever for the information included in them. The information contained on such websites does not form part of this Prospectus and is not incorporated by reference herein.</p> | i            | Reference Fund | Bloomberg Code | ISIN | 1 | CONSULTINVEST HIGH YIELD CLASSE I CAP | CONHYDI IM | IT0004977713 | 2 | CONSULTINVEST MULTIMANAGER FLEX CLASSE I CAP | CONMMFI IM | IT0004977630 | 3 | CONSULTINVEST GLOBAL CLASSE I CAP | CONGLBI IM | IT0004977358 | 4 | CONSULTINVEST MULTIMANAGER LOW VOLATILITY CLASSE I CAP | CONMLVI IM | IT0004977655 | 5 | CONSULTINVEST REDDITO CLASSE I CAP | CONREDI IM | IT0004977531 |
| i                        | Reference Fund  | Bloomberg Code   | ISIN         |                |                |      |   |                                       |            |              |   |  |            |              |   |                                   |            |              |   |  |            |              |   |                                    |            |              |
| 1                        | CONSULTINVEST HIGH YIELD CLASSE I CAP   | CONHYDI IM   | IT0004977713 |                |                |      |   |                                       |            |              |   |  |            |              |   |                                   |            |              |   |  |            |              |   |                                    |            |              |
| 2                        | CONSULTINVEST MULTIMANAGER FLEX CLASSE I CAP                                    | CONMMFI IM   | IT0004977630 |                |                |      |   |                                       |            |              |   |  |            |              |   |                                   |            |              |   |  |            |              |   |                                    |            |              |
| 3                        | CONSULTINVEST GLOBAL CLASSE I CAP   | CONGLBI IM   | IT0004977358 |                |                |      |   |                                       |            |              |   |  |            |              |   |                                   |            |              |   |  |            |              |   |                                    |            |              |
| 4                        | CONSULTINVEST MULTIMANAGER LOW VOLATILITY CLASSE I CAP                          | CONMLVI IM   | IT0004977655 |                |                |      |   |                                       |            |              |   |  |            |              |   |                                   |            |              |   |  |            |              |   |                                    |            |              |
| 5                        | CONSULTINVEST REDDITO CLASSE I CAP  | CONREDI IM   | IT0004977531 |                |                |      |   |                                       |            |              |   |  |            |              |   |                                   |            |              |   |  |            |              |   |                                    |            |              |
| <b>Section D – Risks</b> |   |  |              |                |                |      |   |                                       |            |              |   |  |            |              |   |                                   |            |              |   |  |            |              |   |                                    |            |              |
| D.2                      | <b>Key Risks Specific to the Issuer:</b>  | <p>The following key risks affect Morgan Stanley and, since Morgan Stanley is the ultimate holding company of MSI plc, also impact MSI plc:</p> <p><b>Liquidity and funding risk:</b> Liquidity is essential to Morgan Stanley's businesses and Morgan Stanley relies on external sources to finance a significant portion of its operations. Morgan Stanley's borrowing costs and access to the debt capital markets depend significantly on its credit ratings, which may change. Further, Morgan Stanley is a holding company and depends on payments from its subsidiaries. As a result, there is a risk that Morgan Stanley will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Further,</p>   |              |                |                |      |   |                                       |            |              |   |  |            |              |   |                                   |            |              |   |  |            |              |   |                                    |            |              |

|  |   |
|--|---|
|  | <p>Morgan Stanley's liquidity and financial condition have in the past been, and in the future could be, adversely affected by U.S. and international markets and economic conditions.</p> <p><b>Market risk:</b> Morgan Stanley's results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors. Morgan Stanley may experience declines in value of its financial instruments and other losses related to volatile and illiquid market conditions. Holding large and concentrated positions may expose Morgan Stanley to losses. In particular, Morgan Stanley has incurred, and may continue to incur, significant losses in the real estate. These factors may result in losses for a position or portfolio held by Morgan Stanley or its consolidated subsidiaries.</p> <p><b>Credit Risk:</b> Morgan Stanley is exposed to the risk that third parties that are indebted to it will not perform their obligations, as well as that a default by another large financial institution could adversely affect financial markets generally. Such factors give rise to a risk that risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations.</p> <p><b>Operational Risk:</b> Morgan Stanley is subject to the risk of loss, or potential damage to its reputation, resulting from inadequate or failed processes, people and systems or from external events (e.g. fraud, legal and compliance risks or damage to physical assets). Morgan Stanley may incur operational risk across the full scope of its business activities, including revenue-generating activities (e.g. sales and trading) and control groups (e.g. information technology and trade processing).</p> <p><b>Legal, Regulatory and Compliance Risk:</b> Morgan Stanley is subject to the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss of reputation as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to its business activities. In addition, Morgan Stanley is subject to contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. Further, in today's environment of rapid and possibly transformational regulatory change, Morgan Stanley also views regulatory change as a risk to which it is subject.</p> <p><b>Risk Management:</b> Morgan Stanley's risk management strategies may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk.</p> <p><b>Competitive Environment Risk:</b> Morgan Stanley faces strong competition from other financial services firms, which could lead to pricing pressures that could materially adversely affect its revenue and profitability. Further automated trading markets may adversely affect Morgan Stanley's business (for example by putting downward pressure on trading commissions or comparable fees). Finally, Morgan Stanley's ability to retain and attract qualified employees is critical to the success of its business and the failure to do so may materially adversely affect its performance.</p> <p><b>International Risk:</b> Morgan Stanley is subject to numerous political, economic, legal, operational, franchise and other risks as a result of its international operations (including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls, increased taxes and levies and other restrictive governmental actions, as well as the outbreak of hostilities or political and governmental instability) which could adversely impact its businesses in many ways.</p> <p><b>Acquisition and Joint Venture Risk:</b> in connection with past and future</p> |
|--|---|



|     |   |   |
|-----|---|---|
|     |   | <p>acquisitions or divestitures, Morgan Stanley may be unable to fully capture the expected value from acquisitions, divestitures, joint ventures, minority stakes and strategic alliances.</p> <p>The existence of substantial inter-relationships (including the provision of funding, capital, services and logistical support to or by MSI plc, as well as common or shared business or operational platforms or systems, including employees) between MSI plc and other Morgan Stanley group companies exposes MSI plc to the risk that, factors which could affect the business and condition of Morgan Stanley or other companies in the Morgan Stanley Group may also affect the business and condition of MSI plc. Further, the Certificates are not guaranteed by Morgan Stanley.</p>   |
| D.6 | <p><b>Key Risks Specific to the Certificates, including a risk warning to the effect that investors may lose some or all of their investment:</b></p> | <p>The Certificates are subject to the following risks:</p> <ul style="list-style-type: none"> <li>• <b>THE CERTIFICATES ARE NOT PRINCIPAL PROTECTED AND INVESTORS COULD LOSE SOME OR UP TO ALL OF THEIR INVESTMENT.</b></li> <li>• <b>THE PERFORMANCE OF THE REFERENCE FUNDS ON THE VALUATION DATE RELATIVE TO SUCH PERFORMANCE ON THE STRIKE DATE (TOGETHER WITH THE AMOUNT OF ANY FINANCING COSTS AND COUPONS AND OTHER AMOUNTS WHICH ARE DEDUCTED) WILL DETERMINE THE RETURN ON THE CERTIFICATES ON THE CASH SETTLEMENT PAYMENT DATE, AND A LOWER PERFORMANCE ON THE VALUATION DATE MAY RESULT IN INVESTORS LOSING SOME OR ALL OF THEIR MONEY AND THE RETURN ON THE CERTIFICATES MAY BE ZERO.</b></li> <li>• <b>The Certificates are not bank deposits and are not insured or guaranteed by the UK Financial Services Compensation Scheme or the U.S. Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.</b></li> <li>• <b>An investment in the Certificates bears the risk that the Issuer is not able to fulfil its payment obligations under the Certificates. In such case investors may lose some or all of their money.</b></li> <li>• <b>Investors may lose some and up to all of their money in the event that the Certificates are subject to an unscheduled early termination (for illegality, tax event, event of default or reference fund event) or if an investor sells its certificates prior to maturity at a loss. In the event of such early termination, investors will not be able to participate in any future potential upside performance of the Reference Funds.</b></li> <li>• Investors have the right to exercise the Certificates prior to their scheduled maturity. If they exercise the Certificates, investors will receive an amount which will be dependent on the performance of the Leveraged Index on the fifth Business Day immediately following the date on which an Exercise Notice relating to the Certificates was duly delivered minus EUR 27 (being 3 per cent of par). Such amount could be less than the amount invested.</li> <li>• The investors will bear the risk of the performance of each of the Reference Funds. A high correlation of Reference Funds may have a significant effect on amounts payable. The negative performance of a single Reference Fund may outweigh a positive performance of one or</li> </ul> |

|  |  |  |
|--|--|--|
|  |  | <p>more other Reference Funds.</p> <ul style="list-style-type: none"> <li>• Investments – like the Certificates – which offer direct or indirect exposure to the performance of funds are generally considered to be particularly risky and may bear similar risks, including, but not limited to, market risks, to a direct investment in the funds.</li> <li>• The performance of a Reference Fund will be heavily dependent on the performance of investments selected by its advisers or investment managers and the skill and expertise of such reference fund service providers in making successful and profitable investment decisions. Such skill and expertise may be concentrated in a number of the adviser's or investment manager's key personnel. Should these key personnel leave or become no longer associated with the reference fund's adviser or investment manager, the value or profitability of the reference fund's investments may be adversely affected as a result.</li> <li>• The Certificates are a leveraged investment. The leverage feature gives the potential for a higher rate of return than would otherwise be the case, but it will also increase the volatility of the value of the Certificates and will increase the size of any potential loss suffered by an investor on the return on the Certificates.</li> <li>• The potential return on the Certificates will be reduced by financing costs (represented by the "Cash Account" calculation) which are deducted from the amount otherwise payable. The financing costs will increase, and therefore the potential return on the Certificates will be reduced, where the 3-month EURIBOR interest rate increases during the term of the Certificates.</li> <li>• Consultinvest Investimenti SIM S.p.A. is the Distribution Agent of the Certificates and belongs to the same group as the manager of the Reference Funds. This may give rise to potential conflicts of interest with investors, including in relation to any recommendations to potential investors to purchase the Certificates.</li> <li>• The exposure of the Certificates to the Reference Funds will be periodically rebalanced, as the value of the Reference Funds increases or decreases. The effect of such periodic rebalancing may be to increase or reduce the potential return on the Certificates than would otherwise be the case.</li> <li>• The terms of certain Certificates differ from those of ordinary debt securities because the Certificates may not pay interest and, on maturity, depending on the performance of the Reference Fund Basket, may return less than the amount invested or nothing, or may return assets or securities of an issuer that is not affiliated with the Issuer, the value of which is less than the amount invested.</li> <li>• Secondary trading of the Certificates may be limited. Further, if the Certificates are traded via one or more electronic trading systems and these systems become partially or completely unavailable, this would affect the investor's ability to trade the Certificates.</li> <li>• The market price of Certificates may be very volatile. Further, payment of principal or coupon amount, may occur at a different time or in a different currency than expected. The Reference Fund Basket may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies, shares, indices or other underlying assets. The timing of changes in the Reference Fund Basket may affect the actual yield to investors, even if the average level is consistent with their</li> </ul> |
|--|--|--|

|  |  |  |
|--|--|--|
|  |  | <p>expectations. In general, the earlier the change in the Reference Fund Basket the greater the effect on yield.</p> <ul style="list-style-type: none"> <li>• The Determination Agent may determine that a Market Disruption Event, Settlement Postponement Event and/or Potential Adjustment Event has occurred and such event may lead to a postponement of valuation and may affect the Reference Fund Basket and lead to adjustments of the Certificates.</li> <li>• The Determination Agent may determine that a Reference Fund Event has occurred and such event can affect the Reference Fund Basket and lead to early termination of the Certificates.</li> <li>• Potential conflicts of interest may exist between the investor and the Determination Agent, who, under the terms of the Certificates, may make such adjustments as it considers appropriate as a consequence of certain events affecting a Reference Fund, and in doing so, is entitled to exercise substantial discretion.</li> <li>• Because the Global Registered Certificates may be held by or on behalf of a clearing system investors will have to rely on such clearing system's procedures for transfer, payment and communication with the Issuer.</li> <li>• The terms and conditions applicable to the Certificates permit defined majorities to bind all holders of the Certificates, including those who did not attend and vote at the relevant meeting.</li> <li>• If an event of default occurs in respect of the Issuer, investors would have an unsecured claim against the Issuer for the amount due on the early termination of the Certificates.</li> <li>• The Issuer may amend the terms and condition of the Certificates and the deed of covenant in relation to the Certificates, without Securityholder consent if, in its opinion, such amendments are not materially prejudicial to Securityholders.</li> <li>• It is impossible to predict how the price of the Reference Funds will vary over time. The historical performance value (if any) of the Reference Funds does not indicate the future performance of the Reference Funds. Factors such as volatility, distributions on any Reference Fund, interest rates, remaining term of the Certificates and exchange rates will influence the price investors will receive if an investor sells its Certificates prior to maturity.</li> <li>• The Issuer's and/or its affiliates' hedging costs tend to be higher the less liquidity the Reference Funds have or the greater the difference between the "buy" and "sell" prices for the Reference Funds or derivatives contracts referenced to the Reference Funds, and this may impact payments on the Certificates.</li> <li>• The issuers of the Reference Funds are not affiliates of the Issuer, but the Issuer and its affiliates may presently or from time to time engage in business with the issuers of the Reference Funds.</li> <li>• General exchange rate and exchange control risks, including the risk that exchange rates will affect an investment in the Certificates, the risk of the Issuer's lack of any control over exchange rates and the risk that some currencies may become unavailable and of an alternative payment method used if the payment currency becomes unavailable.</li> <li>• No issuer of the Reference Funds has participated in the preparation of</li> </ul> |
|--|--|--|

|                          |   |   |
|--------------------------|---|---|
|                          |   | this Prospectus or in establishing the terms of the Certificates. Macroeconomic factors affecting the performance of Reference Funds may adversely affect the value of the Certificates. Holders have no claim or recourse to the Reference Funds.  |
| <b>Section E – Offer</b> |   |   |
| E.2b                     | <b>Reasons for the Offer and Use of Proceeds:</b> | The net proceeds of the Certificates will be used by the Issuer for general corporate purposes and/or in connection with hedging its obligations under the Certificates.  |
| E.3                      | <b>Terms and Conditions of the Offer:</b>         | <p>The offer is conditional upon the issuance of the Certificates.</p> <p><b>Offer Amount:</b> Up to 10,000 Certificates. The final Offer Amount will be finalised on or around the Issue Date, and made available on the Distribution Agent's website (<a href="http://www.consultinvest.it">www.consultinvest.it</a>) on or around the Issue Date. For the avoidance of doubt, no supplement to this Prospectus will be published in relation thereto.</p> <p><b>Offer Price:</b> EUR 1,000 per Certificate. The Offer Price includes a distribution fee of EUR 100 retained by the Distribution Agent.</p> <p><b>Offer Period:</b> From, and including, 25 November 2014 to, and including, 23 December 2014. The Offer Period is subject to adjustment by or on behalf of the Issuer and any adjustments to such period will be published in a notice on the Distribution Agent's website (<a href="http://www.consultinvest.it">www.consultinvest.it</a>). For the avoidance of doubt, no supplement to this Prospectus will be published in relation thereto.</p> <p><b>Conditions of the offer:</b> The Issuer may also change the conditions of the offer in which case the Issuer will publish a notice on the Issuer's website (<a href="http://www.morganstanleyiq.eu">www.morganstanleyiq.eu</a>) and on the Distribution Agent's website (<a href="http://www.consultinvest.it">www.consultinvest.it</a>), provided that, prior to the listing of the Certificates on the regulated market of the Irish Stock Exchange, any such information will be the subject of a supplement to the Prospectus under Article 16 of the Prospectus Directive.</p> <p><b>Dealer:</b> Morgan Stanley &amp; Co. International plc.</p> <p><b>Distribution Agent or Authorised Offeror and "Responsabile del Collocamento":</b> Consultinvest Investimenti SIM S.p.A.</p> <p><b>Application process:</b> The Certificates are exclusively offered to the Distribution Agent, who purchases the Certificates, with no firm commitment, from the Dealer to be distributed to investors in the Republic of Italy.</p> <p><b>Minimum and/or maximum amount of application:</b> The Dealer and the Distribution Agent agree to adjust the subscription according to the subscription amount.</p> <p><b>Categories of potential investors to which the Certificates are offered:</b> The Issuer does not intend to offer the Certificates through the Dealer to any investors. The Distribution Agent will offer the Certificates to investors.</p> <p>The Issuer, the Dealer and the Distribution Agent must comply with certain restrictions in relation to the offer, the sale and delivery of Certificates and the distribution of offer documents in the United States, the EEA, Ireland, the Republic of Italy and other jurisdictions.</p> |
| E.4                      | <b>Interests Material to the</b>                  | Subject to potential conflicts between the investor and the Determination Agent (being MSI plc), notably when MSI plc and other affiliates or   |

|     |                            |   |
|-----|----------------------------|---|
|     | <b>Issue:</b>              | <p>subsidiaries of MSI plc carry out hedging activities or trades, MSI plc does not have interests material to the issue.</p> <p>Subject to potential conflicts between the investor, the Distribution Agent (being Consultinvest Investimenti SIM S.p.A) and its affiliate (being Consultinvest Asset Management SGR S.p.A. who is the Company and Reference Fund Administrator for each of the Reference Fund), the Distribution Agent does not have interests material to the issue.</p> |
| E.7 | <b>Estimated Expenses:</b> | Not Applicable; there are no estimated expenses charged to the investor by the Issuer. However, a distribution fee of EUR 100 out of every EUR 1,000 invested by the investor will be retained by the Distribution Agent.   |

## RISK FACTORS

*Prospective investors should read the entire Prospectus. Words and expressions defined elsewhere in this Prospectus have the same meanings in this section.*

*Prospective investors should consider the section entitled "Risk Factors" at pages 4 to 15 in the Registration Document in respect of MSI plc referred to in the section entitled "Incorporation by Reference" in this Prospectus and the factors described below and consult with their own professional advisors if they consider it necessary.*

*The Issuer believes that such factors represent the principal risks inherent in investing in Certificates but the inability of the Issuer to pay the principal, coupon amount or other amounts on or in connection with the Certificates may occur for other reasons, which may not be considered significant risks by Issuer based on information currently available to it or which it may not currently be able to anticipate.*

**Morgan Stanley & Co. International plc ("MSI plc") (in its capacity as Issuer and Dealer) disclaims any responsibility to advise prospective purchasers of any matters arising under the laws of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments on the Certificates. These persons should consult their own legal and financial advisors concerning these matters. This section describes generally the most significant risks of investing in the Certificates. Each investor should carefully consider whether the Certificates, as described herein, are suited to its particular circumstances before deciding to purchase the Certificates.**

### **Risk Factors relating to the Certificates**

Potential investors should be aware that:

- (a) **they may lose all or a substantial portion of their investment, depending on the performance of the Reference Fund Basket;**
- (b) they may lose all or a substantial portion of their principal or investment if (i) the Issuer defaults on its payment obligations under the Certificates, (ii) the Certificates are subject to unscheduled early termination at less than par or (iii) the investor sells its Certificates in the secondary market for less than the purchase price;
- (c) the returns of the Certificates are calculated on the basis of complex mathematical formulae and that it is important that the investor has read and understood the methodology for calculating how (i) the movement of the Reference Fund Basket, (ii) the financing costs (as represented by the Cash Account) and (iii) the deduction of the initial distribution fee, will influence the value of the Certificates;
- (d) the market price of the Certificates may be very volatile;
- (e) a Reference Fund may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies, shares, indices or other underlying assets;
- (f) payment of principal or coupon amount, if applicable, may occur at a different time or in a different currency than expected; and
- (g) the timing of changes in a Reference Fund may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Reference Funds, the greater the effect on yield.

***The Certificates are not ordinary debt securities***

The terms of the Certificates differ from those of ordinary debt securities because the Certificates pay the coupon amount only on specified coupon payment dates and not throughout the life of the Certificates, and the coupon paid will subsequently be deducted from the return on the Certificates, and on maturity depending on the performance of the Reference Funds, may return less than the amount invested or nothing. Prospective investors who consider purchasing the Certificates should reach an investment decision only after carefully considering the suitability of the Certificates in light of their particular circumstances. The price of the Certificates may fall in value as rapidly as it may rise, and investors in the Certificates may potentially lose all of their investment.

***The value of the Certificates linked to the Reference Funds may be influenced by unpredictable factors***

The value of the Certificates may be influenced by several factors beyond the Issuer's, and/or its Affiliates', control including:

1. *Valuation of the Reference Funds.* The market price or value of a Certificate at any time is expected to be affected primarily by changes in the level of the Reference Funds to which the Certificates are linked. It is impossible to predict how the level of the Reference Funds will vary over time. The historical performance value (if any) of the Reference Funds does not indicate the future performance of the Reference Funds. Factors which may have an effect on the value of the Reference Funds include the rate of return of the Reference Funds and the market price or value of the Reference Funds. In addition, the level of the Reference Funds may depend on a number of inter related factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Potential investors should also note that whilst the market value of the Certificates is linked to the Reference Funds and will be influenced (positively or negatively) by the Reference Funds, any change may not be comparable and may be disproportionate. It is possible that while the Reference Funds is increasing in value, the value of the Certificates may fall. Further, the Conditions of the Certificates will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Certificates or price sources are affected by market disruption, adjustment events or circumstances affecting normal activities;
2. *Volatility.* The term "**volatility**" refers to the actual and anticipated frequency and magnitude of changes of the market price with respect to a Reference Fund. Volatility is affected by a number of factors such as macroeconomic factors (i.e. those economic factors which have broad economic effects), speculative trading and supply and demand in the options, futures and other derivatives markets. Volatility of a Reference Fund will move up and down over time (sometimes more sharply than at other times);
3. *Interest Rates.* Investments in the Certificates may involve interest rate risk. The interest rate level may fluctuate on a daily basis and cause the value of the Certificates to change on a daily basis. The interest rate risk is a result of the uncertainty with respect to future changes of the market interest rate level. In general, the effects of this risk increase as the market interest rates increase;
4. *Distributions.* The value of the Certificates could, in certain circumstances, be affected by fluctuations in the actual or anticipated distributions on a Reference Fund;
5. *Remaining Term.* Generally, the effect of pricing factors over the term of the Certificates will decrease as the scheduled cash settlement payment date approaches. However, this reduction in the effect of pricing factors will not necessarily develop consistently up until the scheduled cash settlement payment date, but may undergo temporary acceleration and/or deceleration. Even if the value of the Reference Funds rises or falls, there may a reduction or increase, as the case may be, in the value of the Certificates due to the other value determining factors. Given that the term of the Certificates is limited, investors cannot rely on the value of the Reference Funds or the value of the Certificates recovering again prior to maturity;
6. *Creditworthiness.* Any prospective investor who purchases the Certificates is relying upon the creditworthiness of the Issuer and has no rights against any other person. If the Issuer becomes

insolvent, investors may suffer potential loss of their entire investment irrespective of any favourable development of the other value determining factors, such as the Reference Funds; and

7. *Exchange Rates.* Even where payments in respect of the Certificates are not expressly linked to a rate or rates of exchange between currencies, the value of the Certificates could, in certain circumstances, be affected by such factors as fluctuations in the rates of exchange between any currency in which any payment in respect of the Certificates is to be made and any currency in which a Reference Fund is traded, appreciation or depreciation of any such currencies and any existing or future or governmental or other restrictions on the exchangeability of such currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of the Certificates will be representative of the relevant rates of exchange used in computing the value of the Certificates at any time thereafter.

Some or all of the above factors will influence the price investors will receive if an investor sells its Certificates prior to maturity, which is usually referred to as "secondary market practice". For example, investors may have to sell certain Certificates at a substantial discount from the principal amount or investment amount if the market price or value of the applicable Reference Funds is at, below, or not sufficiently above the initial market price or value or if market interest rates rise. The secondary market price may be lower than the market value of the issued Certificates as at the Issue Date to take into account, amongst other things, amounts paid to distribution agents and other intermediaries relating to the issue and sale of the Certificates and amounts relating to the hedging of the Issuer's obligations. As a result of all of these factors, any investor that sells the Certificates before the stated expiration or scheduled cash settlement payment date, may receive an amount in the secondary market which may be less than the then intrinsic market value of the Certificates and which may also be less than the amount the investor would have received had the investor held the Certificates through to maturity.

#### ***Credit risk***

Holders of Certificates bear the credit risk of the Issuer, that is the risk that the Issuer, is not able to meet its obligations under the Certificates, irrespective of how any principal, coupon amount or other payments under the Certificates are to be calculated. Any rating of the Issuer reflects the independent opinion of the relevant rating agency and is not a guarantee of the credit quality of the Issuer.

#### ***Risks relating to funds***

The return on the Certificates depends on the performance of the Reference Funds. Investments offering direct or indirect exposure to the performance of funds are generally considered to be particularly risky and may bear similar risks, including but not limited to, market risks to a direct investment in funds.

Prospective investors should note that payments on termination of the Certificates at maturity, expiration, early termination may be postponed, in accordance with the Conditions, up to a specified long stop date and if the specified long stop date is reached, for the purposes of determining the cash settlement amount, the affected reference fund interest units may be deemed to have a zero value.

Prospective investors should also be aware that if one or more events occur in relation to any Reference Fund, including the insolvency of such Reference Fund, then the Certificates shall be terminated early. The amount investors receive on such early termination of the Certificates will be based on the value of the Certificates on or around the time of termination and may be considerably less than their original investment and may even be zero.

The risks associated with investing in Certificates are similar to the risks attached to a direct investment in the Reference Funds. There are substantial risks in directly or indirectly investing in funds including, without limitation, the risks set out below. Prospective investors should note that references to funds below can refer both to the Reference Funds and also to any funds in which any of those Reference Funds invests its assets from time to time:

Investments risks that prospective investors should be aware of include the following:

1. Different types of funds are subject to differing levels of regulatory supervision.



2. Funds may have varying restrictions on leverage. Leverage presents the potential for a higher rate of return but also increases the volatility of the fund and increases the risk of a total loss of the amount invested.
3. Funds may have differing investment restrictions and some funds may invest in assets which are illiquid or difficult to transfer. This may have an effect on the realisation of such assets and in turn, the value and performance of the fund. In addition, a fund's assets or investments may be concentrated in a few markets, countries, industries, commodities, sectors of an economy or issuers. If so, adverse movements in a particular market, country, industry, commodity, economy or industry or in the value of the securities of a particular issuer could have a severely negative effect on the value of such a fund. In addition, a fund may use a single advisor or employ a single strategy, which could mean a lack of diversification and higher risk.
4. Substantial redemptions by holders of units in a fund within a short period of time could require the fund's investment manager(s) and/or adviser(s) to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the value of the fund's assets.
5. The performance of a fund will be heavily dependent on the performance of investments selected by its advisers or investment managers and the skill and expertise of such fund service providers in making successful and profitable investment decisions. Such skill and expertise may be concentrated in a number of the adviser's or investment manager's key personnel. Should these key personnel leave or become no longer associated with the fund's adviser or investment manager, the value or profitability of the fund's investments may be adversely affected as a result.

For further information on the risks related to each of the Reference Funds, please refer to the relevant prospectuses of the Reference Funds on the following website: (<http://www.consultinvest.it/sgr/fondi.asp>).

Please note, however, that none of the Issuer, the Dealer or any of their affiliates has had any involvement in the preparation of such prospectuses and has not reviewed them, and takes no responsibility whatsoever for the information included in them. The information contained on such websites does not form part of this Prospectus and is not incorporated by reference herein.

***A high correlation of Reference Funds in the Reference Fund Basket may have a significant effect on amounts payable on the Certificates***

Correlation of assets in a basket indicates the level of interdependence among the individual assets with respect to their performance. Past rates of correlation may not be determinative of future rates of correlation. Investors should be aware that, though assets may not appear to be correlated based on past performance, it may be that they suffer the same adverse performance following a general downturn or other economic or political event. Where the Reference Funds are subject to high correlation, any move in the performance of the Reference Funds will exaggerate the performance of the Certificates.

***Leverage risks***

The Certificates represent a leveraged investment. The leverage feature gives the potential for a higher rate of return than would otherwise be the case, but it will also increase the volatility of the value of the Certificates and will increase the size of any potential loss suffered by an investor on the return on the Certificates. Please see "*Investment Objective and Description of the Potential Return on the Certificates – The Basket Value Reflects a Leveraged Exposure to the Reference Funds*" below for an explanation of the leverage feature.

***Risks of financing costs***

The potential return on the Certificates will be reduced by financing costs (represented by the "Cash Account" calculation) which are deducted from the amount otherwise payable. The financing cost effectively represents a borrowing charge paid to the Issuer for the leverage feature, though it is charged against the entire Basket Value. The financing costs will increase, and therefore the potential return on the Certificates will be reduced, where the 3-month EURIBOR interest rate (represented by "RFR<sub>(t-1)</sub>" in the terms and conditions of the Certificates) increases during the term of the Certificates.

Please see "*Investment Objective and Description of the Potential Return on the Certificates – What is the Cost of Financing the Leveraged Exposure?*" below for an explanation of the financing cost.

***Potential conflicts of interest between the investors and the Distribution Agent and Managers of the Reference Funds***

Consultinvest Investimenti SIM S.p.A. is both the Distribution Agent of the Certificates and belongs to the same group as the manager of the Reference Funds. As Distribution Agent, Consultinvest Investimenti SIM S.p.A. will receive a distribution fee of EUR 100 for each Certificate sold. The manager of the Reference Funds will receive the benefit of increased assets under its management (and therefore fees) by virtue of the Issuer acquiring units of the Reference Funds directly for purposes of its hedging arrangements. This may give rise to potential conflicts of interest with investors, including in relation to any recommendations to potential investors to purchase the Certificates.

***Rebalancing risks***

In order to maintain the target multiplier level of 175 per cent., the exposure of the Certificates to the Reference Funds will periodically rebalance, as the value of the Reference Funds increases or decreases. The effect of such periodic rebalancing may be to increase or reduce the potential return on the Certificates than would otherwise be the case. Please see "*Investment Objective and Description of the Potential Return on the Certificates – Rebalancing*" below for an explanation of the rebalancing feature.

***Certain considerations regarding the use of the Certificates as hedging instruments***

Any person intending to use the Certificates as a hedging instrument should recognise the "correlation risk" of doing this. Correlation risk is the potential differences in exposure for a potential investor that may arise from the ownership of more than one financial instrument. The Certificates may not hedge exactly a Reference Fund. In addition, it may not be possible to liquidate the Certificates at a level which directly reflects the price of the Reference Funds. Potential investors should not rely on the ability to conclude transactions during the term of the Certificates to offset or limit the relevant risks. This depends on the market situation and the specific Reference Funds conditions. It is possible that such transactions will only be concluded at an unfavourable market price, resulting in a corresponding loss for the Securityholder.

***Effect on the Certificates of hedging transactions by the Issuer***

The Issuer may use a portion of the total proceeds from the sale of the Certificates for transactions to hedge the risks of the Issuer relating to the Certificates. In such case, the Issuer or any of its Affiliates may conclude transactions that correspond to the obligations of the Issuer under the Certificates. As a rule, such transactions are concluded prior to or on the Issue Date, but it is also possible to conclude such transactions after issue of the Certificates. On or before a valuation date the Issuer or any of its Affiliates may take the steps necessary for closing out any hedging transactions. It cannot, however, be ruled out that the price of a Reference Fund will be influenced by such transactions. Entering into or closing out these hedging transactions may influence the probability of occurrence or non-occurrence of determining events in the case of Certificates with a value based on the occurrence of a certain event in relation to a Reference Fund.

***Effect of the liquidity of the Reference Funds on Certificate pricing***

The Issuer's and/or its Affiliates' hedging costs tend to be higher the less liquidity the Reference Funds has or the greater the difference between the "buy" and "sell" prices for the Reference Funds. When quoting prices for the Certificates, the Issuer and/or its Affiliates will factor in such hedging costs and will pass them on to the Securityholders by incorporating them into the "buy" and "sell" prices. Thus, Securityholders selling their Certificates on an exchange or on the over the counter market may be doing so at a price that is substantially lower than the actual value of the Certificates at the time of sale.

The pricing of the Certificates takes into account that investors may exercise the Certificates on a daily basis during the term of the Certificates until its scheduled maturity, subject to 5 Business Days' notice. If the investor exercises such right, then EUR 27 (being an amount equal to 3 per cent. of par) will be deducted from the cash settlement amount otherwise payable by the Issuer to the investor. The deducted amount of EUR 27 represents costs and commissions payable by the Issuer for the unwinding

of the transactions that it has entered into in order to hedge its exposure under the Certificates. The amount payable on early termination may be less than the initial amount invested.

Provided that there is a secondary market for the Certificates at the relevant time, an investor wishing to exit the investment prior to maturity could instead choose to sell the Certificates in the secondary market. In such case, the price received by the investor may be less than the purchase price paid by it and it may lose some of the invested amount (see "*Secondary trading of the Certificates may be limited*" below).

***No affiliation with underlying companies***

None of the administrator or manager of any of the Reference Funds will be an affiliate of MSI plc. MSI plc or its subsidiaries may presently or from time to time engage in business with any of such entities, including entering into loans with, or making equity investments in, such entity or its affiliates or subsidiaries or Reference Fund or providing investment advisory services to any of such entities, including merger and acquisition advisory services. Moreover, no Issuer has the ability to control or predict the actions of the administrator, manager or Reference Fund, of the type that would require the Determination Agent to adjust the payout to the investor at maturity. No administrator, manager or Reference Fund, is involved in the offering of the Certificates in any way or has any obligation to consider the investor's interest as an owner of the Certificates in taking any corporate actions that might affect the value of the Certificates.

Fluctuations in the value of a Reference Fund in the Reference Fund Basket may, where applicable, be offset or intensified by fluctuations in the value of other Reference Funds. The historical value (if any) of the Reference Funds does not indicate their future performance.

***Secondary trading of the Certificates may be limited***

Potential investors should be willing to hold the Certificates until maturity. The nature and extent of any secondary market in the Certificates cannot be predicted and there may be little or no secondary market in the Certificates. As a consequence any person intending to hold the Certificates should consider liquidity in the Certificates as a risk. The listing and quotation of the Certificates on an exchange or quotation system does not imply greater or lesser liquidity than if equivalent securities were not so listed or quoted and the Issuer cannot guarantee that the listing or quotation will be permanently maintained.

Further, although the Issuer will apply for the Certificates to be listed (i) on the Official List and admitted to trading on the Irish Stock Exchange, a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments, and (ii) on the Official List and admitted to trading on the Euro TLX market, an MTF organised and managed by Euro TLX SIM S.p.A. and which is not a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments, approval for any listing is subject to meeting the relevant listing requirements. Even if there is a secondary market, it may not provide enough liquidity to allow the investor to sell or trade the Certificates easily. MSI plc, and other affiliates of MSI plc, may from time to time, make a market in the Certificates, but they are not required to do so. If at any time MSI plc and other affiliates of the Issuer were to cease making a market in the Certificates, it is likely that there would be little or no secondary market for the Certificates.

***Investors have no rights in the Reference Funds***

As an owner of Certificates, investors will not have voting rights or rights to receive dividends, interest or other distributions, as applicable, or any other rights with respect to the underlying Reference Funds.

***Exchange rates may affect the value of a judgment***

The Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by English law. Although an English court has the power to grant judgment in the currency in which a Certificate is denominated, it may decline to do so in its discretion. If judgment were granted in a currency other than that in which a Certificate is denominated, the investor will bear the relevant currency risk.

***Potential conflicts of interest between the investor and the Determination Agent of the Certificates***

As Determination Agent for Certificates linked to a basket of funds, MSI plc or an affiliate will determine the payout to the investor at maturity. MSI plc and other affiliates may also carry out hedging activities related to the Certificates, including trading in the underlying Reference Funds as well as in other instruments related to the Reference Fund Basket. MSI plc may also trade the applicable underlying Reference Funds and other financial instruments related to the underlying Reference Funds on a regular basis as part of their general broker dealer and other businesses. Any of these activities could influence the Determination Agent's determination of adjustments made to the Certificates and any such trading activity could potentially affect the price of the underlying Reference Funds and, accordingly, could affect the investor's payout on the Certificates.

***Actions taken by the Determination Agent may affect the Reference Funds***

The Determination Agent may make such adjustments as it considers appropriate as a consequence of certain corporate events affecting the Reference Funds, including Market Disruption Events, Reference Fund Events, Settlement Postponement Events and Potential Adjustment Events. In making these adjustments the Determination Agent is entitled to exercise substantial discretion and may be subject to conflicts of interest, including the conflicts of interest highlighted above, in exercising this discretion. The Determination Agent is not required but has the discretion to make adjustments with respect to each and every corporate events. Please see Condition 14 (*Provisions relating to Reference Fund Basket Securities*) in the "Terms and Conditions of the Certificates" below.

***Certificates in Global Form***

***Because the Global Registered Certificate (as defined below) will be held by or on behalf of Euroclear Bank S.A./N.V. ("Euroclear"), investors will have to rely on their procedures for transfer, payment and communication with the Issuer.***

The Certificates are represented by interests in a global registered certificate (the "**Global Registered Certificate**"). The Global Registered Certificate Form will be deposited with a common depositary for Euroclear. Except in the circumstances described in the Global Registered Certificate Form, investors will not be entitled to receive definitive Certificates. Euroclear will maintain records of the beneficial interests in the Global Registered Certificate Form. While the Certificates are represented by the Global Registered Certificate Form, investors will be able to trade their beneficial interests only through Euroclear.

While the Certificates are represented by the Global Registered Certificate Form, the Issuer will discharge its payment obligations under the Certificates by making payments through Euroclear for distribution to their account holders. A holder of an interest in the Global Registered Certificate Form must rely on the procedures of Euroclear, to receive payments under the Certificates. The Issuer does not have responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Registered Certificate Form.

Holders of beneficial interests in the Global Registered Certificate will not have a direct right to vote in respect of the Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear to appoint appropriate proxies.

***Modification and waiver***

The Conditions of the Certificates contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Certificates, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

***Change of law***

The Conditions of the Certificates are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice in England after the date of this Prospectus.

***Restricted secondary trading if the electronic trading system is unavailable***

Trading in the Certificates may be conducted via one or more electronic trading systems so that "buy" and "sell" prices can be quoted for exchange and off exchange trading. If an electronic trading system used by the Issuer and/or its Affiliates were to become partially or completely unavailable, such a development would have a corresponding effect on the ability of investors to trade the Certificates.

***Provision of information***

Neither the Issuer nor any of its Affiliates makes any representation as to the issuer for any Reference Funds. Any such persons may have acquired, or during the term of the Certificates may acquire, non-public information with respect to any such issuer, publisher or specified entity, their respective affiliates or any guarantors that is or may be material in the context of the Certificates. The issue of Certificates will not create any obligation on the part of any such persons to disclose to the Securityholders or any other party such information (whether or not confidential).

***Independent review and advice***

Each prospective investor must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Certificates is (i) fully consistent with its (or if it is acquiring the Certificates in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Certificates as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Certificates in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Certificates. The Issuer disclaims any responsibility to advise prospective investors of any matters arising under the law of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments on the Certificates.

***Subscription periods***

The Issuer has the right to close the offering of the Certificates prior to the end of the subscription period in case of adverse market conditions, as determined by the Issuer in its reasonable discretion, including but not limited to increased equity market volatility and increased currency exchange rate volatility. The Issuer has also reserved itself certain other rights in connection with the offering of Certificates: see "7. Terms and Conditions of the offer" in "*Contractual Terms*" below.

***Market Disruption Event, Reference Fund Event, Settlement Postponement Event, Potential Adjustment Events and early termination of the Certificates or postponement and potential reduction of payment on the Certificates***

The Determination Agent may determine that a Market Disruption Event has occurred or exists on a relevant date of valuation, and any consequential postponement of such date of valuation may have an adverse effect on the value of the Certificates.

In addition, on the occurrence of one or more Reference Fund Events, the Issuer will early terminate the Certificates. On the occurrence of one or more of certain events, such as Settlement Postponement Events and/or Potential Adjustment Events, the Issuer may early terminate or postpone and potentially reduce the payment on the Certificates. In this case, in relation to each Certificate, the Issuer will pay an amount, if any, determined as provided in the Conditions.

Prospective investors should review the Conditions to ascertain whether and how such provisions apply to the Certificates and what constitutes a Market Disruption Event, a Reference Fund Event, a Settlement Postponement Event or a Potential Adjustment Event.

***Issuer's credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold Certificates and may be revised or withdrawn by the rating agency at any time.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Certificates are legal investments for it, (ii) the Certificates can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Certificates under any applicable risk based capital or similar rules.

***Representations and acknowledgments by Securityholders***

*Representations and acknowledgments by Securityholders.* Each Securityholder shall be deemed to represent and acknowledge to the Issuer on acquiring the Certificates that:

- (a) neither the Issuer and/or any Affiliate nor any of their agents is acting as a fiduciary for it or provides investment, tax, accounting, legal or other advice in respect of the Certificates and that such holder and its advisors are not relying on any communication (written or oral and including, without limitation, opinions of third party advisors) of the Issuer or any Affiliate as (i) legal, regulatory, tax, business, investment, financial, accounting or other advice, (ii) a recommendation to invest in the Certificates or (iii) an assurance or guarantee as to the expected results of an investment in the Certificates (it being understood that information and explanations related to the terms and conditions of the Certificates shall not be considered to be any such advice, recommendation, assurance or guarantee and should be independently confirmed by the recipient and its advisors prior to making any such investment);
- (b) such Securityholder (i) has consulted with its own legal, regulatory, tax, business, investments, financial and accounting advisors to the extent that it has deemed necessary, and has made its own investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or any Affiliate or any of their agents and (ii) is acquiring the Certificates with a full understanding of the terms, conditions and risks thereof and it is capable of and willing to assume those risks; and
- (c) the Issuer and/or any Affiliates may have banking or other commercial relationships with issuers of the Reference Funds to which the Certificates relate and may engage in proprietary trading in the Reference Funds to which the Certificates relate or options, futures, derivatives or other instruments relating thereto (including such trading as the Issuer and/or any Affiliate deem appropriate in their sole discretion to hedge the market risk on the Certificates and other transactions between the Issuer and/or any Affiliates and any third parties), and that such trading (a) may affect the value thereof and consequently the amounts payable under the Certificates and (b) may be effected at any time.

***Disclosure***

None of the administrators or managers of the Reference Funds has participated in the preparation of this document or in establishing the Conditions of the Certificates and neither the Issuer nor any of their Affiliates will make any investigation or enquiry in connection with such offering with respect to any information concerning any such Reference Fund or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the Issue Date (including events that would affect the accuracy or completeness of any publicly available information described in this document) that would affect the value of the Reference Funds have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the Reference Fund could affect the value of the Reference Funds and therefore the trading price of the Certificates.

***United Kingdom stamp duty and stamp duty reserve tax***

Potential purchasers of Certificates should note that each Certificate may constitute an instrument which is subject to United Kingdom stamp duty on issue by reference to the amount of the consideration given for the Certificates so represented. If stamp duty is payable on the Certificates, interest will be payable (in addition to the stamp duty) in respect of the period from 30 days after the

date of execution of the Certificates to the date of payment. Penalties may also be payable if the Certificates are not stamped within 30 days of the date of execution of the Certificates. If a Certificate is subject to United Kingdom stamp duty, it would be inadmissible in evidence in an English court unless duly stamped. Potential purchasers should note that UK stamp duty reserve tax may become payable upon the issue of the Certificates depending on the nature of the underlying securities and the precise terms of the Certificates. Furthermore, potential purchasers should also note that UK stamp duty or stamp duty reserve tax may be payable on the transfer and / or exercise of the Certificates depending on the nature of the Relevant Factor and the precise terms of the Certificates.

## DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the documents incorporated by reference into this Prospectus. The information contained in the following documents is hereby incorporated by reference into this Prospectus and deemed to form a part of this Prospectus:

- (a) the registration document dated 13 June 2014 in relation to the Issuer (the "**Registration Document**");
- (b) MSI plc interim financial report for the six months ended 30 June 2014;
- (c) MSI plc report and financial statements for the year ended 31 December 2013; and
- (d) MSI plc report and financial statements for the year ended 31 December 2012.

The table below sets out the relevant page references for the information incorporated into this Prospectus by reference. The information incorporated by reference that is not included in the cross-reference list is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.

|  |                       |
|--|-----------------------|
| <b>Information incorporated by reference</b> | <b>Page reference</b> |
|--|-----------------------|

***From the Registration Document***

The entire document (with the exception of documents and/or information incorporated by reference into the Registration Document by way of the section entitled "Information Incorporated by Reference" therein)

***From the MSI plc interim financial report for the six months ended 30 June 2014***

|   |            |
|---|------------|
| Interim management report   | Pages 1-10 |
| Directors' responsibility statement                                 | Page 11    |
| Independent review report to Morgan Stanley & Co. International plc | Page 12    |
| Condensed consolidated income statement                             | Page 13    |
| Condensed consolidated statement of comprehensive income            | Page 14    |
| Condensed consolidated statement of changes in equity               | Page 15    |
| Condensed consolidated statement of financial position              | Page 16    |
| Condensed consolidated statement of cash flows                      | Page 17    |
| Notes to the condensed consolidated financial statements            | Page 18    |

***From the MSI plc report and financial statements for the year ended 31 December 2013***

|  |               |
|--|---------------|
| Independent auditor's report                   | Pages 15-16   |
| Consolidated income statement                  | Page 17       |
| Consolidated Statement of comprehensive income | Page 18       |
| Consolidated Statement of changes in equity    | Page 19       |
| Consolidated Statement of financial position   | Page 20       |
| Consolidated Statement of cash flows           | Page 21       |
| Notes to the consolidated financial statements | Pages 22-117  |
| MSI plc balance sheet                          | Page 118      |
| Notes to MSI plc financial statements          | Pages 119-142 |

***From the MSI plc report and financial statements for the year ended 31 December 2012***

|  |             |
|--|-------------|
| Independent auditor's report                   | Pages 14-15 |
| Consolidated income statement                  | Page 16     |
| Consolidated Statement of comprehensive income | Page 17     |
| Consolidated Statement of changes in equity    | Page 18     |
| Consolidated Statement of financial position   | Page 19     |



|  |               |
|--|---------------|
| Consolidated Statement of cash flows           | Page 20       |
| Notes to the consolidated financial statements | Pages 21-105  |
| MSI plc balance sheet                          | Page 106      |
| Notes to MSI plc financial statements          | Pages 107-135 |

Information not incorporated by reference are not relevant for the investor or are covered in other parts of this Prospectus. Copies of the documents containing the sections incorporated by reference in this Prospectus are available as follows:

| <b>Documents</b>  | <b>Location</b>   |
|---|---|
| Registration Document   | <a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=2831">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=2831</a>                                   |
| MSI plc interim financial report for the six months ended 30 June 2014      | <a href="http://www.morganstanley.com/about/ir/pdf/MSIP_Group_Accounts_30_June_2014.pdf">http://www.morganstanley.com/about/ir/pdf/MSIP_Group_Accounts_30_June_2014.pdf</a>   |
| MSI plc report and financial statements for the year ended 31 December 2013 | <a href="http://www.morganstanley.com/about/ir/pdf/MSIP_Dec_13_IFRS_accounts_(Final).pdf">http://www.morganstanley.com/about/ir/pdf/MSIP_Dec_13_IFRS_accounts_(Final).pdf</a> |
| MSI plc report and financial statements for the year ended 31 December 2012 | <a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=1571">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=1571</a>                                   |

MSI plc's short-term and long-term debt has been respectively rated (i) P-2 and A3, with a stable outlook, by Moody's Investors Service, Inc. ("**Moody's**") and (ii) A-1 and A, with a negative outlook, by Standard & Poor's Financial Services LLC through its business unit Standard & Poor's Ratings Services ("**S&P**").

Moody's is not established in the EEA and is not registered under the CRA Regulation in the EU but the rating it has assigned to MSI plc is endorsed by Moody's Investors Service Limited, which is established in the EEA and registered under the CRA Regulation by the relevant competent authority.

S&P is not established in the EEA and is not registered under the CRA Regulation in the EU but the rating it has assigned to MSI plc is, with effect from 9 April 2012, endorsed by Standard and Poor's Credit Market Services Europe Limited, a rating agency established in the EEA and registered under the CRA Regulation by the relevant competent authority.

### SELECTED FINANCIAL INFORMATION OF MSI PLC

This section contains selected financial information of MSI plc relating to (i) the years ended 31 December 2013 and 31 December 2012 derived from the audited financial statements included in MSI plc's report and financial statements for the year ended 31 December 2013 and (ii) the six months ended 30 June 2014 derived from the MSI plc interim financial report for the six months ended 30 June 2014.

| Balance Sheet ( <i>in \$ millions</i> ) | 31 Dec<br>2012 | 31 Dec<br>2013 | Six months ended<br>30 June |         |
|---|----------------|----------------|-----------------------------|---------|
|   |                |                | 2013                        | 2014    |
| <i>Total assets</i>                     | 552,841        | 519,566        | 613,232                     | 471,255 |
| <i>Total liabilities and equity</i>     | 552,841        | 519,566        | 613,232                     | 471,255 |

| Consolidated Income<br>Statement ( <i>in \$ millions</i> )                       | 31 Dec<br>2012 | 31 Dec<br>2013 | Six months ended<br>30 June |       |
|--|----------------|----------------|-----------------------------|-------|
|  |                |                | 2013                        | 2014  |
| <i>Net gains on financial<br/>instruments classified as<br/>held for trading</i> | 3,571          | 4,082          | 1,953<br>(restated)         | 2,201 |
| <i>Profit (loss) before tax</i>  | 242            | 173            | (136)                       | 362   |
| <i>Profit (loss) for the<br/>year/period</i>                                     | 9              | 37             | (192)                       | 234   |

## CONDITIONS OF THE CERTIFICATES

The terms and conditions of the Certificates comprise the (i) "*Terms and Conditions of the Certificates*", as completed and amended by (ii) the "*Contractual Terms*" including the "*Annex to Contractual Terms (Special Terms and Conditions)*" set out below, subject to any changes to the terms and conditions applicable to any Certificate issued in global form to the extent described under "*Summary of Provisions Relating to the Certificates while in Global Form*" below.

This document constitutes a Prospectus for the purposes of the Prospectus Directive. The "Contractual Terms" do not constitute Final Terms for the purposes of the Prospectus Directive.

### CONTENTS

#### TERMS AND CONDITIONS OF THE CERTIFICATES

|     |   |    |
|-----|---|----|
| 1.  | INTRODUCTION  | 31 |
| 2.  | INTERPRETATION  | 31 |
| 3.  | FORM, TITLE AND TRANSFER  | 35 |
| 4.  | STATUS OF CERTIFICATES  | 36 |
| 5.  | RIGHTS ON EXERCISE OF CERTIFICATES  | 36 |
| 6.  | EXERCISE  | 37 |
| 7.  | ISSUER CALL OPTION  | 41 |
| 8.  | EQUITY-LINKED, COMMODITY-LINKED, CURRENCY-LINKED, INFLATION-LINKED, PROPERTY-LINKED, FUND-LINKED AND BOND-LINKED SECURITIES | 41 |
| 9.  | PROVISIONS RELATING TO EQUITY-LINKED SECURITIES   | 41 |
| 10. | PROVISIONS RELATING TO COMMODITY-LINKED SECURITIES  | 41 |
| 11. | PROVISIONS RELATING TO CURRENCY-LINKED SECURITIES   | 41 |
| 12. | PROVISIONS RELATING TO INFLATION-LINKED SECURITIES  | 41 |
| 13. | PROVISIONS RELATING TO PROPERTY-LINKED SECURITIES   | 41 |
| 14. | PROVISIONS RELATING TO REFERENCE FUND BASKET SECURITIES   | 41 |
| 15. | PROVISIONS RELATING TO BOND-LINKED SECURITIES   | 52 |
| 16. | PROVISIONS RELATING TO PHYSICAL SETTLEMENT SECURITIES   | 52 |
| 17. | PROVISIONS RELATING TO AUTOCALLABLE EARLY SETTLEMENT SECURITIES   | 52 |
| 18. | INCONVERTIBILITY EVENTS   | 52 |
| 19. | PROVISIONS RELATING TO ALL SECURITIES   | 52 |
| 20. | SECURITIES REGISTRAR, SECURITIES TRANSFER AGENTS AND DETERMINATION AGENT  | 54 |
| 21. | TAXES   | 55 |
| 22. | EVENTS OF DEFAULT   | 55 |
| 23. | ILLEGALITY AND TAX EVENTS   | 56 |
| 24. | NOTICES   | 56 |
| 25. | LOSSES  | 56 |
| 26. | PRESCRIPTION  | 57 |
| 27. | REPLACEMENT OF SECURITIES   | 57 |
| 28. | SEVERANCE, MEETINGS OF SECURITYHOLDERS AND MODIFICATION OF CONDITIONS   | 57 |
| 29. | FURTHER ISSUES  | 58 |
| 30. | PURCHASE OF CERTIFICATES OF ISSUER OR AFFILIATE   | 58 |
| 31. | SUBSTITUTION  | 58 |
| 32. | RIGHTS OF THIRD PARTIES   | 58 |
| 33. | REPRESENTATIONS AND ACKNOWLEDGEMENTS BY SECURITYHOLDERS   | 58 |
| 34. | GOVERNING LAW AND PROCEEDINGS   | 59 |

|                   |    |
|-------------------|----|
| CONTRACTUAL TERMS | 60 |
|-------------------|----|

#### ANNEX TO CONTRACTUAL TERMS (SPECIAL TERMS AND CONDITIONS)

|    |                                    |    |
|----|------------------------------------|----|
| 1. | COUPON AMOUNT                      | 66 |
| 2. | CASH SETTLEMENT AMOUNT             | 67 |
| 3. | DETERMINATION OF LEVERAGED INDEX   | 67 |
| 4. | DETERMINATION OF ASSET PERFORMANCE | 68 |
| 5. | DETERMINATION OF CASH ACCOUNT      | 69 |
| 6. | DETERMINATION OF BASKET VALUE      | 70 |

|    |                   |    |
|----|-------------------|----|
| 7. | REBALANCING       | 71 |
| 8. | OTHER DEFINITIONS | 72 |

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the terms and conditions of the Certificates which, as completed and amended by the Contractual Terms including the Annex to Contractual Terms (Special Terms and Conditions), will be applicable to the Certificates.*

### 1. INTRODUCTION

This security is one of a series (each, a **"Series"**) of Certificates (the **"Certificates"**) issued pursuant to a securities agency agreement dated 30 November 2000 (as modified and restated on 4 December 2001, 30 June 2005, 11 July 2006, 22 June 2007, 19 June 2008, 17 June 2009, 15 June 2010, 11 May 2011, 10 June 2011, 7 June 2012, 27 June 2013 and 18 August 2014, the **"Securities Agency Agreement"**, which expression shall include any further modifications and/or restatements thereto up to, and including, the Issue Date of the Certificates) to which Morgan Stanley & Co. International plc acceded and by which it is bound pursuant to the terms of accession agreements dated, respectively, as of 10 June 2002, as of 16 April 2004 and as of 15 June 2010. The other parties to the Securities Agency Agreement are (1) Morgan Stanley and (2) Morgan Stanley B.V., (3) The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A., London Branch), as principal Securities Agent (the **"Principal Securities Agent"**) and (4) The Bank of New York Mellon (Luxembourg) S.A. (the **"Securities Registrar"** and the **"Securities Transfer Agent"**), which expressions includes any successor or substitute Principal Securities Agent, Securities Registrar or Securities Transfer Agent, as the case may be, appointed in accordance with the Securities Agency Agreement) and (5) Citibank N.A., Zurich Branch acting as Securities Agent in connection with Certificates listed on the SIX Swiss Exchange and any other Securities Agents appointed under the Securities Agency Agreement (together, the **"Securities Agents"** and together with the Principal Securities Agent, the Securities Registrar, the Securities Transfer Agent and any other agents appointed pursuant to the Securities Agency Agreement (the **"Agents"**). In the following provisions of these terms and conditions (the **"Conditions"**), each reference to the **"Issuer"** is a reference to Morgan Stanley & Co. International plc.

Certificates issued by MSI plc in global form or in dematerialised form are constituted by a deed of covenant entered into by MSI plc dated 18 August 2014 (the **"MSI plc Deed of Covenant"**).

In relation to a Series of Certificates, the term **"Certificates"** shall, unless the context otherwise requires, include any further Certificates issued pursuant to Condition 29 (*Further Issues*) of these Conditions and forming a single series with such Series. The Securityholders (as defined below) are entitled to the benefit of, and are bound by and are deemed to have notice of, all the provisions of the Securities Agency Agreement, these Conditions and the Contractual Terms (as defined below) relating to the relevant Certificates.

Each Series of Certificates may comprise one or more tranches (**"Tranches"** and each, a **"Tranche"**) of Certificates. Each Tranche will be the subject of a Contractual Terms supplemental hereto (each, **"Contractual Terms"**).

References in the Conditions to Certificates are to the Certificates of the relevant Series and references to the Issuer, the Principal Securities Agent, the Determination Agent, any holder or the Securityholders are to those persons in relation to the Certificates of the relevant Series. Capitalised terms used but not defined in these Conditions shall have the meanings given to them in the applicable Contractual Terms, the absence of any such meaning indicating that such term is not applicable to the Certificates of the relevant Series.

### 2. INTERPRETATION

As used in these Conditions, the following expressions shall have the following meanings in respect of any Certificates or Series of Certificates:

**"Affiliate"** means any entity which is (a) an entity controlled, directly or indirectly, by the Issuer, (b) an entity that controls, directly or indirectly, the Issuer or (c) an entity directly or indirectly under common control with the Issuer;

**"Bond-Linked Securities"** {Intentionally Deleted};

**"Business Day"** means (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Milan; and (ii) a day on which TARGET2 is open;

**"Business Day Convention"** {Intentionally Deleted};

**"Cash Settlement Payment Date"** means, in respect of each Exercise Date, the date specified or otherwise determined as provided in the Contractual Terms;

**"CEA"** means the United States Commodity Exchange Act, as amended;

**"Clearing System"** means Euroclear;

**"Clearing System Business Day"** means, in respect of a Clearing System, any day on which such Clearing System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions;

**"Commencement Date"** means the date specified as such in the Contractual Terms, or, if such date is not a Business Day, the next following Business Day;

**"Commodity-Linked Securities"** {Intentionally Deleted};

**"Currency Business Day"** {Intentionally Deleted};

**"Currency-Linked Securities"** {Intentionally Deleted};

**"Determination Agent"** means Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA;

**"Early Termination Amount"** means, in respect of any Certificate, an amount determined by the Determination Agent, acting in good faith and in a commercially reasonable manner, as at such date as is selected by the Determination Agent, in its sole and absolute discretion (provided that such day is not more than 15 Business Days prior to the date fixed for termination of the Certificates), to be the amount that a Qualified Financial Institution would charge either: (i) to assume all of the Issuer's payment and other obligations with respect to such Certificate as if no such Event of Default had occurred, or (ii) to undertake obligations that would have the effect of preserving the economic equivalent of any payment by the Issuer to the Securityholder with respect to the Certificate.

**"EC Treaty"** means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997), as further amended from time to time;

**"ETF Basket Securities"** {Intentionally Deleted};

**"ETF Securities"** {Intentionally Deleted};

**"Euro", "euro", "€" and "EUR"** each means the lawful single currency of the member states of the European Union that have adopted and continue to retain a common single currency through monetary union in accordance with European Union treaty law (as amended from time to time);

**"Euroclear"** means Euroclear Bank S.A./N.V.;

**"European Economic and Monetary Union"** means economic and monetary union pursuant to the EC Treaty;

**"Exercise Date"** means, in respect of any Certificate, the day on which such Certificate is deemed to have been exercised in accordance with Condition 6.6 (*Deemed Exercise*), if applicable, or on which an Exercise Notice relating to that Certificate is delivered in accordance with the provisions of Condition 6.1 (*Exercise Notice*);

**"Exercise Notice"** means any notice in the form scheduled to the Securities Agency Agreement (or such other form as may from time to time be agreed by the Issuer and the Principal Securities Agent) which is delivered by a Securityholder in accordance with Condition 6.1 (*Exercise Notice*);

**"Exercise Period"** is defined in the Contractual Terms;

**"Exercise Receipt"** means a receipt issued by a Securities Registrar to a depositing Securityholder upon deposit of a Certificate with such Securities Registrar by any Securityholder wanting to exercise a Certificate;

**"Expiration Date"** means such date as specified in the Contractual Terms;

**"Extraordinary Resolution"** has the meaning given in the Securities Agency Agreement;

**"Finnish CSD"** {Intentionally Deleted};

**"Finnish Securities"** {Intentionally Deleted};

**"Implementation of Financial Transaction Tax"** {Intentionally Deleted};

**"Index Basket Securities"** {Intentionally Deleted};

**"Index Securities"** {Intentionally Deleted};

**"Inflation Securities"** {Intentionally Deleted};

**"Initial Date"** {Intentionally Deleted};

**"Latest Exercise Time"** means 10:00 a.m. (local time in the place where the Specified Office of the relevant Securities Registrar), unless specified otherwise in the Contractual Terms;

**"NCSD"** {Intentionally Deleted};

**"NCSD Issuing Agent"** {Intentionally Deleted};

**"NCSD Register"** {Intentionally Deleted};

**"NCSD Rules"** {Intentionally Deleted};

**"Nordic Securities"** {Intentionally Deleted};

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality;

**"Property Securities"** {Intentionally Deleted};

**"Physical Settlement Date"** {Intentionally Deleted};

**"Potential Exercise Date"** means {Intentionally Deleted};

**"Principal Financial Centre"** means, in respect of any Series of Certificates and any currency, the financial centre(s) for that currency specified as such in the Contractual Terms, or, if none is specified, the financial centre or centres determined by the Determination Agent in its sole and absolute discretion;

**"Qualified Financial Institution"** means a financial institution organized under the laws of any jurisdiction in the United States of America, the European Union or Japan, which, as at the date the Determination Agent selects to determine the Early Termination Amount, has outstanding debt obligations with a stated maturity of one year or less from the date of issue of such outstanding debt obligations, and such financial institution is rated either:

- (a) A2 or higher by Standard & Poor's Ratings Services or any successor, or any other comparable rating then used by that rating agency, or

- (b) P-2 or higher by Moody's Investors Service, Inc. or any successor, or any other comparable rating then used by that rating agency,

provided that, if no Qualified Financial Institution is reasonably available, then the Determination Agent shall, in good faith and acting in a commercially reasonable manner, select a financial institution of reputable standing organised under the laws of any jurisdiction in the United States of America, the European Union or Japan as a Qualified Financial Institution;

**"Reference Dealers"** {Intentionally Deleted};

**"Reference Fund Basket Securities"** means the Certificates;

**"Reference Fund Securities"** {Intentionally Deleted};

**"Register"** shall have the meaning given to it in the Securities Agency Agreement;

**"Registered Certificates"** has the meaning ascribed thereto in Condition 3 (*Form, Title and Transfer*);

**"Registered Warrants"** {Intentionally Deleted};

**"Reserved Matter"** means any proposal to change any date fixed for payment in respect of the Certificates, to reduce the amount of any payment payable on any date in respect of the Certificates, to alter the method of calculating the amount of any payment in respect of the Certificates or the date for any such payment, to change the currency of any payment under the Certificates or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**"Securities Act"** means the United States Securities Act of 1933, as amended;

**"Security"** means any Certificate;

**"Securityholder"** has the meaning ascribed thereto in Condition 3 (*Form, Title and Transfer*);

**"Settlement Currency"** means, in respect of any Series of Certificates, the currency specified as such in the Contractual Terms;

**"Settlement Cycle"** {Intentionally Deleted};

**"Settlement Election Date"** {Intentionally Deleted};

**"Share Securities"** {Intentionally Deleted};

**"Specified Office"** means, in respect of any Series of Certificates, in the case of a Reference Dealer, any office or branch of the Reference Dealer located in the city specified for such purpose in the Contractual Terms and, in the case of the Securities Registrar or the Securities Transfer Agent, has the meaning given to such term in the Securities Agency Agreement. If a city is not so specified in respect of a Reference Dealer, the Specified Office will be deemed to be an office or branch of such Reference Dealer located in the Principal Financial Centre of the Reference Currency unless no quotations are available from the relevant office or branch of such Reference Dealer in which case, the Specified Office of the relevant Reference Dealer shall be the office or branch of such Reference Dealer located in any major financial market for the purchase and sale of the Reference Currency and the Settlement Currency outside the country where the Reference Currency is the lawful currency, as selected by the Determination Agent;

**"Specified Time"** {Intentionally Deleted};

**"Strike Date"** has the meaning given in the Contractual Terms;

**"Strike Price"** {Intentionally Deleted};

**"Strike Price Payment Date"** {Intentionally Deleted};

**"Swedish CSD"** {Intentionally Deleted};



**"Swedish Securities"** {Intentionally Deleted};

**"TARGET2"** means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TARGET Business Day"** means a day on which TARGET2 is open;

**"Taxes"** mean all applicable stamp tax, stamp duty reserve tax, financial transaction tax, estate, inheritance, gift, transfer, capital gains, corporation, income, property, withholding, other taxes, duties and charges;

**"Underlying Securities"** means Reference Fund Interest Units of the Reference Funds, and **"Underlying Security"** shall be construed accordingly; and

**"Underlying Security Issuer"** means, in respect of Underlying Securities, the issuer of the Underlying Securities.

### 3. FORM, TITLE AND TRANSFER

3.1 *Form:* MSI plc will issue the Certificates in registered form ("**Registered Certificates**").

3.2 *Registered Securities:*

- (a) *Form:* The Registered Securities will be in global registered form ("**Global Registered Securities**") or individual registered form ("**Individual Registered Securities**"), in each case as specified in the Contractual Terms.
- (b) *Title:* Title to the Registered Securities passes by registration in the Register which is kept by the Registrar in accordance with the provisions of the Securities Agency Agreement. A certificate (an "**Individual Registered Security**") will be issued to each holder of Registered Securities in respect of its registered holding. Each Individual Registered Security will be numbered serially with an identifying number which will be recorded in the Register. "**holder**" means the person in whose name such Registered Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Securityholder**" shall be construed accordingly.
- (c) *Ownership:* The holder of any Registered Security shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or on the Individual Registered Security relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.
- (d) *Transfers:* Subject to Conditions 3.2(g) (*Closed Periods*) and 3.2(h) (*Regulations concerning transfers and registration*) below, a Registered Security may be transferred upon surrender of the relevant Individual Registered Security, with the endorsed form of transfer duly completed, at the Specified Office of the Securities Registrar or any Securities Transfer Agent, together with such evidence as the Securities Registrar or (as the case may be) such Securities Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Registered Securities represented by the surrendered Individual Registered Security are the subject of the transfer, a new Individual Registered Security in respect of the balance of the Registered Securities will be issued to the transferor.
- (e) *Registration and Delivery:* Within five business days of the surrender of an Individual Registered Security in accordance with Condition 3.2(d) (*Transfers*) above, the Securities Registrar will register the transfer in question and deliver a new Individual Registered Security of a like number or nominal amount to the Registered Securities transferred to each relevant holder at its Specified Office or (as the case

may be) the Specified Office of any Securities Transfer Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 3.2(e)(*Registration and Delivery*), "business day" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Securities Registrar or (as the case may be) the relevant Securities Transfer Agent has its Specified Office.

- (f) *No charge:* The transfer of a Registered Security will be effected without charge by or on behalf of the Issuer or the Securities Registrar or any Securities Transfer Agent but against such indemnity as the Securities Registrar or (as the case may be) such Securities Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (g) *Closed Periods:* Holders of Registered Securities may not require transfers to be registered during the period of 15 days ending on the due date for any payment in respect of the Registered Securities.
- (h) *Regulations concerning transfers and registration:* All transfers of Registered Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Securities scheduled to the Securities Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Securities Registrar. A copy of the current regulations will be mailed (free of charge) by the Securities Registrar to any holder of Registered Securities who requests in writing a copy of such regulations. The Issuer shall have the right to refuse to honour the transfer of any Securities to a person who is a U.S. Person (as defined in Regulation S) or is in the United States.

3.3 *Nordic Securities:* {Intentionally Deleted}.

3.4 *General provisions relating to the Certificates*

Interests in any Certificates will be transferable in a minimum amount of such number of Certificates (the "**Minimum Transfer Amount**") as is specified in the Contractual Terms.

Certificates may not be offered, sold, delivered or otherwise transferred at any time within the United States or to, or for account or benefit of, U.S. Persons (as such are used in Regulation S under the Securities Act and the CEA) and each Certificate will have a legend to such effect.

#### 4. **STATUS OF CERTIFICATES**

4.1 *Status of Certificates:*

The Certificates of each Series constitute direct and general obligations of the Issuer which rank *pari passu* among themselves.

4.2 *Status of Guarantee:*

{Intentionally Deleted}.

4.3 *The Issuer may elect the form of settlement:*

{Intentionally Deleted}.

#### 5. **RIGHTS ON EXERCISE OF CERTIFICATES**

5.1 **American Style Securities:**

If the Certificates are specified in the Contractual Terms as being "**American Style Securities**", then this Condition 5.1 (*American Style Securities*) is applicable and the Certificates are exercisable not later than the Latest Exercise Time on any day during the Exercise Period which is a Business Day and, if so specified in the Contractual Terms, a

Scheduled Trading Day, an Exchange Business Day, a Commodity Business Day, a Currency Business Day and/or a Fund Business Day, subject to Condition 5.9 (*Certificates void on expiry*) and to prior termination of the Certificates as provided in Conditions 10.3 (*Adjustments affecting Shares and ETF Interests*) to 19 (*Provisions Relating to all Securities*) (as applicable), 22 (*Events of Default*) and 23 (*Force Majeure and Illegality*).

5.2 *European Style Securities:*

{Intentionally Deleted}.

5.3 *Bermudan Style Securities:*

{Intentionally Deleted}.

5.4 *Cash Settlement Securities:*

The Certificates are "**Cash Settlement Securities**" and upon exercise each Certificate entitles the holder thereof to receive from the Issuer on the Cash Settlement Payment Date an amount (the "**Cash Settlement Amount**") calculated in accordance with the Contractual Terms in the currency (the "**Settlement Currency**") specified in the Contractual Terms (less any amount in respect of Taxes). The Cash Settlement Amount will be rounded down to the nearest minimum unit of the Settlement Currency, with Certificates exercised at the same time by the same Securityholder being aggregated for the purpose of determining the aggregate Cash Settlement Amount payable in respect of such Certificates.

5.5 *Physical Settlement Securities:*

{Intentionally Deleted}.

5.6 *Optional Physical Settlement:*

{Intentionally Deleted}.

5.7 *Optional Cash Settlement:*

{Intentionally Deleted}.

5.8 *Notification of election:*

{Intentionally Deleted}.

5.9 *Certificates void on expiry:*

Subject to Condition 6.6 (*Deemed Exercise*), Certificates with respect to which an Exercise Notice has not been duly completed and delivered to the Principal Securities Agent or the Securities Registrar, in the manner set out in Condition 6 (*Exercise*), before the Latest Exercise Time shall become void for all purposes and shall cease to be transferable.

5.10 *Delivery outside the United States:*

Notwithstanding the foregoing, no cash, securities or other property shall be delivered in the United States (as defined in Regulation S under the Securities Act and in the CEA) in connection with the settlement of, or exercise of, the Certificates.

6. **EXERCISE**

6.1 *Exercise Notice:*

- (a) Subject to Condition 5.9 (*Certificates void on expiry*) and to prior termination of the Certificates as provided in Conditions 10.3 (*Adjustments affecting Shares and ETF Interests*) to 19 (*Provisions Relating to all Securities*) (as applicable), 22 (*Events of Default*) and 23 (*Force Majeure and Illegality*), Certificates may be exercised by a Securityholder (at his own expense) at such time and on such day(s) as provided in

Condition 5.1 (*American Style Securities*), 5.2 (*European Style Securities*) or 5.3 (*Bermudan Style Securities*), as applicable, by (i) depositing from a location outside the United States the relevant Individual Registered Security and delivering from a location outside the United States a duly completed and signed Exercise Notice to the Securities Registrar (in the case of any Registered Certificates) and (ii) delivering a copy of such Exercise Notice to the Determination Agent.

- (b) Subject to Condition 5.9 (*Certificates void on expiry*) and to prior termination of the Certificates as provided in Conditions 10.3 (*Adjustments affecting Shares and ETF Interests*) to 19 (*Provisions Relating to all Securities*) (as applicable), 22 (*Events of Default*) and 23 (*Force Majeure and Illegality*), Certificates may be exercised by a Securityholder (at his own expense) at such time and on such day(s) as provided in Condition 5.1 (*American Style Securities*), 5.2 (*European Style Securities*) or 5.3 (*Bermudan Style Securities*), as applicable, by (i) depositing from a location outside the United States the relevant Individual Registered Security and delivering from a location outside the United States a duly completed and signed Exercise Notice to the Securities Registrar (in the case of any Registered Certificates) and (ii) delivering a copy of such Exercise Notice to the Determination Agent.
- (c) Subject to Condition 5.9 (*Certificates void on expiry*), any Exercise Notice delivered after the Latest Exercise Time on any day shall: (a) in the case of Bermudan Style Securities and European Style Securities, be void and (b) in the case of American Style Securities, be deemed to have been delivered on the next following day on which such Certificates are exercisable (unless no such day occurs on or prior to the Expiration Date, in which case that Exercise Notice shall be void).
- (d) The Securities Registrar with which an Individual Registered Security is so deposited shall deliver a duly completed Exercise Receipt to the depositing Securityholder.
- (e) No Individual Registered Security, once deposited with a duly completed Exercise Notice in accordance with this Condition 6 (*Exercise*), may be withdrawn; provided however that if, following due presentation of any such Individual Registered Security, payment of the moneys falling due is improperly withheld or refused by the Issuer, the relevant Securities Agent or Securities Registrar (as applicable) shall mail notification thereof to the depositing Securityholder at such address as may have been given by such Securityholder in the relevant Exercise Notice and shall hold such Individual Registered Security at its Specified Office for collection by the depositing Securityholder against surrender of the relevant Exercise Receipt.

## 6.2 *Form of Exercise Notice for Cash Settlement Securities:*

Each Exercise Notice shall be in the form (for the time being current) available from the Securities Registrar, and must:

- (a) specify the name, address, telephone and facsimile details of the Securityholder in respect of the Certificates being exercised;
- (b) specify the number of Certificates of the relevant Series being exercised by the Securityholder (which must not be less than the Minimum Exercise Number);
- (c) include an irrevocable undertaking to pay any applicable Taxes due by reason of exercise of the relevant Certificates and, if such amounts have not been paid prior to the Cash Settlement Payment Date, an authority to the Issuer to deduct an amount in respect thereof from any Cash Settlement Amount due to such Securityholder (on the Cash Settlement Payment Date) and to credit the specified account of the Principal Securities Agent (for the account of the Issuer) with an amount or amounts in respect thereof;
- (d) specify the details of the relevant account of the Securityholder to be credited with the relevant Cash Settlement Amount; and

- (e) contain a representation and warranty from the Securityholder to the effect that the Certificates to which the Exercise Notice relates are free from all liens, charges, encumbrances and other third party rights.

6.3 *Form of Exercise Notice for Physical Settlement Securities:*

{Intentionally Deleted}.

6.4 *Verification of Securityholder:*

- (a) To exercise Certificates the holder thereof must duly complete an Exercise Notice. The relevant Securities Agent or the Securities Registrar shall, in accordance with its normal operating procedures, verify that each person exercising the Certificates is the holder thereof.
- (b) If, in the determination of the relevant Securities Agent or the Securities Registrar:
  - (i) the Exercise Notice is not complete or not in proper form;
  - (ii) the person submitting an Exercise Notice is not validly entitled to exercise the relevant Certificates or not validly entitled to deliver such Exercise Notice; or
  - (iii) the relevant Securityholder does not provide evidence, at the reasonable request of the relevant Securities Agent or Securities Registrar, that sufficient funds equal to any applicable Taxes and the aggregate Strike Price (if any) will be available on the Exercise Date,
  - (iv) that Exercise Notice will be treated as void and a new duly completed Exercise Notice must be submitted if exercise of the holder's Certificates is still desired.
- (c) Any determination by the relevant Securities Agent or Securities Registrar as to any of the matters set out in Condition 3.2(b) above shall, in the absence of manifest error, be conclusive and binding upon the Issuer and the Securityholder of the Certificates exercised.
- (d) {Intentionally Deleted}.

6.5 *Notification to the Securities Registrar:*

- (a) Subject to the verification set out in Condition 3.2(a) above, the relevant Securities Agent or the Securities Registrar will confirm to the Principal Securities Agent (copied to the Issuer and the Determination Agent) the receipt of the Exercise Notice and the number of Certificates being exercised.
- (b) Upon the exercise in part of the total number or aggregate nominal amount of Certificates represented by an Individual Registered Security, the Securities Registrar will note such exercise shall cancel the relevant Individual Registered Security deposited and issue the holder of the relevant Certificate with a new Individual Registered Security representing the number or nominal amount of the holder's Certificates not exercised.

6.6 *Deemed Exercise:*

If "**Deemed Exercise**" is specified in the Contractual Terms to be applicable in relation to a Series of Certificates, where an Exercise Notice has not been duly completed and delivered by the Latest Exercise Time on the Expiration Date in respect of any Certificates of such Series, each such Certificate shall be deemed to have been exercised at that time on such date and/or upon such other terms as may be specified in the Contractual Terms, subject in each case to prior termination as provided for in Conditions 10.3 (*Adjustments affecting Shares and ETF Interests*) to 19 (*Provisions Relating to all Securities*) (as applicable), 22 (*Events of Default*) and 23 (*Force Majeure and Illegality*).

6.7 *Payment and delivery – Registered Certificates*

- (a) In respect of Registered Securities which have been exercised in full and which are specified in the Contractual Terms as being Cash Settlement Securities, or in respect of which the Issuer has elected Cash Settlement in accordance with Condition 5.7 (*Optional Cash Settlement*) payments in respect of any amounts in respect of a Registered Security shall be made only following surrender of the relevant Individual Registered Security at the Specified Office of the Securities Registrar outside the United States by cheque drawn in the currency in which the payment is due on, or, upon application of a holder of a Registered Security, by transfer to the account specified by the relevant Securityholder in the Exercise Notice denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre of that currency not later than the Business Day that is not later than fifteen days prior to the due date for payment.
- (b) {Intentionally Deleted}.
- (c) Exercise of the Registered Securities and payments and deliveries by the Issuer and the Securities Agents will be subject in all cases to all applicable fiscal and other laws, regulations and practices in force at the relevant time (including, without limitation, any relevant exchange control laws or regulations) and none of the Issuer or any Securities Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices.
- (d) Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Business Day, for value the next succeeding Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed on the later of the due date for payment and the day on which the relevant Individual Registered Security is surrendered at the Specified Office of the Securities Registrar. A holder of a Registered Security shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Business Day or (B) a cheque mailed in accordance with this Condition 6 (*Exercise*) arriving after the due date for payment or being lost in the mail.
- (e) Each payment or delivery in respect of a Registered Security will be made to the person shown as the holder in the Register at the opening of business in the place of the Securities Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where the payment in respect of a Registered Security is to be made by cheque, the cheque will be mailed to the address of the holder in the Register at the opening of business on the relevant Record Date as specified in the Contractual Terms.

6.8 *Effect of Exercise Notice:*

- (a) For so long as any outstanding Certificate is held by a Securities Agent, Securities Registrar or Securities Transfer Agent in accordance with this Condition 6 (*Exercise*), the depositor of the relevant Individual Registered Security and not such Securities Agent, Securities Registrar or Securities Transfer Agent (as applicable) shall be deemed to be the Securityholder for all purposes.
- (b) Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Securityholder to exercise the Certificates specified therein, provided that, in the case of a Registered Certificate, the person exercising and delivering such Exercise Notice is the person then appearing in the Register as the holder of the Registered Certificate. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become void and shall be deemed not to have been so delivered.

- (c) After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 6.1(b)) by a Securityholder, such Securityholder shall not be permitted to transfer either legal or beneficial ownership of the Certificates exercised thereby. Notwithstanding this, if any Securityholder does so transfer or attempt to transfer such Certificates, the Securityholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related hedging operations in reliance on the relevant Exercise Notice and subsequently: (i) entering into replacement hedging operations in respect of such Certificates; or (ii) paying any amount on the subsequent exercise of such Certificates without having entered into any replacement hedging operations.

6.9 *Minimum Number of Certificates Exercisable:*

The Certificates are exercisable in the minimum number (the "**Minimum Exercise Number**") specified in the Contractual Terms (or, if a "**Permitted Multiple**" is specified in the Contractual Terms, higher integral multiples of the Minimum Exercise Number) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the Securityholders in accordance with Condition 24 (*Notices*).

6.10 *Exercise and Settlement of Nordic Securities:*

{Intentionally Deleted}.

7. **ISSUER CALL OPTION**

{Intentionally Deleted}.

8. **EQUITY-LINKED, COMMODITY-LINKED, CURRENCY-LINKED, INFLATION-LINKED, PROPERTY-LINKED, FUND-LINKED AND BOND-LINKED SECURITIES**

{Intentionally Deleted}.

9. **PROVISIONS RELATING TO EQUITY-LINKED SECURITIES**

{Intentionally Deleted}.

10. **PROVISIONS RELATING TO COMMODITY-LINKED SECURITIES**

{Intentionally Deleted}.

11. **PROVISIONS RELATING TO CURRENCY-LINKED SECURITIES**

{Intentionally Deleted}.

12. **PROVISIONS RELATING TO INFLATION-LINKED SECURITIES**

{Intentionally Deleted}.

13. **PROVISIONS RELATING TO PROPERTY-LINKED SECURITIES**

{Intentionally Deleted}.

14. **PROVISIONS RELATING TO REFERENCE FUND BASKET SECURITIES**

This Condition 14 (*Provisions relating to Reference Fund Basket Securities*) shall apply only to Certificates specified in the Contractual Terms as being Reference Fund Basket Securities.

14.1 *Adjustments for Disrupted Days*

- (a) The Determination Agent shall as soon as reasonably practicable under the circumstances notify the Issuer of the occurrence of a Disrupted Day on any day that,

but for the occurrence or continuance of a Disrupted Day, would have been a Valuation Date.

- (b) If a Scheduled Valuation Date is a Disrupted Day for any Reference Fund Interest in respect of any Reference Fund in the Reference Fund Basket, then the Valuation Date for the Reference Fund Interest in respect of each Reference Fund in the Reference Fund Basket shall be the first succeeding Relevant Date following such Scheduled Valuation Date, unless no Relevant Date has occurred by the Cut-off Date in respect of such Scheduled Valuation Date. In that case, (i) the Cut-off Date shall be deemed to be such Valuation Date, and (ii) the Determination Agent shall determine its good faith estimate of the net asset value for that Reference Fund Interest as of the Valuation Time on such Valuation Date.

In addition, the Determination Agent will account for such occurrence or continuance of a Disrupted Day as it sees fit which may include but is not limited to delaying calculation and payment of the Cash Settlement Amount and/or any other amounts payable under the Certificates, and no interest or other amount shall be payable to Securityholders in respect of any such delay, or making the appropriate adjustment to the calculation of the Cash Settlement Amount and/or any such other amounts, all in the determination of the Determination Agent.

#### 14.2 *Postponement of Settlement*

- (a) Unless otherwise specified in the Contractual Terms, if the Determination Agent determines on the date which is not later than 3 Business Days prior to any date on which the Cash Settlement Amount or any other amounts would otherwise be due to be paid (each a "**Scheduled Settlement Date**") that a Settlement Postponement Event has occurred, then the Determination Agent shall make such adjustment to account for such Settlement Postponement Event and such adjustment shall include the postponement of the obligation of the Issuer to pay the Cash Settlement Amount or any such other amounts, as applicable, until the Postponed Settlement Date and no interest or other amount shall be payable to Securityholders in respect of such postponement.
- (b) If the Postponed Settlement Date is the Postponed Settlement Long Stop Date, for the purposes of determining the Cash Settlement Amount or any other relevant amounts, as applicable, each Reference Fund Interest Unit will be deemed to have a net asset value equal to the redemption proceeds (if any) that a Hypothetical Investor which had submitted a Final Redemption Notice in respect of such Reference Fund Interest Unit would have received in respect of such redemption on or before each Long Stop Date Reference Fund Interest Unit (if any) comprising the Reference Fund Basket.
- (c) For the purposes hereof:
  - (i) a "**Settlement Postponement Event**" shall be deemed to occur if, as determined by the Determination Agent, a Hypothetical Investor which had submitted a Final Redemption Notice in respect of each Reference Fund Interest Unit comprised in the Reference Fund Basket would not have received in full the redemption proceeds in respect of such redemptions on or before the date which is 4 Business Days prior to the Scheduled Settlement Date;
  - (ii) the "**Postponed Settlement Date**" means, unless otherwise specified in the Contractual Terms, the earlier of (A) the date which is 3 Business Days after the date on which, as determined by the Determination Agent, such Hypothetical Investor would have received such redemption proceeds in full and (B) the Postponed Settlement Long Stop Date;
  - (iii) the "**Postponed Settlement Long Stop Date**" means, unless otherwise specified in the Contractual Terms, the date which is 3 months after the Scheduled Settlement Date;
  - (iv) "**Long Stop Date Reference Fund Interest Unit**" means, in relation to the Reference Fund Basket, any Reference Fund Interest Unit in respect of which, if a Hypothetical Investor had submitted a Final Redemption Notice in respect of



such Reference Fund Interest Unit, such Hypothetical Investor would not have received in full the redemption proceeds in respect of such redemption on or before the Postponed Settlement Long Stop Date; and

- (v) **"Final Redemption Notice"** means, in respect of a Reference Fund Interest Unit, a valid redemption notice submitted on the last date permitted pursuant to the Reference Fund Documents of the related Reference Fund for a redemption notice that would be timely for redemption prior to the Scheduled Settlement Date.

#### 14.3 *Potential Adjustment Events*

Following the declaration by any Reference Fund or Reference Fund Service Provider of the terms of any Potential Adjustment Event, the Determination Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Reference Fund Interest Units or amount of Reference Fund Interest and, if so, will (a) make the corresponding adjustment(s), if any, to any one or more of the Cash Settlement Amount and/or any such other amounts payable under the Certificates and, in any case, any other variable relevant to the calculation, valuation, payment or other terms of Certificates as the Determination Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends or liquidity relative to the relevant Reference Fund Interest) and (b) determine the effective date(s) of the adjustment(s).

#### 14.4 *Corrections and Adjustment*

With the exception of any Adjustments (as defined below) made after the day which is 5 Business Days, unless otherwise specified in the Contractual Terms, prior to a due date for any payment under the Certificates calculated by reference to the price or level of any Reference Fund Interest Unit, if the Determination Agent determines that a Reference Fund adjusts the Redemption Proceeds that would have been paid to a Hypothetical Investor redeeming the number of Reference Fund Interest Units that are subject to valuation and such adjustment would be reflected in either an additional payment to such Hypothetical Investor or a claim for repayment of excess Redemption Proceeds made against such Hypothetical Investor (each an **"Adjustment"**), then the price or level to be used shall be the price or level of the relevant Reference Fund Interest Units as so adjusted.

#### 14.5 *Reference Fund Events*

- (a) If at any time the Determination Agent determines that a Reference Fund Event has occurred and/or is continuing then the Determination Agent shall provide written notice thereof to the Issuer (a **"Reference Fund Event Notice"**). The Determination Agent shall not have any obligation to monitor the occurrence of a Reference Fund Event nor shall it have any obligation to make a determination that a Reference Fund Event has occurred or is continuing.
- (b) The Issuer may, in its sole and absolute discretion, determine the mechanics for determining and calculating the valuation of any Affected Reference Fund Interest. Any payments under the Certificates shall be suspended, subject to Condition 14.5(c) below.
- (c) Upon receipt of a Reference Fund Event Notice, the Issuer shall terminate each Certificate at its Reference Fund Event Settlement Amount on such date as the Issuer may notify to Securityholders in accordance with Condition 24 (*Notices*).

#### 14.6 *Notice of Reference Fund Event*

Notice of the consequences of a Reference Fund Event shall be given to the Securityholders in accordance with Condition 24 (*Notices*). Such notice shall (i) identify the Affected Reference Fund Interest (if applicable) and the relevant Reference Fund Event and contain a summary of the facts constituting such event and (ii) specify the date on which the Certificates are to be terminated.

14.7 *Definitions applicable to Reference Fund Basket Securities:*

In relation to Reference Fund Basket Securities, the following expressions shall have the meanings set out below:

**"Affected Reference Fund Interest"** means, at any time, any Reference Fund Interest in respect of which the Determination Agent has determined that a Reference Fund Event has occurred;

**"Affiliate"** means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person (for such purposes, "control" of any entity or person means ownership of a majority of the voting power of the entity or person);

**"Aggregate NAV Trigger Period"** means the period (if any) specified as such in the Contractual Terms;

**"Aggregate NAV Trigger Value"** means the value (if any) specified as such in the Contractual Terms;

**"Company"** means, in respect of a Reference Fund Interest and the related Reference Fund, the entity (if any) specified as such in the Contractual Terms (if any);

**"Cut-off Date"** means, in respect of a Valuation Date, the date specified in respect of such Valuation Date in the Contractual Terms;

**"Disrupted Day"** means any day on which a Market Disruption Event has occurred or is continuing, as determined by the Determination Agent;

**"Extraordinary Dividend"** means an amount per relevant Reference Fund Interest Unit or other amount of Reference Fund Interest specified or otherwise determined as provided in the Contractual Terms provided that if no Extraordinary Dividend is specified in or otherwise determined as provided in the Contractual Terms, the characterisation of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Determination Agent;

**"Hedging Disruption Events"** means the following (each, a **"Hedging Disruption Event"**):

- (a) the Determination Agent reasonably determines that a Hedging Party is unable (including without limitation by reason of illegality), or that it is impracticable for a Hedging Party, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) (each a **"Relevant Hedging Transaction"**) such Hedging Party deems necessary or appropriate to hedge its exposure to price variations of the Reference Fund Basket inherent in its obligations, in the case of the Issuer, under the Certificates or, in the case of an Affiliate, under any transaction pursuant to which it hedges the Issuer's exposure to the Reference Fund Basket under the Certificates, or (ii) realise, recover or remit to any person the proceeds of such transaction or asset; and/or
- (b) the Determination Agent reasonably determines that it has become illegal for any Hedging Party to hold, acquire or dispose of Reference Fund Interests relating to the Certificates; and/or
- (c) the Determination Agent reasonably determines that the Issuer would incur an increased cost in respect of the Relevant Hedging Transactions related to the performance of its obligation under the Certificates (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position); and/or
- (d) the Determination Agent reasonably determines that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any Relevant Hedging

Transaction, or (ii) realize, recover or remit the proceeds of any such Relevant Hedging Transaction; unless any such materially increased amount is incurred solely due to the deterioration of the creditworthiness of the Hedging Party,

- (e) and such determinations by the Determination Agent may include, but are not limited to, the following: (i) any increased illiquidity in the market for the Reference Fund Basket (as compared with circumstances existing on the Issue Date); or (ii) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority); or (iii) the general unavailability of market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms;

**"Hedging Party"** means the Issuer or any Affiliate;

**"Hypothetical Investor Jurisdiction"** means the jurisdiction of incorporation of the Issuer;

**"Hypothetical Investor"** means, in respect of any Reference Fund Interest, a hypothetical investor in such Reference Fund Interest located in the Hypothetical Investor Jurisdiction and deemed to have (a) the benefits and obligations, as provided under the Reference Fund Documents, of an investor holding, as of the related Reference Fund Subscription Date, an interest in the relevant Reference Fund in an amount equal to the relevant number of relevant Reference Fund Interest Units or amount of such Reference Fund Interest; (b) in the case of any deemed redemption of such Reference Fund Interest, to have submitted to the relevant Reference Fund on the relevant Redemption Notice Date, a duly completed notice requesting redemption of the relevant number of Reference Fund Interest Units; and (c) in the case of any deemed investment in such Reference Fund Interest, to have submitted, on the Subscription Notice Date, a duly completed notice to the relevant Reference Fund, requesting subscription to the relevant number of Reference Fund Interest Units;

**"Market Disruption Event"** means any of the following events as determined by the Determination Agent:

- (a) in respect of any Reference Fund Interest, the failure by the Reference Fund to publish the net asset value of the Reference Fund; or
- (b) in respect of any Reference Fund Interest, there is a failure by the Reference Fund to pay the full amount (whether expressed as a percentage or otherwise) of the Redemption Proceeds with respect to the relevant number of Reference Fund Interest Units or amount of such Reference Fund Interest scheduled to have been paid on or by such day according to the Reference Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of such Reference Fund Interests);
- (c) the inability (including by reason of illegality) of, or the impracticability for, a Hedging Party to (i) unwind or dispose of any transaction it has entered into, or any asset it holds, in either case for the purpose of hedging its exposure to price variations of the Reference Fund Basket inherent in its obligations, in the case of the Issuer, under the Certificates or, in the case of an affiliate, under any transaction pursuant to which it hedges the Issuer's exposure to the Reference Fund Basket under the Certificates, or (ii) realize, recover or remit to any person the proceeds of any such transaction or asset,

provided that if any event would otherwise be both a Market Disruption Event and Reference Fund Event, the Determination Agent shall determine whether the event shall constitute a Market Disruption Event or a Reference Fund Event;

**"NAV Trigger Percentage"** means the percentage (if any) specified as such in the Contractual Terms;

**"NAV Trigger Period"** means the period (if any) specified as such in the Contractual Terms;

**"Potential Adjustment Event"** means, in respect of any Reference Fund Interest, any of the following events in the determination of the Determination Agent:

- (a) a subdivision, consolidation or reclassification of the relevant amount of Reference Fund Interest, or a free distribution or dividend of any such Reference Fund Interest to existing holders by way of bonus, capitalization or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Reference Fund Interest of (i) an additional amount of such Reference Fund Interest, or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Reference Fund equally or proportionately with such payments to holders of such Reference Fund Interest, or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Reference Fund as a result of a spin-off or other similar transaction, or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Determination Agent;
- (c) an Extraordinary Dividend;
- (d) a repurchase by the Reference Fund of relevant Reference Fund Interests whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Reference Fund Interests initiated by an investor in such Reference Fund Interests; or
- (e) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Reference Fund Interests;

**"Redemption Notice Date"** means, in respect of any Reference Fund Interest and any Valuation Date, the date specified as such in the Contractual Terms or, if no date is so specified, the last date on which a Hypothetical Investor in such Reference Fund Interest would be permitted, pursuant to the Reference Fund Documents of the related Reference Fund, to submit a redemption notice that would be timely for a redemption as of the Scheduled Redemption Valuation Date for which the Scheduled Redemption Payment Date falls on or immediately prior to such Valuation Date;

**"Redemption Proceeds"** means, in respect of the relevant number of Reference Fund Interest Units or amount of any Reference Fund Interest, the redemption proceeds that in the determination of the Determination Agent would be paid by the related Reference Fund to a Hypothetical Investor who, as of the relevant Redemption Valuation Date, redeems such number of Reference Fund Interest Units or amount of Reference Fund Interest (for the avoidance of doubt after deduction of any tax, levy, charge, assessment or fee of any nature that, in the determination of the Determination Agent, would (or would be very likely to) be withheld or deducted from such amount); provided that (a) any such proceeds that would be paid in property other than cash shall be deemed to have a value of zero and (b) if the Hypothetical Investor would be entitled to elect payment of such redemption proceeds to be made either in the form of cash or other property, then the Hypothetical Investor shall be deemed to have elected cash payment, except as otherwise specified in the Contractual Terms;

**"Redemption Valuation Date"** means, in respect of any Reference Fund Interest and any Scheduled Redemption Valuation Date, the date as of which the related Reference Fund (or its Reference Fund Service Provider that generally determines such value) determines the net asset value of such Reference Fund Interest for purposes of calculating the redemption proceeds to be paid to a Hypothetical Investor that has submitted a valid notice for redemption on or before the related Redemption Notice Date;

**"Reference Fund"** has the meaning set forth in the Contractual Terms;

**"Reference Fund Administrator"** means, in respect of any Reference Fund, any person specified as such in the Contractual Terms or, if no person is so specified, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities to such Reference Fund according to the Reference Fund Documents;

**"Reference Fund Adviser"** means, in respect of any Reference Fund, any person specified as such in the Contractual Terms, or if no person is so specified, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Reference Fund;

**"Reference Fund Basket"** means the Reference Funds in the basket of reference funds;

**"Reference Fund Business Day"** means, in respect of any Reference Fund Interest and the related Reference Fund, any day specified as such in the Contractual Terms or, if no day is so specified, any day on which the Reference Fund or the primary Reference Fund Administrator acting on behalf of the Reference Fund is open for business;

**"Reference Fund Custodian"** means, in respect of any Reference Fund, any person specified as such in the Contractual Terms or, if no person is so specified, the fund custodian or similar person with the primary custodial responsibilities in relation to such Reference Fund according to the Reference Fund Documents;

**"Reference Fund Documents"** means, in respect of any Reference Fund Interest, the constitutive and governing documents, subscription agreements and other agreements of the related Reference Fund specifying the terms and conditions relating to such Reference Fund Interest (including, without limitation, the Reference Fund Prospectus), in each case as amended from time to time;

**"Reference Fund Event"** means, subject as otherwise provided in the Contractual Terms, the occurrence of any of the following events in the determination of the Determination Agent:

- (a) *Additional Reference Fund Event*: any other event(s) specified as Reference Fund Events in the Contractual Terms;
- (b) *Aggregate NAV Trigger Event*: the aggregate of the Reported Reference Fund Interest Unit Values for each Reference Fund Interest comprising the Reference Fund Basket has decreased to an amount equal to, or less than, the Aggregate NAV Trigger Value during the related Aggregate NAV Trigger Period, each as specified in the Contractual Terms;
- (c) *Breach by Reference Fund Service Provider*: in respect of any Reference Fund Interest, the breach by any relevant Reference Fund Service Provider of any obligation (including, without limitation, non-compliance with any investment guidelines relating to such Reference Fund Interest), representation or warranties concerning the relevant Reference Fund (including, without limitation, pursuant to any agreement with the Reference Fund), which breach, if capable of remedy, has not been remedied within ten (10) calendar days of its occurrence;
- (d) *Changes to Reference Fund or Reference Fund Service Providers*: in respect of any Reference Fund Interest and the related Reference Fund: (i) any change in the organisation of the Reference Fund or of any Reference Fund Service Provider without the prior written consent of the Determination Agent including, without limitation, a change of control of, or a change of the main shareholders, managing directors or key personnel (if any) of a Reference Fund Service Provider, (ii) any Reference Fund Service Provider ceasing to act in the relevant capacity in relation to the Reference Fund unless immediately replaced in such capacity by a successor acceptable to the Determination Agent or (iii) any delegation or transfer by the Reference Fund Adviser of any of its powers, duties or obligations under the Reference Fund Documents to a third party without the prior written consent of the Determination Agent;
- (e) *Closure to Subscriptions; Dealing Restrictions*: in respect of any Reference Fund Interest, (i) the closure of the related Reference Fund to new subscriptions of Reference Fund Interests, or (ii) the imposition of any dealing restrictions (including, without limitation, material amendments to relevant documentation, delay (partial or otherwise), suspension or termination (partial or otherwise) of subscription, redemption or settlement) relating to the Reference Fund or transactions in Reference Fund

Interests by any Reference Fund Service Provider, any affiliate or agent of any Reference Fund Service Provider, or any intermediary platform through which the Issuer or its affiliates may contract (via a trading agreement or otherwise) in order to carry out transactions in Reference Fund Interests, which, in either case, remains in effect for five consecutive Business Days;

- (f) *Compulsory Redemption or Assignment*: in respect of any Reference Fund Interest, (i) the repurchase or redemption by the Reference Fund of all or some of the Reference Fund Interest Units otherwise than at the request of a holder of Reference Fund Interest Units and which the Determination Agent determines could affect a Hypothetical Investor; or (ii) any event or circumstance (whether or not in accordance with the constitutive documents and investment guidelines of the Reference Fund) which would mandatorily oblige a holder of Reference Fund Interest Units to redeem, sell, assign or otherwise dispose of any Reference Fund Interest Units and which the Determination Agent determines could affect a Hypothetical Investor;
- (g) *Disposals: Material Change: Merger*: in respect of any Reference Fund Interest, (i) a disposal to any person(s) of all, or a material part, of the assets of (A) the related Reference Fund, or (B) any significant Reference Fund Service Provider; or (ii) a material change in the business of the Reference Fund or any significant Reference Fund Service Provider, or (iii) the merger, amalgamation or consolidation of (A) the related Reference Fund with (1) any other sub-fund or compartment of the Reference Fund or (2) any other collective investment undertaking (or sub-fund or compartment of such other collective investment undertaking, including another Reference Fund), or (B) the relevant Company with any other collective investment undertaking (including, without limitation, another Reference Fund or Company), which, in either case, may, in the determination of the Determination Agent, have an adverse effect on the Reference Fund;
- (h) *Force Majeure Event*: in respect of any Reference Fund Interest and the related Reference Fund, any Reference Fund Service Provider fails to perform any of its obligations pursuant to the Reference Fund Documents to the extent that such performance is prevented, hindered or delayed by a Force Majeure Event, where "**Force Majeure Event**" means any event due to any cause beyond the reasonable control of the applicable Reference Fund Service Provider, such as unavailability of communications system, failure of or interruptions in power supply or network computer systems, sabotage, fire, flood, explosion, acts of God, civil commotion, riots, insurrection or war;
- (i) *Fraud*: in respect of any Reference Fund Interest and the related Reference Fund, the Reference Fund is the object of a material fraud which may, in the determination of the Determination Agent, have an adverse effect on the Reference Fund or the value of Reference Fund Interest Units; or any act or omission of a Reference Fund Service Provider constitutes fraud (including, but not limited to, theft, misappropriation, mispricing of holdings or concealment of trades), bad faith, wilful misconduct or negligence, as determined by the Determination Agent in its reasonable discretion;
- (j) *General Regulatory Event*: (i) in respect of any Reference Fund Interest, (A) any change in the legal, tax, accounting, or regulatory treatments of the relevant Reference Fund or its Reference Fund Adviser that is reasonably likely to have an adverse impact on the value of such Reference Fund Interest or on any investor therein (as determined by the Determination Agent) or (B) the related Reference Fund or any of its Reference Fund Service Providers becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law in relation to any activities relating to or resulting from the operation of such Reference Fund or (ii) any event which would have the effect of: (A) imposing on the Issuer and/or any Affiliate or adversely modifying any reserve, special deposit, or similar requirement that would be applicable to the Issuer and/or such Affiliate in relation to the Certificates or any related hedging arrangement or (B) changing the amount of regulatory capital that would have to be maintained by the

Issuer and/or any Affiliate in relation to the Certificates or any related hedging arrangement;

- (k) *Hedging Disruption Event*: a Hedging Disruption Event;
- (l) *Insolvency Event*: in respect of a Reference Fund Interest and the related Reference Fund:
  - (i) the Reference Fund, the related Company and/or any Reference Fund Service Provider (A) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger); (B) makes a general assignment or arrangement with or for the benefit of its creditors; (C)(1) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (2) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in (1) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within 14 days of the institution or presentation thereof; (D) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (E) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 14 days thereafter; or (F) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (A) through (E) above; or
  - (ii) without prejudice to (i) above, by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Reference Fund, (A) all the Reference Fund Interests of that Reference Fund are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Reference Fund Interests of that Reference Fund become legally prohibited from transferring them;
- (m) *Nationalisation*: in respect of a Reference Fund Interest and the related Reference Fund, all the Reference Fund Interests or all or substantially all the assets of the Reference Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;
- (n) *NAV Trigger/Restriction Event*: in respect of any Reference Fund Interest, (i) the Reported Reference Fund Interest Unit Value has decreased by a percentage equal to, or greater than, the NAV Trigger Percentage(s) during the related NAV Trigger Period, each as specified in the Contractual Terms; or (ii) the related Reference Fund has violated any leverage restriction that is applicable to, or affecting, such Reference Fund or its assets by operation of any law, any order or judgment of any court or other agency of government applicable to it or any of its assets, the Reference Fund Documents or any contractual restriction binding on or affecting the Reference Fund or any of its assets;

- (o) *Reference Fund Modification*: in respect of any Reference Fund Interest, any change or modification of the related Reference Fund Documents or of any rights attaching to the related Reference Fund Interest Units (including without limitation any change or modification affecting management policy, provisions as to redemption or the charging of expenses or increasing the existing level of, or introducing any new, fees, commissions or other expenses payable to any person, in each case as determined by the Determination Agent) from those prevailing on the date on which any Reference Fund Interest issued by such Reference Fund was first included in the Reference Fund Basket and which could reasonably be expected to affect the value of such Reference Fund Interest;
- (p) *Reporting Disruption*: in respect of any Reference Fund Interest, (i) the occurrence of any event affecting such Reference Fund Interest that, in the determination of the Determination Agent, would make it impossible or impracticable for the Determination Agent to determine the value of such Reference Fund Interest, and such event continues for at least the time period specified in the Contractual Terms or, if no time period is so specified, the Determination Agent does not expect such event to cease in the foreseeable future; (ii) any failure of the related Reference Fund to deliver, or cause to be delivered, (A) information that such Reference Fund has agreed to deliver, or cause to be delivered to the Determination Agent or the Issuer, as applicable, or (B) information that has been previously delivered to the Determination Agent or the Issuer, as applicable, in accordance with such Reference Fund's, or its authorized representative's, normal practice and that the Determination Agent deems necessary for it or the Issuer, as applicable, to monitor such Reference Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to such Reference Fund Interest; or (iii) the related Reference Fund ceases, for any reason whatsoever (either directly or through any Reference Fund Service Provider acting on its behalf for this purpose) to provide, publish or make available its net asset value on any Reference Fund Reporting Date and this continues for 10 consecutive Business Days;
- (q) *Special Regulatory Event*: in respect of any Reference Fund Interest and the related Reference Fund (i) the cancellation, suspension or revocation of the registration or approval of such Reference Fund Interest or the related Reference Fund by any governmental, legal or regulatory entity with authority over such Reference Fund Interest or Reference Fund or (ii) the withdrawal, suspension, cancellation or modification of any license, consent, permit, authorisation or clearance required for the Reference Fund or any one or more of its significant Reference Fund Service Providers to carry out their activities as they are or should be carried out in compliance with applicable law or regulation;
- (r) *Strategy Breach*: in respect of any Reference Fund Interest, as determined by the Determination Agent, any material breach of or non-compliance with any investment objective, investment restrictions or other strategy or investment guidelines, subscription and redemption provisions (including, without limitation, the days treated as Reference Fund Business Days) or valuation provisions (including, without limitation, the method of determining the net asset value of the relevant Reference Fund), in each case as set out in the Reference Fund Documents as in effect on the Issue Date or, if later, the date on which such Reference Fund Interest was first included in the Reference Fund Basket; or
- (s) *Value Limitation*: the value of any Reference Fund Interest held by the Issuer and its Affiliates is greater than 10 per cent. of the aggregate net asset value of the relevant Reference Fund (whether or not all of such holding results from hedging transactions entered into in connection with the Certificates) and including, where the excess holding results from a reduction in the aggregate net asset value of the relevant Reference Fund;

**"Reference Fund Event Notice"** has the meaning given to that term in Condition 14.5 (*Reference Fund Events*);



**"Reference Fund Event Settlement Amount"** means, in respect of any Certificate, an amount determined by the Determination Agent in the Specified Currency specified in the Contractual Terms, to be the fair market value of a Certificate based on the market conditions prevailing at the date of determination reduced to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation, any Reference Fund Interests, options, swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the Certificates);

**"Reference Fund Interest"** means an interest issued to or held by an investor in a fund, pooled investment vehicle or any other interest identified as such in the Contractual Terms, as specified in the Contractual Terms;

**"Reference Fund Interest Unit"** means, in respect of any Reference Fund Interest and the related Reference Fund, a share in such Reference Fund or, if Reference Fund Interests in such Reference Fund are not denominated as shares, a notional unit of account of ownership in such Reference Fund in the amount specified in the Contractual Terms;

**"Reference Fund Prospectus"** means, in respect of any Reference Fund Interest and the related Reference Fund, the prospectus or other offering document issued by such Reference Fund in connection with such Reference Fund Interest, as amended or supplemented from time to time;

**"Reference Fund Reporting Date"** means, in respect of any Reference Fund Interest and any Reference Fund Valuation Date, the date on which the Reported Reference Fund Interest Unit Value of such Reference Fund Interest as determined as of such Reference Fund Valuation Date is reported or published;

**"Reference Fund Service Provider"** means, in respect of any Reference Fund, any person who is appointed to provide services, directly or indirectly, to that Reference Fund, whether or not specified in the Reference Fund Documents, including without limitation any Reference Fund Adviser, Reference Fund Administrator and Reference Fund Custodian;

**"Reference Fund Subscription Date"** means, in respect of any Reference Fund Interest, the date specified as such in the Contractual Terms or, if no such date is specified, the day as of which a request by a Hypothetical Investor for subscription to such Reference Fund Interest that has been submitted on the related Subscription Notice Date and in a form and substance acceptable to the related Reference Fund would be considered effective by such Reference Fund;

**"Reference Fund Valuation Date"** means, in respect of any Reference Fund Interest, the date as of which the related Reference Fund (or its Reference Fund Service Provider that generally determines such value) determines the value of such Reference Fund Interest or, if the related Reference Fund only reports its aggregate net asset value, the date as of which such Reference Fund determines its aggregate net asset value;

**"Relevant Date"** means a day which is a Common Reference Fund Business Day that is not a Disrupted Day for any Reference Fund in the Reference Fund Basket, as determined by the Determination Agent;

**"Reported Reference Fund Interest Unit Value"** means, in respect of any Reference Fund Interest and a Reference Fund Reporting Date relating to such Reference Fund Interest, the value per Reference Fund Interest Unit as of the related Reference Fund Valuation Date or, if the related Reference Fund reports only its aggregate net asset value, the portion of such Reference Fund's aggregate net asset value relating to one Reference Fund Interest Unit, in each case as reported on such Reference Fund Reporting Date by the Reference Fund Service Provider that generally reports such value on behalf of the Reference Fund to its investors or a publishing service;

**"Scheduled Redemption Payment Date"** means, in respect of any Reference Fund Interest and any Scheduled Redemption Valuation Date, the date specified as such in the Contractual Terms or, if not so specified, the date by which the related Reference Fund is scheduled to have paid, according to its Reference Fund Documents, all or a specified portion of the

Redemption Proceeds to an investor that has submitted a timely and valid notice requesting redemption of such Reference Fund Interest as of such Scheduled Redemption Valuation Date;

**"Scheduled Redemption Valuation Date"** means, in respect of any Reference Fund Interest, the date as of which the related Reference Fund (or its Reference Fund Service Provider that generally determines such value) is scheduled, according to its Reference Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Reference Fund Interests), to determine the net asset value of such Reference Fund Interest for the purposes of calculating the redemption proceeds to be paid to an investor that has submitted a valid and timely notice for redemption of Reference Fund Interests based on the value determined as of such date; the Scheduled Redemption Valuation Date relating to any Valuation Date shall be the date specified as such in the Contractual Terms or, if no such date is specified, the Scheduled Redemption Valuation Date for which the Scheduled Redemption Payment Date falls on or immediately prior to such Valuation Date;

**"Scheduled Valuation Date"** has the meaning given in the Contractual Terms;

**"Subscription Notice Date"** means, in respect of any Reference Fund Interest and any Reference Fund Subscription Date, the date specified as such in the Contractual Terms or, if no date is so specified, the last date on which a notice to subscribe to such Reference Fund Interest may be submitted pursuant to the Reference Fund Documents of the related Reference Fund and be considered effective as of such Reference Fund Subscription Date, provided that if the Contractual Terms do not specify a Subscription Notice Date or a Reference Fund Subscription Date, the Subscription Notice Date shall be deemed to be the Issue Date;

**"Valuation Date"** means each date specified as such or otherwise determined or provided for in the Contractual Terms; and

**"Valuation Time"** means the close of business in the Hypothetical Investor Jurisdiction on the relevant Valuation Date.

15. **PROVISIONS RELATING TO BOND-LINKED SECURITIES**

{Intentionally Deleted}.

16. **PROVISIONS RELATING TO PHYSICAL SETTLEMENT SECURITIES**

{Intentionally Deleted}.

17. **PROVISIONS RELATING TO AUTOCALLABLE EARLY SETTLEMENT SECURITIES**

{Intentionally Deleted}.

18. **INCONVERTIBILITY EVENTS**

{Intentionally Deleted}.

19. **PROVISIONS RELATING TO ALL SECURITIES**

19.1 *Performance Disruption:*

- (a) If the Determination Agent determines, acting in a commercially reasonable manner, that Performance Disruption has occurred, then the Issuer may determine, in its sole and absolute discretion, that the relevant Certificates shall be terminated on the date specified in a notice to the Securityholders and the Issuer will pay an amount which the Determination Agent, in its sole and absolute discretion, determines is the fair value to the Securityholder of a Certificate with terms that would preserve for the Securityholder the economic equivalent of any payment (assuming satisfaction of each applicable condition precedent) to which the Securityholder would have been entitled under the relevant Certificate after that date but for the occurrence of such Performance

Disruption, less the cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion, in which event the Certificate shall cease to be exercisable (or, in the case of any Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the relevant currency or payment of the Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Certificates shall be satisfied in full upon payment of such amount.

- (b) For the purposes hereof, "**Performance Disruption**" means, in relation to any Certificate, the occurrence or existence on any day of any event, circumstance or cause beyond the control of the Issuer that has had or reasonably could be expected to have a material adverse effect upon (i) its ability to perform its obligations under, or hedge its positions with respect to, the relevant Certificate; (ii) the ability of any hedging counterparty of the Issuer to perform its obligations under any hedging transaction entered into by the Issuer to hedge all or any of its liabilities in respect of the Certificates or any of them; or (iii) the availability of hedging transactions in the market.

#### 19.2 *Effects of European Economic and Monetary Union:*

- (a) Following the occurrence of an EMU Event, the Determination Agent may make such adjustment (and determine the effective date of such adjustment) as it, in its sole and absolute discretion, determines appropriate, if any, to the formula for the Cash Settlement Amount, the number of Underlying Securities to which each Certificate notionally relates, the number of Underlying Securities notionally comprised in the Reference Fund Basket and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the relevant Certificates which in the sole and absolute discretion of the Determination Agent have been or may be affected by such EMU Event.
- (b) Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to: (i) make such conversions between amounts denominated in the national currency units (the "**National Currency Units**") of the member states of the European Union that have adopted the single currency in accordance with the EC Treaty and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversion rates and rounding rules established by the Council of the European Union pursuant to the EC Treaty as it, in its sole and absolute discretion, considers appropriate; (ii) make all payments in respect of the Certificates solely in euro as though references in the Certificates to the relevant National Currency Units were to euro and (iii) make such adjustments as it, in its sole and absolute discretion considers necessary to the formula for the Cash Settlement Amount and any other amount as it determines, in its sole and absolute discretion, to be appropriate.
- (c) None of the Issuer, the Principal Securities Agent or the Determination Agent will be liable to any Securityholder or other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.
- (d) For the purposes hereof, "**EMU Event**" means the occurrence of any of the following, as determined by the Determination Agent, acting in a commercially reasonable manner:
  - (i) the withdrawal from legal tender of any currency that, before the introduction of the euro, was lawful currency in one of the member states;
  - (ii) the redenomination of any Reference Fund into euro, if applicable;
  - (iii) the disappearance or replacement of a relevant rate option or other price source for the national currency of any member state, or the failure of the agreed

sponsor (or successor sponsor) to publish or display a relevant rate, index, price, page or screen; or

- (iv) the change by any organised market, exchange or clearance, payment or settlement system in the unit of account of its operating procedures to the euro.

19.3 *Compliance with securities laws:* If any holder of any Certificate is determined to be a U.S. person (as defined in Regulation S), the Issuer shall have the right to (a) force such holder to sell its interest in such Certificate, or sell such interest on behalf of such holder, to a person who is not a U.S. person (as defined in Regulation S) or (b) terminate and cancel such Certificate. In the case of any termination and cancellation of a Certificate as described above no amount shall be payable to the relevant Securityholder and the Issuer shall have no further obligations in respect of the Certificate.

## 20. **SECURITIES REGISTRAR, SECURITIES TRANSFER AGENTS AND DETERMINATION AGENT**

### 20.1 *Appointment of Agents:*

The Issuer reserves the right at any time to vary or terminate the appointment of any Securities Agent, Securities Registrar, Securities Transfer Agent or the Determination Agent and to appoint substitute or additional Securities Agents, a substitute Securities Registrar, a substitute or additional Securities Transfer Agent or a substitute or additional Determination Agent, **provided that** (a) so long as any Certificate is outstanding, it will maintain a Principal Securities Agent, (b) so long as any Registered Certificate is outstanding, it will maintain a Securities Registrar and a Securities Transfer Agent and (c) so long as the Certificates are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, there will be a Securities Agent with a specified office in such place as may be required by the rules of such listing agent, stock exchange and/or quotation system. Notice of any termination of appointment and of any change in the specified office of a Securities Agent, Securities Registrar, Securities Transfer Agent or a Determination Agent and of any appointment of a Securities Agent, Securities Transfer Agent or a Determination Agent will be given to Securityholders in accordance with Condition 24 (*Notices*).

### 20.2 *Role of Agents:*

- (a) In acting under the Securities Agency Agreement, each Securities Agent, the Securities Registrar, each Securities Transfer Agent and each Determination Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Securityholders. All calculation and determination functions required of the Determination Agent or the Principal Securities Agent under these Conditions may be delegated to any such person as the Determination Agent or the Principal Securities Agent, as the case may be, in its absolute discretion, may decide.
- (b) None of the Issuer, the Principal Securities Agent or the Determination Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables used in any calculation made pursuant to these Conditions or in the determination of any Cash Settlement Amount arising from such errors or omissions.

### 20.3 *Notifications:*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Certificates by the Principal Securities Agent, the Securities Registrar, any Securities Transfer Agent, the Determination Agent or the Issuer shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer and the Securityholders and (subject as aforesaid) no liability to the Securityholders (or any of them) shall attach to the Principal Securities Agent, the Securities Registrar, any Securities Transfer Agent, the Determination Agent or the Issuer in connection with the exercise or non-exercise by any of them of their powers, duties and discretions for such purposes.

21. **TAXES**

- 21.1 A Securityholder subscribing, purchasing or exercising a Certificate shall pay all Taxes and securities transfer taxes and any other charges, if any payable in connection with the subscription, issue, purchase or exercise of such Certificate and the payment of the Cash Settlement Amount, or any other amounts, as a result of such exercise. The Issuer shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to a Securityholder such amount as is necessary for the payment of any such taxes, duties or charges or for effecting reimbursement in accordance with Condition 21.2 below.
- 21.2 In any case where the Issuer is obliged to pay any such tax, duty or charge referred to in Condition 21.1 above, the relevant Securityholder shall promptly reimburse the Issuer therefor.
- 21.3 The Issuer is not liable and does not assume responsibility for any tax, duty, withholding or other payment which may arise as a result of the ownership, issue, transfer or exercise of any Certificates, including, without limitation, payment of the Cash Settlement Amount, or any other amounts, unless the withholding or deduction of such tax, duty, withholding or other payment is required by law. In that event, the appropriate withholding or deduction shall be made and the Issuer shall have no obligation to pay any additional amounts to compensate any Securityholder for such withholding or deduction.
- 21.4 {Intentionally Deleted}.

22. **EVENTS OF DEFAULT**

- 22.1 If any of the following events (each, an "**Event of Default**") occurs and is continuing:
- (a) *Non-payment*: the Issuer fails to pay any amount due in respect of the Certificates within seven days of the due date for payment thereof; or
  - (b) *Breach of Other Obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Securities and such default remains unremedied for sixty days after written notice thereof, addressed to the Issuer by Securityholders of not less than 25 per cent. in aggregate principal amount of the relevant Series, has been delivered to the Issuer and to the Specified Office of the Principal Securities Agent; or
  - (c) *Insolvency, etc.*: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), (iii) the Issuer takes any action for a composition with or for the benefit of its creditors generally, or (iv) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent),
- then Securityholders of not less than 25 per cent. in aggregate principal amount of the Securities may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Securities Agent, declare the Securities to be immediately terminated then the Certificates shall cease to be exercisable (or, in the case of any Certificates which have been exercised, the entitlements of the respective exercising Securityholders to receive the payment of the Cash Settlement Amount pursuant to such exercise shall cease) as of such later date and the Issuer will pay the Early Termination Amount in respect of each Certificate without further action or formality. Notice of any such declaration shall promptly be given to the Securityholders.
- 22.2 *Annulment of Acceleration and Waiver of Defaults*. In some circumstances, if any or all Events of Default have been cured, waived or otherwise remedied, then the holders of a majority in aggregate nominal amount or number of Certificates of such Series (voting as one class) may waive past defaults of the Certificates. However, any continuing default in payment on those Certificates may not be waived.

**23. FORCE MAJEURE AND ILLEGALITY**

- 23.1 The Issuer shall have the right to terminate the Certificates if it shall have determined, in its sole and absolute discretion, that its performance thereunder shall have become or will be unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power ("**applicable law**").
- 23.2 In such circumstances the Issuer will, however, if and to the extent permitted by applicable law, pay to each Securityholder in respect of each Certificate held by him an amount determined by the Determination Agent, in its sole and absolute discretion, as representing the fair market value of such Certificate immediately prior to such termination (ignoring such illegality) less the proportion attributable to the Certificate of the reasonable cost to the Issuer and/or any Affiliate of, or the loss realised by the Issuer and/or any Affiliate on, unwinding any related hedging arrangements, all calculated by the Determination Agent in its sole and absolute discretion. Payment will be made to the relevant Clearing System in such manner as shall be notified to the Securityholders in accordance with Condition 24 (*Notices*).

**24. NOTICES**

24.1 *Registered Certificates:*

Notices to holders of Registered Certificates shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register.

24.2 *Nordic Securities:*

{Intentionally Deleted}.

24.3 *Certificates admitted to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market*

In relation to Certificates admitted to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market, notices to Securityholders will be published in accordance with the rules of the Irish Stock Exchange.

24.4 *Certificates listed on the SIX Swiss Exchange:*

{Intentionally Deleted}.

24.5 *Certificates admitted to the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF market.*

{Intentionally Deleted}.

24.6 *Unlisted Certificates:* {Intentionally Deleted}.

24.7 *Certificates admitted to listing on the Official List and trading on the Euro TLX market, an MTF organised and managed by Euro TLX SIM S.p.A.:*

In relation to Certificates admitted to listing on the Official List and trading on the Euro TLX market, an MTF organised and managed by Euro TLX SIM S.p.A., notices to holders of Registered Certificates will be published in accordance with the rules of the Euro TLX (if any). Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

**25. LOSSES**

In no event shall the Issuer or the Agents have any liability for indirect, incidental, consequential or other damages (whether or not it may have been advised of the possibility of such damages) other than interest until the date of payment on sums not paid when due in respect of any Certificates or assets not delivered when due. Securityholders are entitled to

damages only and are not entitled to the remedy of specific performance in respect of a Certificate.

26. **PRESCRIPTION**

26.1 *Prescription in respect of Certificates:* Claims of payment or delivery in respect of Registered Certificates shall become void unless the relevant Registered Certificate Forms are surrendered for payment or delivery within ten years of the appropriate relevant due date for payment or delivery.

26.2 *Prescription in Respect of Nordic Securities:* {Intentionally Deleted}.

27. **REPLACEMENT OF SECURITIES**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Securities Registrar during normal business hours (and, if the Securities are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Securities Agent or a Securities Transfer Agent in any particular place, the Securities Agent or Securities Transfer Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced forms must be surrendered before replacements will be issued.

28. **SEVERANCE, MEETINGS OF SECURITYHOLDERS AND MODIFICATION OF CONDITIONS**

28.1 *Meetings of Securityholders:* The Securities Agency Agreement contains provisions for convening meetings of Securityholders to consider matters relating to the Securities, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Securityholders holding not less than one tenth of the amount or number of the outstanding Certificates. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate amount or number, as applicable, of the outstanding Certificates or, at any adjourned meeting, two or more Persons being or representing Securityholders whatever the amount or number of the Certificates held or represented, provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Securityholders at which two or more Persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate amount or number, as applicable of the outstanding Certificates form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Securityholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Securityholders who for the time being are entitled to receive notice of a meeting of Securityholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

28.2 *Severance:* Should any of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way.

28.3 *Modification:* The Issuer may modify the Conditions, the Securities Agency Agreement and the Deed of Covenant without the consent of the Securityholders for the purposes of curing any ambiguity or correcting or supplementing any provision contained herein in any manner which the Issuer may deem necessary or desirable, **provided that** such modification is not materially prejudicial to the interests of the Securityholders. Notice of any such modification will be given to the Securityholders in accordance with Condition 24 (*Notices*) but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

29. **FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Securityholders to create and issue further Certificates of any particular Series so as to form a single series with the Certificates of such Series, but upon such terms as to issue price and otherwise as the Issuer may determine in its sole and absolute discretion.

30. **PURCHASE OF CERTIFICATES OF ISSUER OR AFFILIATE**

The Issuer or an Affiliate may at any time and from time to time purchase Certificates at any price in the open market or otherwise. Such Certificates may, at the option of the Issuer or, as the case may be, the relevant Affiliate, be held, resold, reissued or cancelled or otherwise dealt with. No Certificate which has been exercised, or purchased and cancelled, may be re-issued.

31. **SUBSTITUTION**

The Issuer shall be entitled at any time and from time to time, without the consent of the Securityholders, to substitute any other member of the group comprising MSI plc and any Affiliates (the "**New Issuer**") in its place as obligor under the Certificates, **provided that** the New Issuer shall assume all obligations of the Issuer in relation to the Securityholders under or in relation to the Certificates. In the event of such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Such substitution shall be promptly notified to the Securityholders in accordance with Condition 24 (*Notices*). In connection with such right of substitution, the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Securityholders in particular, without limitation, any consequences resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Securityholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax or other consequence of any such substitution upon such Securityholder.

32. **RIGHTS OF THIRD PARTIES**

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999.

33. **REPRESENTATIONS AND ACKNOWLEDGEMENTS BY SECURITYHOLDERS**

Each Securityholder shall be deemed to represent and acknowledge to the Issuer on acquiring any Certificates that:

- (a) neither the Issuer nor any Affiliate or any of their agents is acting as a fiduciary for it or provides investment, tax, accounting, legal or other advice in respect of the Certificates and that such Securityholder and its advisors are not relying on any communication (written or oral and including, without limitation, opinions of third party advisors) of the Issuer or any Affiliate as (i) legal, regulatory, tax, business, investment, financial, accounting or other advice, (ii) a recommendation to invest in any Certificates or (iii) an assurance or guarantee as to the expected results of an investment in the Certificates (it being understood that information and explanations related to the terms and conditions of the Certificates shall not be considered to be any such advice, recommendation, assurance or guarantee and should be independently confirmed by the recipient and its advisors prior to making any such investment);
- (b) such Securityholder (i) has consulted with its own legal, regulatory, tax, business, investments, financial and accounting advisors to the extent that it has deemed necessary, and has made its own investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or any Affiliate or any of their agents and (ii) is acquiring Certificates with a full understanding of the terms, conditions and risks thereof and it is capable of and willing to assume those risks; and



- (c) the Issuer and/or any Affiliates may have banking or other commercial relationships with issuers of any securities to which the Certificates relate and may engage in proprietary trading in any securities, indices, commodities or other property to which the Certificates relate or options, futures, derivatives or other instruments relating thereto (including such trading as the Issuer and/or any Affiliate deem appropriate in their sole discretion to hedge the market risk on the Certificates and other transactions between the Issuer and/or any Affiliates and any third parties), and that such trading (i) may affect the price or level thereof and consequently the amounts payable under the Certificates and (ii) may be effected at any time, including on or near the Valuation Date.

#### 34. **GOVERNING LAW AND PROCEEDINGS**

##### 34.1 *Governing Law*

The Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

##### 34.2 *Jurisdiction*

The Issuer agrees for the benefit of the Securityholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Certificates (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

##### 34.3 *Appropriate Forum*

The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agrees not to claim that any such court is not a convenient or appropriate forum.

##### 34.4 *Process Agent*

The Issuer agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part 34 of the UK Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of any Issuer, such Issuer shall, on the written demand of any Securityholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Securities Agent, appoint another Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Securityholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Securities Agent. Nothing in this Condition shall affect the right of any Securityholder to serve process in any other manner permitted by law.

**CONTRACTUAL TERMS**

The following "Contractual Terms" complete and, where applicable, amend the "Terms and Conditions of the Certificates" to comprise the terms and conditions of the Certificates.

Terms used herein shall be deemed to be defined as such for the purposes of the "Terms and Conditions of the Certificates".

1. Issuer: Morgan Stanley & Co. International plc
2. Aggregate Number of Certificates in the Series: Up to 10,000. The final Aggregate Number of Certificates will be finalised on or around the Issue Date, and made available on the Distribution Agent's website ([www.consultinvest.it](http://www.consultinvest.it)) on or around the Issue Date
3. Aggregate Number of Certificates in the Tranche: Up to 10,000. The final Aggregate Number of Certificates will be finalised on or around the Issue Date, and made available on the Distribution Agent's website ([www.consultinvest.it](http://www.consultinvest.it)) on or around the Issue Date
4. Settlement Currency: Euro ("EUR")
5. Issue Date: 30 December 2014
6. Issue Price: EUR 1,000 per Certificate. The Issue Price includes a distribution fee of EUR 100 retained by the Distribution Agent
7. Form of Certificates: Registered Certificates:  
  
Global Registered Certificate, exchangeable for Individual Registered Certificates in the limited circumstances described in the Global Registered Certificate
8. Certificate Style: (*Condition 5*) American Style Certificates
  - (i) Exercise Period: The period beginning on (and including) the Commencement Date and ending on (and including) the Expiration Date
  - (ii) Commencement Date: Issue Date
9. Fund-Linked Redemption Provisions (*Condition 14*)
  - (i) Reference Fund: The Certificates are Reference Fund Basket Securities and are linked to the Reference Fund Basket  
  
Each fund referred to in a row (i = 1-5) in the following table (the "**Reference Fund Table**") under the heading "Reference Fund" (each, a "**Reference Fund**"):
 

| i | Reference Fund                               | Bloomberg Code | ISIN         | Weighting |
|---|--|----------------|--------------|-----------|
| 1 | CONSULTINVEST HIGH YIELD CLASSE I CAP        | CONHYDIIM      | IT0004977713 | 20%       |
| 2 | CONSULTINVEST MULTIMANAGER FLEX CLASSE I CAP | CONMFIIM       | IT0004977630 | 20%       |
| 3 | CONSULTINVEST                                | CONG           | IT00         | 20%       |

|   |   |                   |                      |     |
|---|---|-------------------|----------------------|-----|
|   | GLOBAL CLASSE I<br>CAP  | LBI<br>IM         | 0497<br>7358         |     |
| 4 | CONSULTINVEST<br>MULTIMANAGER<br>LOW VOLATILITY<br>CLASSE I CAP | CONM<br>LVI<br>IM | IT00<br>0497<br>7655 | 20% |
| 5 | CONSULTINVEST<br>REDDITO CLASSE I<br>CAP                        | CONR<br>EDI<br>IM | IT00<br>0497<br>7531 | 20% |

Information about the past and the future performance of each Reference Fund and its volatility can be obtained from the Bloomberg Code corresponding to each Reference Fund as set out in the table above and on <http://www.consultinvest.it/sgr/fondi.asp>

- (ii) Reference Fund Interest: In respect of each Reference Fund, an interest issued to or held by an investor in such Reference Fund, as determined by the Determination Agent
- (iii) Reference Fund Interest Unit: Applicable
- (iv) Reference Fund Basket: A basket comprising the Reference Funds and in the relative weighting set out under the heading "Weighting" in the Reference Fund Table
- (v) Company: In respect of a Reference Fund Interest and each Reference Fund, Consultinvest Asset Management SGR S.p.A.
- (vi) Reference Fund Business Day: In respect of each Reference Fund, the day on which the net asset value of such Reference Fund is due to be published, as determined by the Determination Agent
- (vii) Reference Fund Adviser: As specified in Condition 14
- (viii) Reference Fund Administrator: In respect of a Reference Fund Interest and each Reference Fund, Consultinvest Asset Management SGR S.p.A.
- (ix) Reference Fund Custodian: As specified in Condition 14
- (x) Additional Reference Fund Service Provider: None
- (xi) Additional Reference Fund Documents: Applicable
- (xii) Cut-off Date:  
(Condition 14.1) In respect of each Valuation Date, the fifth Business Day immediately following the Scheduled Valuation Date in respect of such Valuation Date
- (xiii) Valuation Date:  
(Condition 14.1(b)) In respect of each Certificate:
  - (i) each Coupon Valuation Date;
  - (i) the Holder Exercise Valuation Date, if the Securityholder has exercised the Certificate; and
  - (ii) the Expiration Valuation Date, if the

Certificate is subject to Deemed Exercise pursuant to Condition 6.6 (*Deemed Exercise*),

as determined by the Determination Agent.

Where:

**"Coupon Valuation Date"** means, in respect of each Reference Fund, each Scheduled Coupon Valuation Date, as set forth in paragraph 9(xiv) below, subject to adjustment in accordance with Condition 14.1 (*Adjustments for Disrupted Days*);

**"Expiration Valuation Date"** means, in respect of each Reference Fund, the Scheduled Expiration Valuation Date, as set forth in paragraph 9(xiv) below, subject to adjustment in accordance with Condition 14.1 (*Adjustments for Disrupted Days*); and

**"Holder Exercise Valuation Date"** means, in respect of each Reference Fund, the Scheduled Holder Exercise Valuation Date, as set forth in paragraph 9(xiv) below, subject to adjustment in accordance with Condition 14.1 (*Adjustments for Disrupted Days*).

(xiv) Scheduled Valuation Date: Each of the following shall be a **"Scheduled Valuation Date"** in respect of a Certificate and the Valuation Date which is:

- (a) a Coupon Valuation Date, the Scheduled Coupon Valuation Date corresponding to such Coupon Valuation Date;
- (b) Holder Exercise Valuation Date, Scheduled Holder Exercise Valuation Date; and
- (c) Expiration Valuation Date, Scheduled Expiration Valuation Date,

as determined by the Determination Agent.

Where:

**"Common Reference Fund Business Day"** has the meaning given to it in the Annex to Contractual Terms (*Special Terms and Conditions*);

**"Observation Date<sub>t</sub>"** has the meaning given to it in paragraph 9 (*Definitions*) of the Annex to Contractual Terms (*Special Terms and Conditions*);

**"Scheduled Coupon Valuation Date"** means, in respect of a Certificate and:

- (i) each Calendar Quarter (other than the 20th Calendar Quarter), the last Observation

Date<sub>i</sub> of such Calendar Quarter; and

- (ii) the 20th Calendar Quarter, the Scheduled Expiration Valuation Date.

There shall be a total of 20 Scheduled Coupon Valuation Dates (subject to early termination of the Certificates).

**"Scheduled Expiration Valuation Date"** means the Expiration Date, provided that if such date is not a day which is both a Business Day and a Common Reference Fund Business Day, the next day that is both a Business Day and a Common Reference Fund Business Day, as determined by the Determination Agent; and

**"Scheduled Holder Exercise Valuation Date"** means, in respect of a Certificate, the fifth Business Day immediately following the date on which an Exercise Notice relating to that Certificate is delivered in accordance with the provisions of Condition 6.1 (*Exercise Notice*), provided that if such date is not a Common Reference Fund Business Day, the next day that is both a Business Day and a Common Reference Fund Business Day, as determined by the Determination Agent.

- |         |  |   |
|---------|--|---|
| (xv)    | Extraordinary Dividend:<br>( <i>Condition 14.7</i> ) | Applicable  |
| (xvi)   | Adjustment<br>( <i>Condition 14.4</i> )              | Applicable, provided that, in respect of Adjustments in relation to payments made on the Holder Exercise Valuation Date, the "5 Business Days" referred to in Condition 14.4 shall be amended to read "3 Business Days" |
| (xvii)  | Reference Fund Subscription Date:                    | Applicable  |
| (xviii) | Scheduled Redemption Payment Date:                   | Applicable  |
| (xix)   | Subscription Notice Date:                            | Applicable  |
| (xx)    | Redemption Notice Date:                              | Applicable  |
| (xxi)   | Reference Fund Events:                               | Applicable  |
| (a)     | NAV Trigger Percentage:                              | Applicable  |
| (b)     | NAV Trigger Period:                                  | Applicable  |
| (c)     | Aggregate NAV Trigger Value:                         | Applicable  |
| (d)     | Aggregate NAV Trigger Period:                        | Applicable  |
| (xxii)  | Additional Reference Fund                            | None  |

Event(s):

(xxiii) Other terms: Not Applicable

**Exercise**

- |     |  |   |
|-----|--|---|
| 10. | Expiration Date:                                     | 3 January 2020  |
| 11. | Latest Exercise Time:                                | 10:00 a.m. ( <i>local time in the place of the Specified Office of the Securities Registrar</i> ) |
| 12. | Minimum Exercise Number:<br>( <i>Condition 6.9</i> ) | One Certificate   |
| 13. | Permitted Multiple: ( <i>Condition 6.9</i> )         | One Certificate   |
| 14. | Deemed Exercise: ( <i>Condition 6.6</i> )            | Applicable  |

**Call Option**

- |     |              |                |
|-----|--------------|----------------|
| 15. | Call Option: | Not Applicable |
|-----|--------------|----------------|

**Settlement**

- |      |   |  |     |   |      |   |
|------|---|--|-----|---|------|---|
| 16.  | Settlement Basis: ( <i>Condition 5.4</i> )  | The Certificates are Cash Settlement Securities.   |     |   |      |   |
| 17.  | Cash Settlement Amount:   | See paragraph 2 ( <i>Cash Settlement Amount</i> ) of the Annex to Contractual Terms ( <i>Special Terms and Conditions</i> ) hereto   |     |   |      |   |
| 18.  | Strike Price:   | Not Applicable   |     |   |      |   |
| 19.  | Settlement Price:   | Not Applicable   |     |   |      |   |
| 20.  | Valuation Time:   | Not Applicable   |     |   |      |   |
| 21.  | Valuation Date:   | See paragraph 9 (xiii) above   |     |   |      |   |
| 22.  | Averaging Dates:  | Not Applicable   |     |   |      |   |
| 23.  | Observation Date:   | See Annex to Contractual Terms ( <i>Special Terms and Conditions</i> )   |     |   |      |   |
| 24.  | Strike Date:  | 9 January 2015 or, if such day is not an Observation Date, the next following Observation Date.  |     |   |      |   |
| 25.  | Settlement Currency:  | EUR  |     |   |      |   |
| 26.  | Cash Settlement Payment Date:   | In respect of each Certificate, if such Certificate is terminated pursuant to: <table border="0" style="margin-left: 20px;"> <tr> <td style="vertical-align: top;">(i)</td> <td>exercise of the Certificate by the Securityholder, the Holder Exercise Settlement Date; and</td> </tr> <tr> <td style="vertical-align: top;">(ii)</td> <td>Deemed Exercise pursuant to Condition 6.6 (<i>Deemed Exercise</i>), the Scheduled Cash Settlement Payment Date,</td> </tr> </table> as determined by the Determination Agent. | (i) | exercise of the Certificate by the Securityholder, the Holder Exercise Settlement Date; and | (ii) | Deemed Exercise pursuant to Condition 6.6 ( <i>Deemed Exercise</i> ), the Scheduled Cash Settlement Payment Date, |
| (i)  | exercise of the Certificate by the Securityholder, the Holder Exercise Settlement Date; and                       |  |     |   |      |   |
| (ii) | Deemed Exercise pursuant to Condition 6.6 ( <i>Deemed Exercise</i> ), the Scheduled Cash Settlement Payment Date, |  |     |   |      |   |

Where:

**"Holder Exercise Settlement Date"** means, in respect of a Certificate, such date as shall be specified in the Exercise Notice relating to that Certificate, provided that such date shall be no earlier than the third Business Day immediately following the Latest Determination Date in respect of the Holder Exercise Valuation Date (if any) in respect of such Certificate;

**"Latest Determination Date"** means, in respect of each of the Reference Funds in the Reference Fund Basket and a Valuation Date (i) if no Market Disruption Event has occurred for any such Reference Fund on the Scheduled Valuation Date in respect of such Valuation Date, such Scheduled Valuation Date, or (ii) if a Market Disruption Event has occurred for one or more Reference Funds in the Reference Fund Basket on the Scheduled Valuation Date in respect of such Valuation Date and the Valuation Date for two or more Reference Funds in the Reference Fund Basket falls on different dates, the date corresponding to the Valuation Date which is the latest to occur, as determined by the Determination Agent; and

**"Scheduled Cash Settlement Payment Date"** means the date which is the later of:

- (i) 10 January 2020, provided that if such day is not a Business Day, the following Business Day; and
- (ii) the fifth Business Day immediately following the Latest Determination Date in respect of the Expiration Valuation Date.

#### General Provisions Applicable to the Certificates

|     |   |  |
|-----|---|--|
| 27. | Record Date:                                | One Clearing System Business Day before the relevant due date for payment.     |
| 28. | Determination Agent:                        | As defined in the Conditions   |
| 29. | Clearing System:                            | Euroclear  |
| 30. | Minimum Transfer Amount:<br>(Condition 3.4) | One Certificate  |
| 31. | Inconvertibility Event Provisions           | Not Applicable   |
| 32. | U.S. Selling Restrictions:                  | Reg. S Compliance Category 2   |
| 33. | Additional Selling Restrictions:            | Not Applicable   |
| 34. | Other special terms and conditions:         | See the Annex to the Contractual Terms ( <i>Special Terms and Conditions</i> ) |

**ANNEX TO CONTRACTUAL TERMS  
(SPECIAL TERMS AND CONDITIONS)**

**CONTENTS**

|   |    |
|---|----|
| 1. COUPON AMOUNT .....                      | 66 |
| 2. CASH SETTLEMENT AMOUNT .....             | 67 |
| 3. DETERMINATION OF LEVERAGED INDEX .....   | 67 |
| 4. DETERMINATION OF ASSET PERFORMANCE ..... | 68 |
| 5. DETERMINATION OF CASH ACCOUNT .....      | 69 |
| 6. DETERMINATION OF BASKET VALUE .....      | 70 |
| 7. REBALANCING .....                        | 71 |
| 8. OTHER DEFINITIONS .....                  | 72 |

**1. COUPON AMOUNT**

1.1 Unless previously exercised or purchased and cancelled, if the Determination Agent determines on an Observation Date<sub>t(Q)</sub> that a Coupon Event has occurred, the Issuer shall pay, in respect of each Certificate, the Coupon Amount calculated in respect of such Observation Date<sub>t(Q)</sub> on the Coupon Payment Date immediately following such Observation Date<sub>t(Q)</sub>.

1.2 Notwithstanding the above, no Coupon Amount will be payable on a Certificate on any date following a date on which an Exercise Notice relating to that Certificate is delivered in accordance with the Conditions.

1.3 Where:

"**Coupon Amount**" means, in respect of an Observation Date<sub>t(Q)</sub>, the amount (which could be zero) in the Settlement Currency determined by the Determination Agent in accordance with the following formula:

$$\text{Nominal Amount} \times \text{Coupon}_{t(Q)}$$

"**Coupon Event**" means, in respect of Observation Date<sub>t(Q)</sub> (and a Coupon Event shall have occurred on Observation Date<sub>t(Q)</sub> if), in the determination of the Determination Agent, the Performance<sub>t(Q)</sub> in respect of Observation Date<sub>t(Q)</sub> is greater than 103 per cent. (expressed as "1.03").

"**Coupon Payment Date**" means, in respect of an Observation Date<sub>t(Q)</sub> on which a Coupon Event has occurred, the fifth Business Date immediately following such Observation Date<sub>t(Q)</sub>, provided that in respect of the final Observation Date<sub>t(Q)</sub>, the Coupon Payment Date shall be the Scheduled Cash Settlement Payment Date.

"**Coupon<sub>t(Q)</sub>**" means, in respect of an Observation Date<sub>t(Q)</sub>, the amount calculated by the Determination Agent in accordance with the following formula:

$$\text{Leveraged Index}_{t(Q-2)} - \text{Leveraged Index}_{t(0)}$$

"**Observation Date<sub>t(Q)</sub>**" has the meaning given in paragraph 8 (*Other Definitions*) below.

"**Performance<sub>t(Q)</sub>**" means, in respect of Observation Date<sub>t(Q)</sub> an amount determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Leveraged Index}_{t(Q-2)}}{\text{Leveraged Index}_{t(0)}}$$



"**Leveraged Index<sub>t(0)</sub>**" has the meaning given in paragraph 3.1(a) (*Determination of Leveraged Index*) below.

"**Leveraged Index<sub>t(Q-2)</sub>**" means, in respect of Observation Date<sub>t(Q)</sub>, the Leveraged Index<sub>t</sub> in respect of the second Observation Date prior to such Observation Date<sub>t(Q)</sub>.

## 2. CASH SETTLEMENT AMOUNT

2.1 Unless previously exercised or purchased and cancelled, each Certificate entitles the Securityholder to receive, on the Cash Settlement Payment Date, a Cash Settlement Amount calculated by reference to the positive or negative movement of the Leveraged Index between the Strike Date and the Valuation Date, and provided that the Cash Settlement Amount shall not be less than zero, in accordance with the formula provided below.

2.2 Where:

"**Cash Settlement Amount**" means, in respect of a Certificate, if such Certificate is terminated pursuant to:

- (a) Deemed Exercise pursuant to Condition 6.6 (*Deemed Exercise*), an amount in the Settlement Currency determined by the Determination Agent in accordance with the following formula:

$$\text{Nominal Amount} \times \left[ \text{Max} \left( 0; \frac{\text{Leveraged Index}_{t(N)}}{\text{Leveraged Index}_{t(0)}} \right) \right]$$

- (b) exercise of the Certificate by the Securityholder, an amount in the Settlement Currency determined by the Determination Agent in accordance with the following formula:

$$\text{Nominal Amount} \times \left[ \text{Max} \left( 0; \frac{\text{Leveraged Index}_{t(N)}}{\text{Leveraged Index}_{t(0)}} - 0.03 \right) \right]$$

"**Expiration Valuation Date**" has its meaning set forth in paragraph 9 (xiii) of the Contractual Terms above;

"**Holder Exercise Valuation Date**" has its meaning set forth in paragraph 9 (xiii) of the Contractual Terms above;

"**Leveraged Index<sub>t(0)</sub>**" has the meaning given to it in paragraph 3.1(a) (*Determination of Leveraged Index*) below;

"**Leveraged Index<sub>t(N)</sub>**" means, in respect of a Certificate, if such Certificate is terminated pursuant to:

- (a) Deemed Exercise pursuant to Condition 6.6 (*Deemed Exercise*), the Leveraged Index<sub>t</sub> in respect of the Expiration Valuation Date;
- (b) exercise of the Certificate by the Securityholder, the Leveraged Index<sub>t</sub> in respect of the Holder Exercise Valuation Date,

each as determined by the Determination Agent;

"**Max**" followed by a series of amounts (or values) inside brackets, means whichever is the greater of the amounts (or values) separated by a semi-colon inside those brackets; and

"**Nominal Amount**" means EUR 900.

## 3. DETERMINATION OF LEVERAGED INDEX

3.1 "**Leveraged Index<sub>t</sub>**" means, in respect of:

- (a) the Strike Date (being Observation Date<sub>t(0)</sub>), 1.00 (expressed as "**Leveraged Index**<sub>t(0)</sub>");
- (b) each Observation Date<sub>t</sub> (other than the Strike Date), a value determined by the Determination Agent in accordance with the following formula:

$$\begin{aligned} & \text{Leveraged Index}_{t(R-1)} \\ & + \text{Asset Performance}_t \\ & + (\text{Cash Account}_t - \text{Cash Account}_{t(R-1)}) - \text{Coupon}_t \end{aligned}$$

For the avoidance of doubt, if an Observation Date<sub>t</sub> is a Rebalance Date, the determination of the Leveraged Index<sub>t</sub> in respect of such Observation Date<sub>t</sub> shall be made without regard to any adjustments made in respect of Cash Account<sub>t</sub> as set forth in in paragraph 5 (*Determination of Cash Account*) below.

3.2 Where  $t_{R-1} < t$  and:

"**Asset Performance**<sub>t</sub>" has the meaning given in paragraph 4 (*Determination of Asset Performance*) below;

"**Cash Account**<sub>t</sub>" and "**Cash Account**<sub>t(R-1)</sub>" have their respective meanings given in paragraph 5 (*Determination of Cash Account*) below;

"**Coupon**<sub>t</sub>" means, in respect of an Observation Date<sub>t</sub>:

- (a) which is a Coupon Payment Date, the Coupon<sub>t(Q)</sub> used to calculate the Coupon Amount payable on such date; and
- (b) which is not a Coupon Payment Date, zero.

"**Leveraged Index**<sub>t(R-1)</sub>" means, in respect of Observation Date<sub>t</sub>, the Leveraged Index<sub>t</sub> on the Rebalance Date most recently preceding Observation Date<sub>t</sub>, as determined by the Determination Agent;

"**Observation Date**<sub>t</sub>" and "**Observation Date**<sub>t(0)</sub>" have the respective meanings given to them in paragraph 8 (*Other Definitions*) below;

"**Rebalance Date**" has the meaning given to it in paragraph 7 (*Rebalancing*) below; and

"**Strike Date**" has the meaning given to it in paragraph 24 of Contractual Terms above.

#### 4. DETERMINATION OF ASSET PERFORMANCE

- 4.1 "**Asset Performance**<sub>t</sub>" means a value determined by the Determination Agent in accordance with the following formula:

$$\sum_{i=1}^5 N_{t(R-1)}^i \times (RF_t^i - RF_{t(R-1)}^i)$$

4.2 Where  $t_{R-1} < t$  and:

"**Σ**" or sigma means the sum of, such that, for example  $\sum_{i=1}^5 N_{t(R-1)}^i \times (RF_t^i - RF_{t(R-1)}^i)$

means:

$$\begin{aligned} & \left[ N_{t(R-1)}^1 \times (RF_t^1 - RF_{t(R-1)}^1) \right] + \left[ N_{t(R-1)}^2 \times (RF_t^2 - RF_{t(R-1)}^2) \right] + \left[ N_{t(R-1)}^3 \times (RF_t^3 - RF_{t(R-1)}^3) \right] + \\ & \left[ N_{t(R-1)}^4 \times (RF_t^4 - RF_{t(R-1)}^4) \right] + \left[ N_{t(R-1)}^5 \times (RF_t^5 - RF_{t(R-1)}^5) \right] \end{aligned}$$

" $N_{t(R-1)}^i$ " means in respect of Observation Date<sub>t</sub> and Reference Fund<sup>i</sup>, the number of units of Reference Fund<sup>i</sup> in the Reference Fund Basket on the Rebalance Date most recently preceding Observation Date<sub>t</sub>, as determined by the Determination Agent.

" $RF_t^i$ " means, in respect of Observation Date<sub>t</sub> and Reference Fund<sup>i</sup>, the NAV of Reference Fund<sup>i</sup> on Observation Date<sub>t</sub>, as determined by the Determination Agent.

" $RF_{t(R-1)}^i$ " means, in respect of Observation Date<sub>t</sub> and Reference Fund<sup>i</sup>, the NAV of Reference Fund<sup>i</sup> on the Rebalance Date most recently preceding Observation Date<sub>t</sub>, as determined by the Determination Agent.

## 5. DETERMINATION OF CASH ACCOUNT

### 5.1 Cash Account<sub>t</sub>

"Cash Account<sub>t</sub>" means, in respect of an Observation Date<sub>t</sub>:

- (a) which is the Strike Date (being Observation Date<sub>t(0)</sub>), an amount as determined by the Determination Agent in accordance with the following (expressed as "Cash Account<sub>t(0)</sub>"):

$$- \text{Basket Value}_{t(0)}$$

- (b) other than the Strike Date or a Rebalance Date, a value determined by the Determination Agent in accordance with the following formula:

$$\left\{ \left[ (RFR_{t(R-1)} + \text{Financing Spread}) \times \frac{CD_t - CD_{t(R-1)}}{360} \right] + 1 \right\} \times \text{Cash Account}_{t(R-1)}$$

### 5.2 Cash Account<sub>t(R)</sub>

"Cash Account<sub>t(R)</sub>" means, in respect of an Observation Date<sub>t</sub> which is a Rebalance Date (or Observation Date<sub>t(R)</sub>) other than the Strike Date, an amount as determined by the Determination Agent in accordance with the following formula:

$$\begin{aligned} & \left\{ \left[ (RFR_{t(R-1)} + \text{Financing Spread}) \times \frac{CD_t - CD_{t(R-1)}}{360} \right] + 1 \right\} \times \text{Cash Account}_{t(R-1)} \\ & - \sum_{i=1}^5 (\Delta N_{t(R)}^i) \times RF_t^i \end{aligned}$$

### 5.3 Where:

" $\Sigma$ " or sigma means the sum of, such that, for example  $\sum_{i=1}^5 (\Delta N_{t(R)}^i) \times RF_t^i$  means:

$$\begin{aligned} & [(\Delta N_{t(R)}^1) \times RF_t^1] + [(\Delta N_{t(R)}^2) \times RF_t^2] + [(\Delta N_{t(R)}^3) \times RF_t^3] + \\ & [(\Delta N_{t(R)}^4) \times RF_t^4] + [(\Delta N_{t(R)}^5) \times RF_t^5] \end{aligned} ;$$

" $\Delta N_{t(R)}^i$ " has the meaning given to it in paragraph 7 (*Rebalancing*) below;

"**Basket Value<sub>t(0)</sub>**" means the Basket Value<sub>t</sub> in respect of the Strike Date (being Observation Date<sub>t(0)</sub>);

"**Basket Value<sub>t</sub>**" has the meaning given to it in paragraph 6 (*Determination of Basket Value*) below;

"**Cash Account<sub>t(R-1)</sub>**" means, in respect of Observation Date<sub>t</sub>, the Cash Account<sub>t</sub> in respect of the Rebalance Date most recently preceding such Observation Date<sub>t</sub> (or, if the most recently preceding Rebalance Date is the Strike Date, then Cash Account<sub>t(0)</sub>);

"**CD<sub>t</sub>**" means, in respect of Observation Date<sub>t</sub>, the number of calendar days from, and including, the Strike Date to, but excluding, Observation Date<sub>t</sub>, as determined by the Determination Agent.

"**CD<sub>t(R-1)</sub>**" means, in respect of Observation Date<sub>t</sub>, the number of calendar days from, and including, the Strike Date to, but excluding, the Rebalance Date most recently preceding such Observation Date<sub>t</sub>, as determined by the Determination Agent.

"**FS**" or "**Financing Spread**" means 0.0110 (or 1.1 per cent.).

"**RFR<sub>t(R-1)</sub>**" means, in respect of Observation Date<sub>t</sub>, the rate for deposits in EUR for a period of three months which appears on Reuters Screen LIBOR01 Page (or any successor or replacement page to such page) (the "**Relevant Screen Page**") at 11 a.m., London time (the "**Relevant Time**"), determined by the Determination Agent on the second TARGET Business Day prior to the Rebalance Date most recently preceding such Observation Date<sub>t</sub> (the "**Relevant Day**"), or if such rate does not appear on the Relevant Screen Page at the Relevant Time on the Relevant Day, such rate as determined by the Determination Agent acting in good faith and in a commercially reasonable manner.

## 6. DETERMINATION OF BASKET VALUE

- 6.1 "**Basket Value<sub>t</sub>**" means, in respect of Observation Date<sub>t</sub>, an absolute amount without regard to currency of denomination representing the leveraged weighted sum of the NAV, on such Observation Date<sub>t</sub>, of the number of units of each Reference Fund<sup>i</sup> on such date, as determined by the Determination Agent in accordance with the following formula:

$$\sum_{i=1}^5 (N_{t(R-1)}^i \times RF_t^i)$$

- 6.2 Where:

"**Σ**" or sigma means the sum of, such that, for example  $\sum_{i=1}^5 (N_{t(R-1)}^i \times RF_t^i)$  means:

$$(N_{t(R-1)}^1 \times RF_t^1) + (N_{t(R-1)}^2 \times RF_t^2) + (N_{t(R-1)}^3 \times RF_t^3) + (N_{t(R-1)}^4 \times RF_t^4) + (N_{t(R-1)}^5 \times RF_t^5)$$

"**N<sub>t(R-1)</sub><sup>i</sup>**" means in respect of Observation Date<sub>t</sub> and Reference Fund<sup>i</sup>, the number of units of Reference Fund<sup>i</sup> in the Reference Fund Basket on the Rebalance Date most recently preceding Observation Date<sub>t</sub>, as determined by the Determination Agent.

"**NAV**" means, in respect of a Reference Fund<sup>i</sup>, the net asset value per Reference Fund Interest Unit of such Reference Fund<sup>i</sup>, as calculated and published (or, if not published, as notified) to the Shareholder of such Reference Fund<sup>i</sup>, and "publish" shall be read accordingly when used in relation to NAV by, or on behalf of, the relevant Reference Fund Administrator, subject as provided in the Conditions.

" $RF_t^i$ " means, in respect of Observation Date<sub>t</sub> and Reference Fund<sup>i</sup>, the NAV of Reference Fund<sup>i</sup> on Observation Date<sub>t</sub>, as determined by the Determination Agent.

## 7. REBALANCING

- 7.1 On the first Rebalance Date (being the Strike Date), the number of units of each Reference Fund<sup>i</sup> represented in the Reference Fund Basket on the Strike Date (" $N_{t(0)}^i$ ") is determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Target Multiplier} \times \text{Leveraged Index}_{t(0)} \times w^i}{RF_{t(0)}^i}$$

- 7.2 On each Rebalance Date following the Strike Date, the number of units of each Reference Fund<sup>i</sup> represented in the Reference Fund Basket on such Rebalance Date (" $N_{t(R)}^i$ ") is adjusted by the Determination Agent and determined in accordance with the following formula:

$$\Delta N_{t(R)}^i + N_{t(R-1)}^i$$

- 7.3 Where:

" $\Delta N_{t(R)}^i$ " means, in respect of a Rebalance Date, a value determined by the Determination Agent as follows:

if  $\Delta \text{Diff}_t$  is:

- (a) greater than zero,  $\Delta N_{t(R)}^i$  shall be determined in accordance with the following formula:

$$\frac{\Delta \text{Diff}_t}{RF_t^i} \times \overline{w^i}$$

- (b) equal to or less than zero,  $\Delta N_{t(R)}^i$  shall be determined in accordance with the following formula:

$$\frac{\Delta \text{Diff}_t}{RF_{t-2}^i} \times \overline{w^i}$$

" $\Delta \text{Diff}_t$ " means, in respect of a Rebalance Date, an amount determined by the Determination Agent in accordance with the following formula:

$$\text{Target Multiplier} \times (\text{Leveraged Index}_{t-2} - \text{Coupon}_t) - \text{Basket Value}_{t-2}$$

" $|$ " means the absolute value of the amounts (or values) inside those vertical bars (for example " $|-1|$ " is "1").

"**Absolute Leverage**" means, in respect of Observation Date<sub>t</sub>, the amount determined by the Determination Agent in accordance with the following formula:

$$\left| \frac{\text{Basket Value}_{t-2}}{\text{Leveraged Index}_{t-2}} - \text{Target Multiplier} \right|$$

"**Basket Value<sub>t-2</sub>**" means, in respect of Observation Date<sub>t</sub>, the Basket Value<sub>t</sub> in respect of the second Observation Date most recently preceding Observation Date<sub>t</sub>, as determined by the Determination Agent;

"**Coupon<sub>t</sub>**" has the meaning given to it in paragraph 3 (*Determination of Leveraged Index*) above;

"**Leveraged Index<sub>t-2</sub>**" means, in respect of Observation Date<sub>t</sub>, the Leveraged Index<sub>t</sub> of the second Observation Date most recently preceding such Observation Date<sub>t</sub>, as determined by the Determination Agent;

"**Rebalance Dates**" means each of the following (each, a "**Rebalance Date**"):

- (a) the Strike Date (being the first Rebalance Date);
- (b) each Coupon Payment Date;
- (c) each Observation Date<sub>t</sub> on which all (i), (ii) and (iii) apply:
  - (i) such day is not a Disrupted Day in respect of all the Reference Funds in the Reference Fund Basket;
  - (ii) one or more of the following applies:
    - (A) Absolute Leverage in respect of such Observation Date<sub>t</sub> is greater than 10 per cent. (expressed as '0.10'); and/or
    - (B) there are 90 or more calendar days from, but excluding, the Rebalance Date preceding such Observation Date<sub>t</sub> to, and including, such Observation Date<sub>t</sub>,

all as determined by the Determination Agent;

"**RF<sub>t</sub><sup>i</sup>**" means, in respect of Observation Date<sub>t</sub> and Reference Fund<sup>i</sup>, the NAV of Reference Fund<sup>i</sup> on Observation Date<sub>t</sub>, as determined by the Determination Agent;

"**RF<sub>t(0)</sub><sup>i</sup>**" means the NAV of Reference Fund<sup>i</sup> on the Strike Date as determined by the Determination Agent;

"**RF<sub>t-2</sub><sup>i</sup>**" means, in respect of Observation Date<sub>t</sub> and a Reference Fund<sup>i</sup>, the NAV of Reference Fund<sup>i</sup> on the second Observation Date<sub>t</sub> most recently preceding Observation Date<sub>t</sub>;

"**Target Multiplier**" means 175 per cent. (expressed as 1.75);

"**w<sup>i</sup>**" or "**Weighting**" means, in respect of each Reference Fund<sup>i</sup>, the value corresponding to such Reference Fund<sup>i</sup>, as set out in the applicable row of the Reference Fund Table, in the column headed "Weighting";

" **$\bar{w}$** " means a value determined by the Determination Agent in accordance with the following formula:

$$\frac{RF_{t-2}^i \times N_{t(R-1)}^i}{\text{Basket Value}_{t-2}}$$

## 8. OTHER DEFINITIONS

"**Business Day**" has the meaning given to it in Condition 2 (*Interpretation*).

"**Calendar Quarter**" means each of the following three-monthly periods of:

- (a) January to March;
- (b) April to June;
- (c) July to September; and

(d) October to December,

falling in the period from (and including) January 2015 to (and including) December 2019. There shall be a total of 20 Calendar Quarters.

**"Common Reference Fund Business Day"** means a day which is a Reference Fund Business Day in respect of each Reference Fund in the Reference Fund Basket, as determined by the Determination Agent.

**"Observation Date"** means each day in the period from, and including, the Strike Date to, and including, the Expiration Date which is:

- (a) a Business Day; and
- (b) a Common Reference Fund Business Day.

**"Observation Date<sub>t(0)</sub>"** means the Strike Date.

**"Observation Date<sub>t</sub>"** means, in respect of the value "t", the Observation Date corresponding to "t" such that where "t=1", the Observation Date<sub>t</sub> shall be the first Observation Date following the Strike Date, provided that where "t=0", the Observation Date<sub>t</sub> shall be the Strike Date.

**"Observation Date<sub>t(Q)</sub>"** means, in respect of:

- (a) each Calendar Quarter (other than the 20th Calendar Quarter), the last Observation Date<sub>t</sub> of such Calendar Quarter; and
- (b) the 20th Calendar Quarter, the Scheduled Expiration Valuation Date.

There shall be a total of 20 Observation Date<sub>t(Q)(s)</sub>.

**"Observation Date<sub>t(R)</sub>"** means an Observation Date<sub>t</sub> which is a Rebalance Date.

**"Observation Date<sub>t(R-1)</sub>"** means, in respect of an Observation Date<sub>t</sub>, the Observation Date<sub>t(R)</sub> preceding such Observation Date<sub>t</sub>.

## OTHER INFORMATION

### 1. LISTING

Listing and admission to Trading: Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and to trading on its regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments.

Application will also be made for the Certificates to be listed on the Official List and admitted to trading on the Euro TLX market, an MTF organised and managed by Euro TLX SIM S.p.A. and which is not a regulated market for the purposes of Directive 2004/39/EC on Markets in Financial Instruments.

Last day of Trading: Not Applicable

Estimate of total expenses related to admission to trading: Not Applicable

### 2. RATINGS

Ratings: The Certificates will not be rated

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFER

Save as discussed in "*Subscription and Sale*" below, so far as the Issuer is aware, no person involved in the offer of the Certificates has an interest material to the offer.

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer: Not Applicable

(ii) Estimated net proceeds: Not Applicable

(iii) Estimated total expenses: Not Applicable

### 5. PERFORMANCE OF THE FUNDS/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

Past and future performance including the volatility of each Reference Fund can be obtained from the Distribution Agent's website ([www.consultinvest.it/sgr](http://www.consultinvest.it/sgr)).

The Issuer does not intend to provide post-issuance information with regard to the Reference Funds.

### 6. OPERATIONAL INFORMATION

ISIN Code: XS1140973733

Common Code: 114097373

Any clearing system(s) other than Euroclear Bank S.A./N.V. and the relevant identification number(s): Not Applicable

Delivery: Delivery free of payment

Names and addresses of initial Paying Agent(s): Citibank Europe plc, 1, North Wall Quay, Dublin 1, Ireland



Names and addresses of additional Paying Agent(s) (if any): Not Applicable

Intended to be held in a manner which would allow Eurosystem eligibility: No

## 7. TERMS AND CONDITIONS OF THE OFFER

Offer Price: Issue Price

Offer Amount: Up to 10,000 Certificates.

The final Offer Amount will be finalised on or around the Issue Date, and made available on the Distribution Agent's website ([www.consultinvest.it](http://www.consultinvest.it)) on or around the Issue Date. For the avoidance of doubt, no supplement to this Prospectus will be published in relation thereto.

Offer Period: The period from, and including, 25 November 2014 to, and including, 23 December 2014, subject to adjustment by or on behalf of the Issuer and any adjustments to such period will be published by way of notice which will be available on the Distribution Agent's website ([www.consultinvest.it](http://www.consultinvest.it)).

Conditions to which the offer is subject: The offer is conditional upon the issuance of the Certificates.

The Issuer reserves the right not to proceed with the issuance of the Certificates in exceptional circumstances occurring before the Issue Date including:

- (i) the credit rating of the Issuer having significantly deteriorated prior to the Issue Date; or
- (ii) significant changes in the political, financial, economic or legal situation, at a national, whether in the jurisdiction of the issuer or its parent company, or international level, or a significant deterioration in the financial or economic conditions of the Issuer or its group, such that the economic terms of the Certificates cannot be maintained.

Notice of the Issuer's intention to cancel the offer will be provided via the Distribution Agent at least two days in advance of the cancellation becoming effective which will be available on the Distribution Agent's website ([www.consultinvest.it](http://www.consultinvest.it)).

Description of the application process: The Certificates are exclusively offered to Consultinvest Investimenti SIM S.p.A. (the "**Distribution Agent**" or "**Authorised Offeror**" and "**Responsabile del Collocamento**"), who purchases the Certificates from Morgan Stanley & Co. International plc (the "**Dealer**"), without a firm commitment, to be distributed to investors in the Republic of Italy.

Description of possibility to reduce subscriptions and manner for: Not Applicable

refunding excess amount paid by applicants:

Details of the minimum and/or maximum amount of application:

The minimum amount of application is for one Certificate (at the Issue Price of EUR 1,000).

The maximum amount of application is 10,000 Certificates (at the aggregate Issue Price of EUR 10,000,000).

Details of the method and time limit for paying up and delivering the Certificates:

The Certificates will be issued on the Issue Date against payment to the Issuer of the net subscription moneys.

Manner in and date on which results of the offer are to be made public:

The final Offer Amount will be finalised on or around the Issue Date, and made available on the Distribution Agent's website ([www.consultinvest.it](http://www.consultinvest.it)) on or around the Issue Date. For the avoidance of doubt, no supplement to this Prospectus will be published in relation thereto.

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:

Not Applicable

Categories of potential investors to which the Certificates are offered and whether tranche(s) have been reserved for certain countries:

The Issuer does not intend to offer the Certificates through the Dealer to any investors. The Distribution Agent will offer the Certificates to investors.

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:

Not Applicable

Amount of any expenses and taxes specifically charged to the subscriber or purchaser:

Not Applicable

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.

Consultinvest Investimenti SIM S.p.A.

Piazza Grande, 33 - 41121 Modena – Italy

## INVESTMENT OBJECTIVE AND DESCRIPTION OF THE POTENTIAL RETURN ON THE CERTIFICATES

**This section provides a narrative, non-technical explanation of the intended investment objective of the Certificates and of the methodology for the calculation of the potential returns. The information in this section is by way of further description and explanation of information appearing elsewhere in this Prospectus. The Certificates will be governed by the "Terms and Conditions of the Certificates" as completed and amended by the "Contractual Terms" including the "Annex to Contractual Terms (Special Terms and Conditions)", and therefore a full understanding of the Certificates can only be achieved with a full reading of those sections.**

### Investment objective

The investment objective of the Certificates is to provide an investor with a target *leveraged economic exposure* to the performance of an equally weighted basket of funds (each a "Reference Fund" and, together, the "Reference Fund Basket").

### The Reference Funds are

| <i>Name of Reference Fund</i>                                   | <i>Bloomberg Code</i> | <i>ISIN</i>  | <i>Weighting</i> | <i>Web-site to obtain further information*</i>  |
|---|-----------------------|--------------|------------------|---|
| CONSULTINVEST<br>HIGH YIELD CLASSE I<br>CAP                     | CONHYDI IM            | IT0004977713 | 20%              | <a href="http://www.consultinvest.it/sgr/fondi.asp">http://www.consultinvest.it/sgr/fondi.asp</a> |
| CONSULTINVEST<br>MULTIMANAGER<br>FLEX CLASSE I CAP              | CONMMFI IM            | IT0004977630 | 20%              | <a href="http://www.consultinvest.it/sgr/fondi.asp">http://www.consultinvest.it/sgr/fondi.asp</a> |
| CONSULTINVEST<br>GLOBAL CLASSE I<br>CAP                         | CONGLBI IM            | IT0004977358 | 20%              | <a href="http://www.consultinvest.it/sgr/fondi.asp">http://www.consultinvest.it/sgr/fondi.asp</a> |
| CONSULTINVEST<br>MULTIMANAGER<br>LOW VOLATILITY<br>CLASSE I CAP | CONMLVI IM            | IT0004977655 | 20%              | <a href="http://www.consultinvest.it/sgr/fondi.asp">http://www.consultinvest.it/sgr/fondi.asp</a> |
| CONSULTINVEST<br>REDDITO CLASSE I<br>CAP                        | CONREDI IM            | IT0004977531 | 20%              | <a href="http://www.consultinvest.it/sgr/fondi.asp">http://www.consultinvest.it/sgr/fondi.asp</a> |

\* None of the Issuer or its affiliates has been involved in the preparation of the information contained in such websites (including any prospectus for the relevant Reference Fund) on such web-sites, and assumes no responsibility for its accuracy in relation to the relevant Reference Fund. Such information does not form part of the Prospectus and is not incorporated by reference herein, and is provided for convenience only.

The Reference Funds are Italian domiciled UCITS III funds, managed by Consultinvest Asset Management SGR S.p.A., an affiliate of the Distribution Agent.

### *How much are the distribution fees and what is their impact?*

For each investment of EUR 1,000 in the Certificates, EUR 100 (10 per cent.) is retained by the Distribution Agent on account of its distribution fee. This means that, for each EUR 1,000 of investment, only EUR 900 will be invested in the Certificates. All payments under the Certificates which investors are entitled to receive will therefore be calculated by reference to a nominal amount of EUR 900.

### *What are the potential returns on the Certificates?*

The Certificates offer the potential for payment of conditional Coupon Amounts and a Cash Settlement Amount.

### *How is the Coupon Amount (if any) calculated?*

On a quarterly basis, if the Leveraged Index is above 103 per cent. of the Leveraged Index on the Strike Date, the investors will receive a Coupon Amount equal to such difference.

If the Leveraged Index has increased by less than 3 per cent. since the value of the Leveraged Index on the Strike Date or has decreased in value, no Coupon Amount will be paid for that quarter.

The level of the Leveraged Index is reduced by the amount of the Coupon Amount distributed. Therefore, the amount payable at maturity and the value of the certificates will decrease in line with each Coupon Amount distributed.

***How is the Cash Settlement Amount calculated?***

The Cash Settlement Amount is calculated by reference to the performance of the Basket Value and reduced by the amount of the financing cost and the Coupon Amount. The Cash Settlement Amount will be payable on 10 January 2020, provided that the Certificates have not been early terminated or purchased and cancelled.

**Warning: Potential to lose up to the entire amount invested**

**The Certificates are not capital protected and investors may lose some or up to all of their investment. Anyone wishing to purchase Certificates must be able to withstand up to a complete loss of the amount invested. Any potential investor should also carefully consider the information in "Risk Factors" above.**

***What is the Basket Value?***

The Basket Value at any time represents the weighted sum of the NAV of each Reference Fund in the Reference Fund Basket multiplied by the number of units of the Reference Fund in which a Certificate is notionally invested at such time. The Basket Value is set at EUR 1,575 (prior to being "unitised" for the purposes of calculation) at the start of the investment and will subsequently fluctuate in line with the increase or decrease in value of the Reference Funds, and changes to the "units" of each Reference Fund following each rebalancing (as described below).

***The Certificates reflect a leveraged exposure to the Reference Funds***

The return of the Certificates depends on the performance of the Reference Fund Basket, amongst other things, as described in "*What are the potential returns on the Certificates?*" above. The exposure of the Certificates to the Reference Funds is "leveraged" through multiplying the initial exposure to each Reference Fund by the "target multiplier" of 175 per cent. This is why the value of the initial Basket Value (prior to being "unitised" for purposes of the calculation) is EUR 1,575 instead of the nominal amount of EUR 900. As a result of this leveraging feature, the effect on the return on the Certificates of the increase or decrease in the value of the Reference Funds will be magnified.

This can be explained by the following example:

In a non-leveraged product, EUR 1 invested in the Certificate would give an investor exposure to EUR 1 worth of the underlying asset. If the underlying asset increases by EUR 0.10 in value (10 per cent. performance), the Certificate would also increase by EUR 0.10 in value (10 per cent. performance). However, in a leveraged scenario, where the leverage is set at 175 per cent., EUR 1 invested in the Certificate would give an investor exposure to EUR 1.75 worth of the underlying assets. If the underlying asset increases by EUR 0.175 in value (10 per cent. performance) the value of the certificates will increase by EUR 0.175 in value, but will be a percentage increase of 17.5 per cent. thus magnifying the impact by 1.75 times. Similarly, a loss in the value of the underlying assets will be reflected in magnified terms as a loss in the value of the product.

A holder of Certificates could therefore realise a bigger gain (if the Reference Fund Basket increases in value) or a bigger loss (if the Reference Fund Basket decreases in value) than if there was no leverage.

The degree of leverage will change depending on the value of the Reference Fund Basket and rebalancing (as described below).

However, it is important to note that such leverage is only achieved by effectively paying a financing cost (as described immediately below) which will reduce the return on the Certificates.

***How is the leveraged exposure achieved?***

In order for the Certificates to provide a leveraged exposure, Morgan Stanley & Co. International plc effectively finances EUR 900 for each EUR 900 investment. When the two components (EUR 900 of investment and EUR 900 of financing) are combined together, the investor is put in a position where although it has invested EUR 900, it has a leveraged exposure to the Reference Fund Basket equal to EUR 1,575 (i.e. EUR 900 x 175 per cent.), as described above.

***What is the cost of financing the leveraged exposure?***

The financing cost for providing the additional leveraged economic exposure to the Reference Fund Basket beyond the invested amount of EUR 900 accrues on a daily basis as against the entire Basket Value (that is, not just the amount acquired through the effective financing, but also from the investor's purchase funds of EUR 900) over the term of the Certificates. The reference interest rate is calculated as the 3-month EURIBOR interest rate as recorded at the start of each financing period (being the last Rebalance Date) plus a financing spread of 1.1 per cent, applied to the value of the Cash Account at the last Rebalance Date. The potential return on the Certificates on any date is reduced by the financing costs, by deducting such costs from the performance measure of the Reference Fund Basket (being the "**Leveraged Index**" value, as described below) and further reduced by deduction of the Coupon. The financing cost is effectively a borrowing charge paid to Morgan Stanley & Co. International plc.

***What is the Leveraged Index?***

The Leveraged Index represents a value equal to the changes in the Basket Value (an increase in the Basket Value will increase the Leveraged Index) and the financing (the cost of financing will reduce the Leveraged Index) less the Coupon.

On the Issue Date, the Leveraged Index corresponds to a monetary value of EUR 900, (that is the investment made in the Certificates), but is calculated as a value of 100 per cent. (expressed as 1.00). Throughout the term of the Certificates, the Leveraged Index will represent the "unitised" value of the Reference Fund Basket since the Strike Date, less the financing costs of providing the leveraged economic exposure and less the Coupon.

***How is the value of the Certificates affected by changes in the value of the underlying Reference Fund Basket?***

The value of the Certificates will increase/decrease one for one as the aggregate NAV of the Basket Value increases/decreases, less the financing cost of providing the additional leveraged economic exposure less the Coupon. For example, if the Basket Value increases/decreases by a given amount since the Strike Date, the Leveraged Index will increase/decrease by a corresponding amount, minus the applicable financing cost.

***What is "rebalancing"?***

The Target Multiplier and the initial leverage is 175 per cent. The multiplier is calculated as the Basket Value (EUR 1,575, prior to being "unitised" for calculation purposes) divided by the Leveraged Index (EUR 900). As the value of the Reference Fund Basket fluctuates, the multiplier or leverage also changes. This is because, as the NAV of each Reference Fund increases or decreases, each notional unit invested in such Reference Fund will reference a smaller or bigger portion of the Reference Fund. In particular, as the NAV of the Reference Fund Basket increases, the effective leverage decreases, and as the NAV of the Reference Fund Basket decreases, the effective leverage increases. For example, if the NAV of the Reference Fund Basket decreases by EUR 50, the effective leverage will be  $(1,575 - 50) / (900 - 50) = 179.41$  per cent. (subject to the financing cost).

In order to maintain the leverage at the target level of 175 per cent., the exposure to each Reference Fund in the Reference Fund Basket rebalances where any of the following apply (subject to certain restrictions): (i) 90 days have elapsed since the last Rebalance Date, (ii) a Coupon Amount has been paid or (iii) the effective leverage is greater than 185 per cent. or less than 165 per cent. On a

Rebalance Date, the number of notional Units of each of the Reference Funds is adjusted, such that the targeted exposure to the equally weighted basket of Reference Funds is re-set to 175 per cent.

***Termination of the Certificates***

Certificates will be terminated following any one of the circumstances described immediately below. The Cash Settlement Amount payable on the Cash Settlement Payment Date depends on the circumstance leading to the termination of the Certificates:

- (a) ***Holder exercise:*** Each holder of Certificates may, at its option, elect to terminate the Certificates on 5 Business Days' notice during the term of the Certificates until the Expiration Date (being 3 January 2020). In such case, each exercised Certificate will be terminated for an amount equal to the product of (i) EUR 900 multiplied by (ii) the Leveraged Index on the fifth Business Day immediately following the date on which an Exercise Notice relating to the Certificates was duly delivered minus 3 per cent., payable on the third Business Day following such fifth Business Day on which the Leveraged Index is determined.
- (b) ***Scheduled maturity:*** If the Certificates are not exercised or terminated prior to the Expiration Date (being 3 January 2020), they will be deemed to have been exercised on that date. In such case, each Certificate will be terminated for an amount equal to the product of (i) EUR 900 multiplied by (ii) the Leveraged Index on the Expiration Date, payable on 10 January 2020.

The Certificates could also be terminated due to illegality, tax event, event of default or a reference fund event, all as described below.

All valuation dates are subject to postponement for disruption events relating to the Reference Funds, and all payment dates are subject to postponement for non-Business Days.

The Cash Settlement Amount will not be less than zero.

***No rights in or to the Reference Funds***

Investors in the Certificates will have no legal or beneficial interest whatsoever in the Reference Funds. The "economic exposure" to the Reference Funds is achieved "synthetically" or "notionally" through the use of derivatives, and there is no physical holding of Reference Funds which is used to make payments on the Certificates or to secure amounts outstanding under the Certificates.

## FORM OF THE CERTIFICATES

The Issuer will issue the Certificates in registered form ("**Registered Certificates**" or "**Registered Securities**"). Registered Certificates may be in either individual certificate form or in global registered form.

### **Registered Securities**

Registered Securities will be in global registered form ("**Global Registered Securities**"). Each Global Registered Security will be registered in the name of a common depositary (or its nominee) for the Relevant Clearing System and will be deposited on or about the issue date with the common depositary and will be exchangeable for Individual Registered Securities in accordance with its terms.

The Registered Securities will initially be in the form of a Global Registered Security which will be exchangeable in whole, but not in part, for Individual Registered Securities (i) if the Relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) an Event of Default occurs with respect to any Certificate in accordance with the Terms and Conditions of the Certificates.

Whenever a Global Registered Security is to be exchanged for Individual Registered Securities, the Issuer shall procure that Individual Registered Securities will be issued in an aggregate nominal amount or number of Registered Securities equal to the nominal amount or number of Registered Securities represented by the Global Registered Security within five business days of the delivery, by or on behalf of the holder of the Global Registered Security to the Securities Registrar of such information as is required to complete and deliver such Individual Registered Securities (including, without limitation, the names and addresses of the persons in whose names the Individual Registered Securities are to be registered and the quantity of each such person's holding) against the surrender of the Global Registered Security at the specified office of the Securities Registrar such Individual Registered Securities will be issued within five business days of the delivery to the Registrar of the information and any required certification described in the preceding paragraph against the surrender of the relevant Global Registered Security at the Specified Office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Securities Agency Agreement and the regulations concerning the transfer and registration of Registered Securities scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Securities Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

### **Terms and Conditions applicable to the Registered Securities**

The terms and conditions applicable to any Individual Registered Security will be endorsed on that Individual Registered Security and will consist of the terms and conditions set out under "*Terms and Conditions of the Certificates*" above and the provisions of the Contractual Terms which supplement, modify and/or replace those terms and conditions.

The terms and conditions applicable to any Global Registered Security will differ from those terms and conditions which would apply to the Registered Security were it in individual form to the extent described under "*Summary of Provisions Relating to the Certificates while in Global Form*" below.

## **SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM**

### **Clearing System Accountholders**

In relation to any Registered Certificates (or, the "**Registered Securities**") (or any Tranche thereof) represented by a Global Registered Security, references in the "Terms and Conditions of the Certificates" to "**Securityholder**" are references to the person in whose name such Global Registered Security is for the time being registered which, for so long as the Global Registered Security is held by or on behalf of a depositary or common depositary for the Relevant Clearing System, will be that depositary or common depositary.

Each of the persons shown in the records of the Relevant Clearing System as being entitled to an interest in a Global Registered Security (each an "**Accountholder**") must look solely to the Relevant Clearing System (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Registered Security and in relation to all other rights arising under such Global Registered Security, including any right to exchange any exchangeable Certificates or any right to require the Issuer to repurchase such Certificates. The respective rules and procedures of the Relevant Clearing System from time to time will determine the extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Registered Security and the timing requirements for meeting any deadlines for the exercise of those rights. For so long as the relevant Certificates are represented by a Global Registered Security, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Certificates and such obligations of the Issuer will be discharged by payment to the holder of the Global Registered Security, as the case may be, in respect of each amount so paid.

So long as the Relevant Clearing System or its nominee is the holder of a Global Registered Security, the Relevant Clearing System or such nominee, as the case may be, will be considered the sole owner of the Securities represented by such Global Registered Security for all purposes under the Securities Agency Agreement and such Certificates, except to the extent that in accordance with the Relevant Clearing System's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

### **Exchange of Global Registered Securities**

Whenever a Global Registered Securities is to be exchanged for Individual Registered Securities, the Issuer shall procure that the relevant quantity of Individual Registered Securities will be issued within five business days of the delivery, by or on behalf of the holder of the Global Registered Security to the Registrar of such information as is required to complete and deliver such Individual Registered Securities (including, without limitation, the names and addresses of the persons in whose names the Individual Registered Securities are to be registered and the quantity of each such person's holding) against the surrender of the Global Registered Security at the specified office of the Securities Registrar. Such exchange will be effected in accordance with the provisions of the Securities Agency Agreement and the regulations concerning the transfer and registration of Registered Securities scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Securities Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Registered Securities have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Security; or
- (b) any of the Certificates represented by a Global Registered Security (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Certificates, payment or delivery (as applicable) in full has not been made to the holder of the Global Registered Security in accordance with the terms of the Global Registered Security on the due date for payment or delivery (as applicable),



then 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above), each person shown in the records of the Relevant Clearing System as being entitled to interest in the Certificates (each an "**Accountholder**"), shall acquire rights under the Deeds of Covenant to enforce against the Issuer, the Issuer's obligations to the Securityholder in respect of the Certificates represented by the Global Registered Security, including the obligation of the Issuer to make all payments and deliveries when due at any time in respect of such Certificates as if such Certificates had been duly presented and (where required by the Conditions) surrendered on the due date in accordance with the Conditions. Each Accountholder shall acquire such right without prejudice to any other rights which the Securityholder may have under the Global Registered Security and the Deeds of Covenant. Notwithstanding the rights that each Accountholder may acquire under the Deeds of Covenant, payment to the Securityholder in respect of any Certificates represented by the Global Registered Security shall constitute a discharge of the Issuer's obligations to the extent of any such payment or delivery and nothing in the Deed of Covenant shall oblige the Issuer to make any payment or delivery under the Certificates to or to the order of any person other than the Securityholder.

### Conditions Applicable to Global Registered Securities

Each Global Registered Security will contain provisions which modify the terms and conditions set out in "*Terms and Conditions of the Certificates*" as they apply to the Global Registered Security. The following is a summary of certain of those provisions:

*Transfers of interests in the Certificates:* Any transfers of the interest of an Accountholder in any Certificates that are represented by a Global Registered Security must be effected through the relevant Accountholder's account with Euroclear and/or any other relevant clearing system (each a "**Clearing System**" or "**Relevant Clearing System**") and in accordance with the rules of the relevant Clearing System.

*Exercise procedures:* Subject to Condition 5.9. (*Certificates void on expiry*) of the "*Terms and Conditions of the Certificates*" and to prior termination of the Certificates as provided in the Conditions, Certificates may be exercised by an Accountholder (at his own expense) at such time and on such day(s) as provided in Conditions 5.1. (*American Style Securities*), 5.2. (*European Style Securities*) or 5.3. (*Bermudan Style Securities*) of the "*Terms and Conditions of the Certificates*" by delivery of a duly completed and signed Exercise Notice to (i) the Relevant Clearing System and (ii) the relevant Securities Agent or Securities Registrar, with a copy to the Determination Agent. Any such exercise shall be subject to the rules and procedures of the relevant Clearing System and any Exercise Notice will be irrevocable and may not be withdrawn by the Accountholder. The holder of the Global Registered Security (upon the exercise of the Certificate in full) must, within the period specified therein for the deposit of the relevant Certificate, deposit such Global Registered Security with the Securities Registrar.

Subject to Condition 5.9. (*Certificate void on expiry*) of the "*Terms and Conditions of the Certificates*", any Exercise Notice delivered after the Latest Exercise Time on any day shall be deemed to have been delivered on the next following day on which such Securities are exercisable (unless no such day occurs on or prior to the Expiration Date, in which case that Exercise Notice shall be void).

*Exercise dates and times:* Exercise of Certificates represented by a Global Registered Security may only be effected on a day on which the relevant Clearing System is open for business in addition to any other relevant day as provided in the Conditions. Such Registered Security must be exercised as provided in the "*Terms and Conditions of the Certificates*" (as modified as set out below) by 10 a.m. in the place where the Relevant Clearing System through which the relevant Registered Securities are exercised (unless otherwise specified in the Contractual Terms).

*Form of Exercise Notice:* Each Exercise Notice shall be in the form (for the time being current) available from each Securities Agent or the Securities Registrar and must:

- (i) specify the name, address, telephone, facsimile and telex details of the Accountholder in respect of the Registered Securities being exercised;
- (ii) specify the number of Registered Securities of the relevant Series being exercised by the Accountholder (which must not be less than the Minimum Exercise Number);

- (iii) specify the number of the Accountholder's account at the relevant Clearing System to be debited with the Registered Securities being exercised and irrevocably instruct, or, as the case may be, confirm that the Accountholder has irrevocably instructed, the relevant Clearing System to debit the Accountholder's account with the Registered Securities being exercised and credit the same to the account of the Principal Securities Agent (for the account of the Issuer);
- (iv) where applicable, specify the number of the Accountholder's account at the relevant Clearing System to be credited with the Cash Settlement Amount being exercised;
- (v) include an irrevocable undertaking to pay any applicable Taxes due by reason of exercise of and an authority to the Issuer and the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Accountholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) and to debit a specified account of the Accountholder at the relevant Clearing System with an amount or amounts in respect thereof;
- (vi) authorise the production of such certification in any applicable administrative or legal proceedings.

*Verification of Accountholder:* To exercise any Registered Securities, the relevant Accountholder must duly complete an Exercise Notice. The relevant Clearing System shall, in accordance with its normal operating procedures, verify that each person exercising Registered Securities is the Accountholder thereof according to the records of such Clearing System and that such Accountholder has an account at the relevant Clearing System which contains Registered Securities in an amount being exercised and funds equal to any applicable Taxes in respect of the Registered Securities being exercised.

If, in the determination of the relevant Clearing System, the relevant Securities Agent or the Securities Registrar:

- (i) the Exercise Notice is not complete or not in proper form;
- (ii) the person submitting an Exercise Notice is not validly entitled to exercise the relevant Registered Securities or not validly entitled to deliver such Exercise Notice; or
- (iii) sufficient Registered Securities and sufficient funds equal to any applicable Taxes are not available in the specified account(s) with the relevant Clearing System on the Exercise Date,

that Exercise Notice will be treated as void and a new duly completed Exercise Notice must be submitted if exercise of the Accountholder's Registered Securities is still desired.

Any determination by the relevant Clearing System, the relevant Securities Agent or the Securities Registrar as to any of the matters set out above shall, in the absence of manifest error, be conclusive and binding upon the Issuer, the Accountholder and the beneficial owner of the Registered Securities exercised.

*Notification to the relevant Securities Agent or the Securities Registrar:* Subject to the verification set out above, the relevant Clearing System will:

- (i) confirm to the Securities Registrar (copied to the Issuer and the Determination Agent) the number of Registered Securities being exercised and the number of the account to be credited with the Cash Settlement Amount; and
- (ii) promptly notify the common depository of receipt of the Exercise Notice and the number of the Registered Securities to be exercised.

Upon exercise of less than all of the Registered Securities represented by the Global Registered Security, the Securities Registrar will note such exercise in the Register relating to such Global Registered Security and the aggregate nominal amount or number of Registered Securities so exercised as represented by the Global Registered Security shall be cancelled pro tanto.

*Debit of Accountholder's Account:* The relevant Clearing System will on or before the Cash Settlement Payment Date debit the relevant account of the Accountholder and credit the relevant account of the

Principal Securities Agent (in favour of the Issuer) with: (i) the Registered Securities being exercised, (ii) any applicable Taxes (if any) in respect of the Registered Securities being exercised and (iii) any other amounts as may be specified in the Contractual Terms.

If any of the items set out in the paragraph above are not so credited to the relevant account of the Principal Securities Agent (in favour of the Issuer), then the Issuer shall be under no obligation to make any payment of any nature to the relevant Accountholder in respect of the Registered Securities being exercised, and the Exercise Notice delivered in respect of such Registered Securities shall thereafter be void for all purposes.

*Effect of Exercise Notice:* Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Accountholder to exercise the Registered Securities specified therein, provided that the person exercising and delivering such Exercise Notice is the person then appearing in the records of the relevant Clearing System as the holder of the relevant Registered Securities. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become void and shall be deemed not to have been so delivered.

After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void) by an Accountholder, such Accountholder shall not be permitted to transfer either legal or beneficial ownership of the Registered Securities exercised thereby. Notwithstanding this, if any Accountholder does so transfer or attempt to transfer such Registered Securities, the Accountholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related hedging operations in reliance on the relevant Exercise Notice and subsequently: (i) entering into replacement hedging operations in respect of such Securities; or (ii) paying any amount on the subsequent exercise of such Registered Securities without having entered into any replacement hedging operations.

*Payments:* All payments in respect of a Global Registered Security which, in accordance with the "Terms and Conditions of the Certificates", require presentation and/or surrender of an Individual Registered Security will be made against presentation and (in the case of payment in full) and/or surrender of the Global Registered Security at the Specified Office of the Principal Securities Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Certificates. On each occasion on which a payment is made in respect of a Global Registered Security, the Issuer shall procure that the same is entered pro rata in the records of the Relevant Clearing System. Any payments shall be made in accordance with the rules and procedures of the relevant Clearing System and the Issuer, the Securities Agents, the Securities Registrar and the Securities Transfer Agent, shall not be liable, under any circumstance, for any acts or defaults of any Clearing System in the performance of the Clearing System's duties in relation to the Certificates.

*Payment Record Date:* Each payment in respect of a Global Registered Security will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each relevant Clearing System for which the Global Registered Security is being held is open for business.

- (a) *Notices:* Notwithstanding Condition 24 (*Notices*) of the "Terms and Conditions of the Certificates", while all the Registered Securities are represented by a Global Registered Security and the Global Registered Security is deposited with a Clearing System, notices to Accountholders may be given by delivery of the relevant notice to the Relevant Clearing System and, in any case, such notices shall be deemed to have been given to the Accountholders in accordance with Condition 24 (*Notices*) of the "Terms and Conditions of the Certificates", as applicable, on the date of delivery to the Relevant Clearing System.

**BENEFIT PLAN INVESTORS**

The Certificates may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), or any individual retirement account or plan subject to Section 4975 of the Code or any entity whose underlying assets include "plan assets" within the meaning of Section 3(42) of ERISA by reason of any such employee benefit plan's account's or plan's investment therein.

The Global Registered Certificates and the Individual Registered Certificates will bear a legend to the following effect:

THE INVESTOR SHALL BE DEEMED TO REPRESENT BY ITS ACQUISITION AND HOLDING OF AN INTEREST HEREIN THAT IT IS NOT ACQUIRING THE SECURITIES WITH THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), ANY INDIVIDUAL RETIREMENT ACCOUNT OR PLAN SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF SECTION 3(42) OF ERISA BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S ACCOUNT'S OR PLAN'S INVESTMENT THEREIN.

## UNITED KINGDOM TAXATION

### *The following disclosure applies only in respect of the Certificates.*

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Certificates. The comments do not deal with other United Kingdom tax aspects of acquiring, holding, disposing of, or abandoning Certificates. Transactions involving Certificates, including the issue and subscription of Certificates, any purchase or disposal or settlement of Certificates, may have United Kingdom tax consequences for potential purchasers (including but not limited to, transfer taxes and possible withholding or deduction for or on account of United Kingdom tax from payments made in respect of the Certificates). The tax consequences may depend, amongst other things, on the status of the potential investor and the terms and conditions of a particular Certificate as specified in the Contractual Terms. It is based on current law and practice of HM Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments relate only to the position of persons who are absolute beneficial owners of the Certificates. Prospective Securityholders should be aware that the particular terms of issue of any series of Certificates as specified in the Contractual Terms may affect the tax treatment of that and other series of Certificates. The following is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Prospective Securityholders who are in any doubt as to their tax position should consult their professional advisors about tax implications of purchasing and holding a Certificate, any transaction involving a Certificate, and any transaction involved in the exercise and settlement of a Certificate. Securityholders who may be liable to taxation in jurisdictions other than the United Kingdom are particularly advised to consult their professional advisors as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom withholding taxation aspects of payments in respect of the Certificates. In particular, Securityholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Certificates even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### *UK Withholding Tax on payments by the Issuer*

Unless payments under the Certificates are (or are deemed to be for United Kingdom tax purposes) interest, annual payments, or income arising from UK real property or certain types of intellectual property, they may be made without withholding or deduction for or on account of United Kingdom income tax.

### *Payments under Deed of Covenant*

Any payments made under the Deed of Covenant by the Issuer may not qualify for the exemptions from UK withholding tax described above.

### *Provision of Information*

Holders should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from certain persons including any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Holder. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.

Information may also be required to be reported in accordance with regulations made pursuant to the European Union Savings Directive (see below).

### *Other Rules Relating to United Kingdom Withholding Tax*

1. Where interest has been paid under deduction of United Kingdom income tax, Securityholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
2. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or

principal" which may prevail under any other law or which may be created by the terms and conditions of the Certificates or any related documentation. Where a payment on a Certificate does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment, rent or royalties for United Kingdom tax purposes. Where a payment is subject to United Kingdom withholding tax, depending on the nature of the payment (which will be determined by, amongst other things, the terms and conditions specified by the Contractual Terms of the Certificate), the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available under the provisions of any applicable double tax treaty.

## IRISH TAXATION

*The following description outlines certain aspects of Irish tax law and practice regarding the ownership and disposition of Certificates. This description deals only with Certificates held beneficially as capital assets and does not address special classes of Securityholders such as dealers in securities or those holding the Certificates as part of a trade. This summary is not exhaustive and Securityholders are advised to consult their own tax advisors with respect of the taxation consequences of their ownership or disposition. The comments are made on the assumption that the Issuer is not resident in Ireland for Irish tax purposes and do not carry on a trade in Ireland through a branch or agency. The description is based on current Irish taxation legislation and practice of the Irish Revenue Commissioners.*

### **Irish Withholding Tax**

Under Irish tax law there is no obligation on the Issuer to operate any withholding tax on payments of interest on the Certificates except where the interest has an Irish source. The interest could be considered to have an Irish source, where, for example, interest is paid out of funds maintained in Ireland or where the Certificates are secured on Irish situate assets. The mere offering of the Certificates to Irish investors will not cause the interest to have an Irish source.

In certain circumstances, collection agents and other persons receiving interest on the Certificates in Ireland on behalf of a Securityholder, will be obliged to operate a withholding tax.

### **Taxation of interest**

Unless exempted, an Irish resident or ordinarily resident Securityholder will be liable to Irish taxes, universal social charge and social insurance contributions on the amount of the interest received from the Issuer. Credit against Irish tax on the interest received may be available in respect of foreign withholding tax deducted by the Issuer.

### **Taxation of capital gains**

Irish resident or ordinarily resident Securityholders will be liable to Irish tax on capital gains on any gains arising on a disposal of Certificates. Reliefs and allowances may be available in computing the Securityholder's liability.

### **Stamp Duty**

Transfers of Certificates should not be subject to Irish stamp duty, provided the transfers do not relate to Irish land or buildings or shares in or securities of an Irish registered company.

### **Capital acquisitions tax**

A gift or inheritance comprising of Certificates will be within the charge to capital acquisitions tax if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Certificates are regarded as property situated in Ireland. Registered Certificates are generally regarded as situated where the principal register of Securityholders is maintained or required to be maintained.

### **Provision of Information**

Securityholders should be aware that where any interest or other payment on Certificates is paid to them by or through an Irish paying agent or collection agent then the relevant person may be required to supply the Irish Revenue Commissioners with details of the payment and certain details relating to the Securityholder. Where the Securityholder is not Irish resident, the details provided to the Irish Revenue Commissioners may, in certain cases, be passed by them to the tax authorities of the jurisdiction in which the Securityholder is resident for taxation purposes.

## ITALIAN TAXATION

*The following is a summary of current Italian law and practise relating to the direct taxation of the Certificates. The statements herein regarding direct taxation are based on the laws in force in Italy as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Certificates and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.*

*Prospective investors are advised to consult their own tax advisors concerning the overall tax consequences of their interest in the Certificates.*

### **Tax treatment of the Certificates**

The Certificates may be subject to different tax regimes depending on whether:

- (a) they represent derivative financial instruments or bundles of derivative financial instruments, through which the Securityholders or Securityholders purchase indirectly underlying financial instruments; or
- (b) they represent a debt instrument implying a "use of capital" (*impiego di capitale*), through which the Securityholders or Securityholders transfer to the Issuer a certain amount of capital, for the economic exploitation of the same, subject to the right to obtain a (partial or entire) reimbursement of such amount at maturity.

### **Certificates representing derivative financial instruments or bundles of derivative financial instruments**

#### ***Italian resident Securityholders or Securityholders***

Where the Italian resident Securityholder or Securityholder is (i) an individual not engaged in an entrepreneurial activity to which the Certificates are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, payments in respect of Certificates qualifying as securitised derivative financial instruments as well as capital gains realised on any sale or transfer for consideration or exercise or termination thereof are subject to a 20% substitute tax (*imposta sostitutiva*). The recipient may opt for three different taxation criteria:

- (1) Under the tax declaration regime (*regime della dichiarazione*), which is the standard regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Certificates are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all payments in respect of Certificates and all capital gains, net of any incurred capital loss, realised by the Italian resident individual holding the Certificates not in connection with an entrepreneurial activity pursuant to all disposals of the Certificates carried out during any given tax year. Italian resident individuals holding the Certificates not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses.
- (2) As an alternative to the tax declaration regime, Italian resident individuals holding the Certificates not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on payments received in respect of Certificates and capital gains realised on each sale or termination of the Certificates (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Certificates being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant



Securityholder or Securityholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or termination of the Certificates (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Securityholder or Securityholder or using funds provided by the Securityholder or Securityholder for this purpose. Under the *risparmio amministrato* regime, where a sale or termination of the Certificates results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses. Under the *risparmio amministrato* regime, the Securityholder or Securityholder is not required to declare the capital gains in the annual tax return.

- (3) Any payments received and any capital gains accrued by Italian resident individuals holding the Certificates not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Certificates, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Depreciation of the managed assets accrued before 1 January 2012 may be carried forward to be offset against subsequent increase in value of the managed assets accrued from 1 January 2012 for an overall amount of 62.5 per cent. of the depreciations. Under the *risparmio gestito* regime, the Securityholder or Securityholder is not required to declare the capital gains realised in the annual tax return.

In case the Certificates entitling the holder to purchase shares, the capital gains realised on the redemption or the transfer or sale of the Certificates are not subject to *imposta sostitutiva* but a portion equal to 49.72% of the capital gains must be included in the relevant Securityholder's or Securityholder's income tax return (and subjected to the ordinary income tax) if the underlying of such Certificates transferred or terminated within any 12-month period represent a participation representing more than 2% of the voting rights or 5% of the capital of the issuing company (in the case of unlisted companies, the above thresholds are 20% and 25% respectively).

**Certificates representing debt instruments implying a "use of capital"; Certificates having 100 per cent. capital protection guaranteed by the Issuer**

**Taxation of interest**

***Italian resident Securityholders and Securityholders***

Legislative Decree April 1st, 1996, No. 239 (Decree No. 239) regulates the tax treatment of interest, premiums and other income (including the difference between the termination amount and the issue price) (hereinafter collectively referred to as Interest) from Certificates issued, *inter alia*, by non-Italian resident entities. The provisions of Decree No. 239 only apply to those Certificates which qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Presidential Decree 22nd December, 1986, No. 917 (Decree No. 917). In accordance with Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not less than that indicated therein, and (ii) attribute to the holders no direct or indirect right to control or participate to the management of the Issuer.

Where the Italian resident Securityholder or Securityholder is an individual holding Certificates otherwise than in connection with entrepreneurial activity, (unless he has entrusted the management of his financial assets, including the Certificates, to an authorised intermediary and has opted for the *risparmio gestito* tax regime (see above)), Interest payments relating to the Certificates are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 20 per cent (either when Interest is paid or

when payment thereof is obtained by the holder on a sale of the Certificates). Such investors are qualified as "net recipients".

Payments of Interest in respect of Certificates that qualify as *obbligazioni* or *titoli similari alle obbligazioni* are not subject to the *imposta sostitutiva* if made to beneficial owners who are Italian resident individuals holding Certificates not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Certificates, to an authorised financial intermediary and have opted for the *risparmio gestito* regime. Such investors are qualified as gross recipients.

***Certificates not having 100 per cent. capital protection guaranteed by the Issuer***

In case Certificates representing debt instruments implying a "use of capital" do not guarantee the total reimbursement of the principal, under Italian tax law they should qualify as "atypical securities" and payments in respect of such Certificates received by Italian resident individual Securityholders or Securityholders would be subject to a 20 per cent. final withholding tax.

**Capital gains tax**

***Italian resident Securityholders or Securityholders***

Pursuant to Legislative Decree 21st November, 1997, No. 461, capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Certificates are connected, on any sale or transfer for consideration of the Certificates or termination thereof are subject to a 20% capital gain tax, which applies under the "tax declaration regime", the *Risparmio Amministrato* tax regime or the *Risparmio Gestito* tax regime according to the same rules described above under the caption "*Certificates representing derivative financial instruments or bundles of derivative financial instruments – Italian resident Securityholders or Securityholders*".

In case the Certificates entitling the holder to purchase shares, the capital gains realised on the termination or the transfer or sale of the Certificates are not subject to *imposta sostitutiva* but a portion equal to 49.72% of the capital gains must be included in the relevant Securityholder's or Securityholder's income tax return (and subjected to the ordinary income tax) if the underlying of such Certificates transferred or terminated within any 12-month period represent a participation representing more than 2% of the voting rights or 5% of the capital of the issuing company (in the case of unlisted companies, the above thresholds are 20% and 25% respectively).

## EUROPEAN UNION SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

Prospective holders of Certificates should note that the Council of the European Union adopted a Council Directive amending and broadening the scope of the EU Savings Directive on 24 March 2014. The amendments, which must be transposed by Member States prior to 1 January 2016 and which will apply from 1 January 2017, will extend the scope of the EU Savings Directive to (i) payments made through certain intermediate structures (whether or not established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

## SUBSCRIPTION AND SALE

The Certificates are exclusively offered to the Distribution Agent, who purchases the Certificates from Morgan Stanley & Co. International plc (the "**Dealer**"), without a firm commitment, to be distributed to investors in the Republic of Italy, all as described in "7, Terms and Conditions of the Offer" in "Other Information" above. The terms of the purchase of the Certificates by the Dealer from MSI plc are as set out in the Distribution Agreement dated on or about 27 June 2013 (as modified and restated from time to time, the "**Distribution Agreement**") among MSI plc, and the Dealer (and any Additional Issuer that accedes to the Program). Pursuant to the Distribution Agreement, MSI plc has agreed (and any Additional Issuer that accedes to the Program shall agree) to reimburse the Dealer for certain expenses.

### United States of America

The Certificates, and the securities to be delivered on exercise of the Certificates (if any) have not been and will not be registered under the Securities Act and may not be offered, sold, pledged, assigned, delivered or otherwise transferred, exercised or delivered, at any time, within the United States or to, or for the account or benefit of, U.S. Persons. The Distribution Agent (1) has acknowledged that the Certificates have not been and will not be registered under the Securities Act or any securities laws of any state or other jurisdiction in the United States, and are not being offered, sold or delivered, and may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the Securities Act); (2) has represented, as a condition to acquiring any interest in the Certificates, that neither it nor any persons on whose behalf or for whose account or benefit the Certificates are being acquired is a U.S. Person and that it is not located in the United States and was not solicited to purchase Certificates while present in the United States; (3) has agreed not to offer, sell or deliver any of the Certificates, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person and that hedging transactions involving any "equity securities" of "domestic issuers" (as such terms are defined in the Securities Act and regulations thereunder) may only be conducted in accordance with the Securities Act; and (4) has agreed that, at or prior to confirmation of sale of any Certificates (whether upon original issuance or in any secondary transaction), it will have sent to each distribution agent, dealer or person receiving a selling concession, fee or other remuneration that purchases Certificates from it a written notice containing language substantially the same as the foregoing. As used herein, "**United States**" means the United States of America (including the states and the District of Columbia), its territories and possessions.

In addition, the Distribution Agent has represented and agreed that they have not offered or sold Certificates and will not offer or sell Certificates at any time except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, the Distribution Agent has represented and agreed that neither it, its affiliates (if any) nor any person acting on its or its behalf has engaged or will engage in any directed selling efforts with respect to Certificates, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

An offer or sale of Certificates within the United States may violate the registration requirements of the Securities Act.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Distribution Agent has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than the offers contemplated in the Prospectus in the Republic of Italy (and subject as provided in "Republic of Italy" below) from the time the Prospectus has been approved by the competent authority in Ireland and published and notified to the relevant competent authority in accordance with the Prospectus Directive until the end of the offer period as set out in the Prospectus (or otherwise notified), and provided that the Issuer has consented in writing to use of the Prospectus for any such offers, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Dealer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Certificates to the public**" in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

### Ireland

In relation to the Certificates, the Distribution Agent subscribing for or purchasing such Certificates has represented to, warranted and agreed with, or will represent to, warrant and agree with, the Issuer that:

- (a) it will not underwrite the issue of, or place the Certificates, otherwise than in conformity with the provisions of S.I. No. 60 of 2007, European Communities (Markets in Financial Instruments) Regulations 2007 (MiFID Regulations), including, without limitation, Parts 6, 7, and 12 thereof and the provisions of the Investor Compensation Act 1998;
- (b) it will not underwrite the issue of, or place, the Certificates, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 – 2011 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1998;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Certificates otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended), the Irish Companies Act 1963-2012 and any rules issued under Section 51 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005, by the Central Bank of Ireland;
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Certificates, otherwise than in conformity with the provisions of the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 by the Central Bank of Ireland; and

- (e) any issue of the Certificates with a legal maturity of less than one year will be carried out in strict compliance with the Central Bank of Ireland's implementation notice for credit institutions BSD C 01/02 of 12 November 2002(as may be amended, replaced or up-dated) and issued pursuant to Section 8(2) of the Irish Central Bank Act, 1971 (as amended).

### **Republic of Italy**

The offering of the Certificates has not been registered pursuant to Italian securities legislation and, accordingly, the Distribution Agent has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Certificates in the Republic of Italy in an offer to the public and that sales of the Certificates in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, the Distribution Agent has represented and agreed that it will not offer, sell or deliver any Certificates or distribute copies of this Prospectus and any other document relating to the Certificates in the Republic of Italy except:

- 1) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Decree No. 58**") and in Articles 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**").
- 2) that it may offer, sell or deliver Certificates or distribute copies of any prospectus relating to such Certificates in a solicitation to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Directive 2003/71/EC of 4 November 2003 (the "Prospectus Directive") and the Directive 2010/73/EU of 24 November 2010 (the "**Amending Directive**"), as implemented in Italy under Decree 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of approval of such prospectus; and
- 3) in any other circumstances where an express exemption from compliance with the solicitation restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Certificates or distribution of copies of the Prospectus or any other document relating to the Certificates in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

### **Provisions relating to the secondary market in Italy**

Investors should also note that, in any subsequent distribution of the Certificates in the Republic of Italy (with a minimum denomination lower than €50,000 - or €100,000 from 1st July 2012 - or its equivalent in another currency), Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Certificates are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Certificates who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Certificates were purchased, unless an exemption provided for under Decree No. 58 applies.

### NO OWNERSHIP BY U.S. PERSONS

The Securities may not be legally or beneficially owned by U.S. Persons at any time. The term "**U.S. Person**" will have the meaning ascribed to it in Regulation S under the Securities Act.

Each purchaser of Securities, by accepting delivery of this Prospectus or the Securities, will be deemed to have represented, agreed and acknowledged that:

- (a) it is, or at the time such Securities are purchased will be, the beneficial owner of such Securities and it is not, and is not acting for the account or benefit of, a U.S. Person and it is located outside the United States and was not solicited to purchase the Securities while present in the United States;
- (b) such Securities have not been and will not be registered under the Securities Act and may not offered, sold, pledged or otherwise transferred, exercised or redeemed except to a person that is not a U.S. Person (within the meaning of Regulation S) in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with all applicable securities laws of any State of the United States and any other applicable jurisdiction and it will provide notice of the foregoing transfer restriction to any subsequent transferee;
- (c) such Securities will bear a legend to the following effect:

"THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE ISSUER IS NOT REGISTERED, NOR WILL IT REGISTER, AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED. TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED.

ANY INTEREST IN THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED, ASSIGNED, DELIVERED OR OTHERWISE TRANSFERRED, EXERCISED OR REDEEMED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) HEDGING TRANSACTIONS INVOLVING ANY "EQUITY SECURITIES" OF "DOMESTIC ISSUERS" (AS SUCH TERMS ARE DEFINED IN THE SECURITIES ACT AND REGULATIONS THEREUNDER) MAY ONLY BE CONDUCTED IN ACCORDANCE WITH THE SECURITIES ACT.

IN PURCHASING THE SECURITIES, PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR ON BEHALF OF, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH U.S. PERSON."

and

- (d) the Issuer, the Registrar, the Distribution Agent and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

## GENERAL INFORMATION

### 1. Authorisations

The role of MSI plc as issuer under the Program was authorised by resolutions of the Board of Directors of MSI plc on 14 June 2010, 10 June 2011 and 23 May 2012.

### 2. No material adverse change in prospects

There has been no material adverse change in the prospects of MSI plc since 31 December 2013, the date of the latest published annual audited accounts of MSI plc.

### 3. No significant change in the financial or trading position

There has been no significant change in the financial or trading position of the MSI plc Group since 30 June 2014, the date of the latest published interim financial statements of MSI plc.

### 4. Legal and arbitration proceedings

Save as disclosed in:

- (a) the paragraphs beginning with "*Residential Mortgage and Credit Crisis Related Matters*" in Part I - Item 3 entitled "*Legal Proceedings*" at pages 35-45 and in the paragraphs beginning with "Legal" under the heading "Contingencies" in Part II - Item 8 entitled "*Notes to Consolidated Financial Statements*" at pages 239-243 of Morgan Stanley's Annual Report on Form 10-K for the year ended 31 December 2013; and

- (b) in the Registration Document,

there are no, nor have there been, any governmental, legal or arbitration proceedings involving MSI plc (including any such proceedings which are pending or threatened of which MSI plc is aware) during the 12-month period before the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of MSI plc Group.

### 5. Documents for inspection

For so long as this Prospectus remains in effect or the Certificates remain outstanding, the following documents will be available from the date hereof in physical or electronic form, during usual business hours on any weekday, for inspection at Citibank Europe plc, 1, North Wall Quay, Dublin 1, Ireland and also at the principal executive offices of MSI plc:

- (a) copies of the Distribution Agreement, the Securities Agency Agreement, the MSI plc Deed of Covenant and all of MSI plc's future Annual, Quarterly and Half-Yearly Reports. MSI plc's quarterly and half-yearly reports contain unaudited quarterly financial statements;
- (b) the Certificate of Incorporation and Articles of Association of MSI plc;
- (c) all reports, letters and other documents, historical financial information, valuations and statements by any expert any part of which is included or referred to herein; and
- (d) MSI plc Annual Report for the year ended 31 December 2012, MSI plc Annual Report for the year ended 31 December 2013 and MSI plc interim financial report for the six months ended 30 June 2014.

### 6. Prospectus approval

The Prospectus has been approved by the Central Bank as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Certificates which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive



2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

7. **Language of the Prospectus**

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning be ascribed to them under applicable law.

## INDEX OF DEFINED TERMS

|  |            |   |           |
|--|------------|---|-----------|
| Page                                     |            |   |           |
| $\Delta N_{t(R)}^i$ .....                | 70, 71, 72 | Disputes .....                                    | 59        |
| \$ .....                                 | iv         | Disrupted Day .....                               | 44        |
| € .....                                  | iv, 32     | Distribution Agent .....                          | iii       |
| Absolute Leverage .....                  | 71         | Distribution Agreement .....                      | 94        |
| Accountholder .....                      | 82         | Early Termination Amount .....                    | 32        |
| Adjustment .....                         | 43         | EC Treaty .....                                   | 32        |
| Affected Reference Fund Interest .....   | 44         | Elements .....                                    | 1         |
| Affiliate .....                          | 31, 44     | EMU Event .....                                   | 53        |
| Agents .....                             | 31         | ERISA .....                                       | 86        |
| Aggregate NAV .....                      | 5          | EU Savings Directive .....                        | 93        |
| Aggregate NAV Trigger Period .....       | 44         | EUR .....   | iv, 4, 32 |
| Aggregate NAV Trigger Value .....        | 44         | euro .....  | iv, 32    |
| Amending Directive .....                 | 96         | Euro .....  | 32        |
| American Style Securities .....          | 36         | Euroclear .....                                   | 22, 32    |
| applicable law .....                     | 56         | European Economic and Monetary Union .....        | 32        |
| Asset Performance <sub>t</sub> .....     | 68         | Event of Default .....                            | 55        |
| Authorised Offeror .....                 | iii        | Exercise Date .....                               | 32        |
| Basket Value .....                       | 5          | Exercise Notice .....                             | 33        |
| Basket Value <sub>t</sub> .....          | 70         | Exercise Period .....                             | 33        |
| Basket Value <sub>t(0)</sub> .....       | 70         | Exercise Receipt .....                            | 33        |
| Basket Value <sub>t-2</sub> .....        | 71         | Expiration Date .....                             | 5, 33     |
| Business Day .....                       | 5, 32, 72  | Expiration Valuation Date .....                   | 61, 67    |
| Calendar Quarter .....                   | 72         | Extraordinary Dividend .....                      | 44        |
| Cash Account .....                       | 5          | Extraordinary Resolution .....                    | 33        |
| Cash Account <sub>t</sub> .....          | 68, 69     | Final Redemption Notice .....                     | 43        |
| Cash Account <sub>t(0)</sub> .....       | 69         | Financing Spread .....                            | 70        |
| Cash Account <sub>t(R-1)</sub> .....     | 68, 70     | FINMA .....                                       | iv        |
| Cash Settlement Amount .....             | 37, 67     | Force Majeure Event .....                         | 48        |
| Cash Settlement Payment Date .....       | 32         | FS .....  | 70        |
| Cash Settlement Securities .....         | 37         | Fund Subscription Date .....                      | 51        |
| CD <sub>t</sub> .....                    | 70         | Global Registered Certificate .....               | 22        |
| CD <sub>t(R-1)</sub> .....               | 70         | Global Registered Securities .....                | 35        |
| CEA .....                                | 32         | Hedging Disruption Event .....                    | 44        |
| Central Bank .....                       | i          | Hedging Disruption Events .....                   | 44        |
| Certificates .....                       | i, 31      | Hedging Party .....                               | 44, 45    |
| CISA .....                               | iv         | HMRC .....  | 87        |
| Clearing System .....                    | 32, 83     | holder .....                                      | 35        |
| Clearing System Business Day .....       | 32, 85     | Holder Exercise Settlement Date .....             | 64        |
| Commencement Date .....                  | 32         | Holder Exercise Valuation Date .....              | 61, 67    |
| Common Fund Business Day .....           | 5          | Hypothetical Investor .....                       | 45        |
| Common Reference Fund Business Day ..... | 62, 73     | Hypothetical Investor Jurisdiction .....          | 45        |
| Company .....                            | 44         | Individual Registered Securities .....            | 35        |
| Conditions .....                         | 31         | Investor .....                                    | iii       |
| Contractual Terms .....                  | 31         | Issuer .....                                      | i, 31     |
| Coupon Amount .....                      | 5, 66      | Latest Determination Date .....                   | 64        |
| Coupon Event .....                       | 5, 66      | Latest Exercise Time .....                        | 33        |
| Coupon Payment Date .....                | 66         | Leveraged Index <sub>t</sub> .....                | 67        |
| Coupon Valuation Date .....              | 5, 61      | Leveraged Index <sub>t(0)</sub> .....             | 67, 68    |
| Coupons .....                            | 68         | Leveraged Index <sub>t(N)</sub> .....             | 67        |
| Coupon(Q) .....                          | 5, 66      | Leveraged Index <sub>t(Q-2)</sub> .....           | 67        |
| CSSF .....                               | i          | Leveraged Index <sub>t(R-1)</sub> .....           | 68        |
| Cut-off Date .....                       | 44         | Leveraged Index <sub>t-2</sub> .....              | 72        |
| Dealer .....                             | 75, 94     | Long Stop Date Reference Fund Interest Unit ..... | 42        |
| Decree No. 58 .....                      | 96         | Market Disruption Event .....                     | 45        |
| Deemed Exercise .....                    | 39         | Max .....   | 67        |
| Determination Agent .....                | 32         | Minimum Exercise Number .....                     | 41        |

|   |            |  |            |
|---|------------|--|------------|
| Minimum Transfer Amount.....              | 36         | Reference Fund Service Provider.....               | 51         |
| Moody's .....                             | 27         | Reference Fund Table .....                         | 60         |
| MSI plc .....                             | i, 2, 16   | Reference Fund Valuation Date .....                | 51         |
| MSI plc Deed of Covenant .....            | 31         | Register .....                                     | 34         |
| MSIP .....                                | i, 2       | Registered Certificate Form .....                  | 35         |
| NA .....                                  | 67         | Registered Certificates .....                      | 34, 35     |
| National Currency Units .....             | 53         | Registered Securities .....                        | 82         |
| NAV .....                                 | 70         | Registration Document .....                        | 26         |
| NAV Trigger Percentage .....              | 45         | Regulation No. 11971 .....                         | 96         |
| NAV Trigger Period .....                  | 45         | Relevant Clearing System .....                     | 83         |
| New Issuer .....                          | 58         | Relevant Date .....                                | 51         |
| $N_{t(0)}^i$ .....                        | 71         | Relevant Day .....                                 | 70         |
| $N_{t(R)}^i$ .....                        | 71         | Relevant Hedging Transaction .....                 | 44         |
| $N_{t(R-1)}^i$ .....                      | 69, 70     | Relevant Implementation Date .....                 | 95         |
| Non-exempt Offer .....                    | iii        | Relevant Member State .....                        | 95         |
| Not Applicable .....                      | 1          | Relevant Screen Page .....                         | 70         |
| Observation Date .....                    | 73         | Relevant Time .....                                | 70         |
| Observation Date <sub>t</sub> .....       | 62, 68, 73 | Reported Reference Fund Interest Unit Value .....  | 51         |
| Observation Date <sub>t(0)</sub> .....    | 68, 73     | Reserved Matter .....                              | 34         |
| Observation Date <sub>t(Q)</sub> .....    | 66, 73     | $RF_t^i$ .....                                     | 69, 71, 72 |
| Observation Date <sub>t(R)</sub> .....    | 73         | $RF_{t(0)}^i$ .....                                | 72         |
| Observation Date <sub>t(R-1)</sub> .....  | 73         | $RF_{t(R-1)}^i$ .....                              | 69         |
| offer of Certificates to the public ..... | 95         | $RF_{t-2}^i$ .....                                 | 72         |
| Offer Period .....                        | iii        | $RFR_{t(R-1)}$ .....                               | 70         |
| Performance Disruption .....              | 53         | S&P .....  | 27         |
| Performance <sub>t(Q)</sub> .....         | 66         | Scheduled Cash Settlement Payment Date .....       | 64         |
| Permitted Multiple .....                  | 41         | Scheduled Coupon Valuation Date .....              | 62         |
| Person .....                              | 33         | Scheduled Expiration Valuation Date .....          | 62         |
| Postponed Settlement Date .....           | 42         | Scheduled Holder Exercise Valuation Date .....     | 62         |
| Postponed Settlement Long Stop Date ..... | 42         | Scheduled Redemption Payment Date .....            | 51         |
| Potential Adjustment Event .....          | 46         | Scheduled Redemption Valuation Date .....          | 52         |
| Potential Exercise Date .....             | 33         | Scheduled Settlement Date .....                    | 42         |
| Principal Financial Centre .....          | 33         | Scheduled Valuation Date .....                     | 52, 62     |
| Principal Securities Agent .....          | 31         | Securities .....                                   | i          |
| Proceedings .....                         | 59         | Securities Act .....                               | iii, 34    |
| Program .....                             | i          | Securities Agency Agreement .....                  | 31         |
| Prospectus .....                          | i          | Securities Agents .....                            | 31         |
| Prospectus Directive .....                | i          | Securities Registrar .....                         | 31         |
| Qualified Financial Institution .....     | 33         | Securities Transfer Agent .....                    | 31         |
| Rebalance Date .....                      | 68, 72     | Security .....                                     | 34         |
| Rebalance Dates .....                     | 72         | Securityholder .....                               | 34, 35, 82 |
| Record Date .....                         | 40, 85     | Series .....                                       | 31         |
| Redemption Notice Date .....              | 46         | Settlement Currency .....                          | 34, 37     |
| Redemption Proceeds .....                 | 46         | Settlement Postponement Event .....                | 42         |
| Redemption Valuation Date .....           | 46         | Specified Office .....                             | 34         |
| Reference Fund .....                      | 46, 60, 77 | Strike Date .....                                  | 34, 68     |
| Reference Fund Administrator .....        | 46         | Strike Price .....                                 | 34         |
| Reference Fund Adviser .....              | 47         | Subscription Notice Date .....                     | 52         |
| Reference Fund Basket .....               | 47, 77     | TARGET Business Day .....                          | 35         |
| Reference Fund Basket Securities .....    | 34         | Target Multiplier .....                            | 72         |
| Reference Fund Business Day .....         | 47         | TARGET2 .....                                      | 35         |
| Reference Fund Custodian .....            | 47         | Taxes .....  | 35         |
| Reference Fund Documents .....            | 47         | Terms and Conditions of the Non-exempt Offer ..... | 1          |
| Reference Fund Event .....                | 47         | Tranche .....                                      | 31         |
| Reference Fund Event Notice .....         | 43, 50     | Tranches .....                                     | 31         |
| Reference Fund Event Settlement Amount .. | 51         | U.S. dollars .....                                 | iv         |
| Reference Fund Interest .....             | 51         | U.S. Person .....                                  | 97         |
| Reference Fund Interest Unit .....        | 51         | U.S.\$ .....                                       | iv         |
| Reference Fund Prospectus .....           | 51         |  |            |
| Reference Fund Reporting Date .....       | 51         |  |            |

## Index of Defined Terms

---

|                                  |    |                      |            |
|----------------------------------|----|----------------------|------------|
| Underlying Securities .....      | 35 | Valuation Date ..... | 52         |
| Underlying Security.....         | 35 | Valuation Time ..... | 52         |
| Underlying Security Issuer ..... | 35 | volatility .....     | 17         |
| United States.....               | 94 | Weighting.....       | 72         |
| USD .....                        | iv | $w^i$ .....          | 72         |
| use of capital .....             | 91 | $\Sigma$ .....       | 68, 69, 70 |

**REGISTERED OFFICE OF MORGAN STANLEY & CO. INTERNATIONAL PLC**

25 Cabot Square  
Canary Wharf  
London E14 4QA

**PRINCIPAL SECURITIES AGENT, SECURITIES REGISTRAR, SECURITIES TRANSFER  
AGENT AND PAYING AGENT**

Citibank Europe plc  
1, North Wall Quay  
Dublin 1  
Ireland

**IRISH LISTING AGENT**

The Bank of New York Mellon SA/NV  
Dublin Branch  
Hanover Building  
Windmill Lane  
Dublin 2  
Ireland

**LEGAL ADVISORS TO THE ISSUER**

*As to English law:*  
Ashurst LLP  
Broadwalk House  
5 Appold Street  
London EC2A 2HA

**AUDITORS OF MORGAN STANLEY & CO. INTERNATIONAL PLC**

Deloitte & Touche LLP  
Two World Financial Center  
New York, New York 10281  
U.S.A.