

VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

To the Distributors of the Notes:

ABN Amro Bank NV	Dah Sing Bank, Limited
Bank of Communications Co., Ltd. Hong Kong Branch	ICEA Securities Ltd.
Chong Hing Bank Limited	MEVAS Bank Limited
Core Pacific-Yamaichi International (H.K.) Limited	Public Bank (Hong Kong) Limited
	Wing Lung Bank Limited

Octave Notes Series 21

HKD RMB-Linked Credit-Linked Secured Callable Step-up Fixed Rate Notes due 2011 and extendable to 2014 (ISIN: XS0325917101) (the "Notes") issued by Victoria Peak International Finance Limited pursuant to its Retail Note Programme (the "Programme")

We refer to our notices to distributors of the Notes dated 8 December 2008 and 7 May 2009 informing you of recent credit events which have occurred in relation to the Underlying Securities for the Notes and the related loss calculations.

As previously, although we are under no obligation to provide information in respect of the Notes or the Underlying Securities beyond that specified in the Offering Documents, in the present exceptional circumstances we believe it may be helpful to write to all Distributors to provide this further written information relating to the Notes and the Underlying Securities.

As at the date of this notice, the Underlying Securities for the Notes consist of Series 2007-37 Floating Rate Notes due 2011 extendable to 2012 issued by Morgan Stanley ACES SPC acting for the account of the Series 2007-37 Segregated Portfolio (the "**Underlying Securities**"). The Underlying Securities are Synthetic CDO Securities referenced to 125 Reference Entities, as defined and further described in the Private Placement Memorandum Supplement of the Underlying Securities dated 25 October 2007 (the "**PPMS**").

As set out in our notice to distributors dated 7 May 2009, a Credit Event has occurred in respect of Syncora Guarantee Inc. (formerly known as XL Capital Assurance Inc.). Whilst this is not a Company under the Notes, it is a Reference Entity under the Underlying Securities.

We are now in a position to provide you with further written information on the consequences of this Credit Event.

As of the date of this notice, the occurrence of the Credit Event referred to above has not resulted in an Underlying Securities Default Event or a Mandatory Redemption Event in relation to the Notes. The Issuer can give no assurance as to whether an Underlying Securities Default Event or a Mandatory Redemption Event will or will not occur in relation to the Notes in the future.

We have set out in Part A of the Annex below the following information in relation to the loss calculations in respect of the Underlying Securities following the occurrence of the Credit

Event referred to above: the Reference Entity Notional Amount which applies to each Reference Entity in respect of which Credit Events have occurred since the issue date of the Underlying Securities and, in respect of each of the Credit Events that have occurred since the issue date of the Underlying Securities where such amounts have been determined (including the Credit Event in relation to Syncora Guarantee Inc. referred to above), the Weighted Average Final Price, the Reference Value and the Loss Amount.

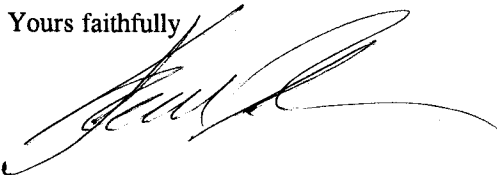
The Aggregate Loss Amount as at the date hereof, being the sum of the Loss Amounts determined in respect of each of the Credit Events which have occurred in relation to the Underlying Securities since the issue date of the Underlying Securities where such Loss Amounts have been determined, is USD 29,508,000. The remaining threshold amount of the Underlying Securities (also sometimes referred to as the remaining subordination) after taking into account the occurrence of the Credit Event in respect of the above Reference Entity and the related loss calculations is USD5,492,000 (being the difference between the Lower Threshold Amount of USD35,000,000 and the Aggregate Loss Amount of USD29,508,000). For your convenience, we have set out in Part B of the Annex below the Lower Threshold Amount for the Underlying Securities (which is extracted from the PPMS for the Underlying Securities) and the current Aggregate Loss Amount.

We would encourage you to provide the information contained in this notice to your customers who invested in the Notes.

If you have any questions or queries regarding this notice or the Notes, please consult your own legal, tax, accountancy or other professional adviser as you may see fit.

Capitalised terms used but not otherwise defined in this notice or otherwise specified shall have the meanings ascribed thereto in the Issue Prospectus relating to the Notes dated 14 September 2007 or the PPMS. The Issue Prospectus, the PPMS and certain other documents and information in relation to the Notes can be viewed on the following website: www.morganstanley.com/octavenotes.

Yours faithfully



VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

BY: Kareem Robinson

13 July 2009

OCTAVE NOTES SERIES 21

ANNEX TO NOTICE TO DISTRIBUTORS DATED 13 JULY 2009

Part A

Reference Entity Notional Amount, Weighted Average Final Price, Reference Value and Loss Amount for each Reference Entity referred to above

Reference Entity	Reference Entity Notional Amount (USD)	Weighted Average Final Price	Reference Value (USD)	Loss Amount (USD)
Federal Home Loan Mortgage Corporation (Subordinated)	8,000,000	99.90%	7,992,000	8,000
Federal National Mortgage Association (Subordinated)	8,000,000	98.00%	7,840,000	160,000
Lehman Brothers Holdings Inc.	8,000,000	8.625%	690,000	7,310,000
Glitnir banki hf.	8,000,000	3.00%	240,000	7,760,000
Kaupthing banki hf.	8,000,000	6.625%	530,000	7,470,000
Syncora Guarantee Inc.	8,000,000	15%	1,200,000	6,800,000

Part B

Lower Threshold Amount, Aggregate Loss Amount and remaining threshold amount in respect of the Underlying Securities as at the date of this notice

Lower Threshold Amount (USD)	Aggregate Loss Amount (USD)	Remaining threshold amount (USD)
35,000,000	29,508,000	5,492,000