

One New York Plaza  
New York, NY 10004

Morgan Stanley

July 29, 2011

Mr. James L. Kroeker  
Chief Accountant  
United States Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**Re: Work Plan for the Consideration of Incorporating International Financial Reporting Standards ('IFRS') into the Financial Reporting System for U.S. Issuers**

Dear Mr. Kroeker:

Morgan Stanley welcomes the opportunity to comment on the Securities and Exchange Commission's (SEC) Staff Paper, *Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers – Exploring a Possible Method of Incorporation* (the "Work Plan"). We are supportive of the SEC's ongoing commitment to the International Accounting Standards Board's ('IASB') and Financial Accounting Standards Board's ('FASB') convergence effort towards a single set of high quality, globally accepted accounting standards, as further demonstrated by the publication of the Work Plan.

With the exception of some limited concerns discussed below, we are supportive of the "condorsement" proposal outlined within the Work Plan. We believe this approach shares characteristics of incorporation approaches adopted by various jurisdictions, including the European Union. We are comfortable with the proposal to retain a U.S. standard setter and U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). We are also supportive of the proposal to adopt an endorsement protocol for the incorporation of new or amended standards following transition and we believe that maintaining a U.S. standard setter with endorsement responsibilities should be included in any proposal for incorporation. We also support the proposal for the FASB continuing to play a key role in the ongoing development of IFRS and agree that the FASB is best equipped to participate in the development of high quality reporting standards by providing input and support to the IASB and ensuring the views of U.S. participants are considered in the development of those standards.

## **Endorsement and U.S. Modifications**

While we are supportive of the proposal to adopt an endorsement protocol, we believe that the overall aim for incorporating IFRS into the U.S. financial reporting system should be full convergence. Therefore, we believe that the proposal to allow the FASB and SEC the ability to modify new or amended IFRS should only be used in limited or rare circumstances. Although the Work Plan indicates that the FASB would also exercise its authority as the national standard setter when it found, based on its experience in the ongoing interpretation or application of IFRSs incorporated into U.S. GAAP, that supplemental or interpretive guidance was needed for the benefit of U.S. constituents, in our opinion, significant modification of IFRS or issuance of U.S. specific guidance could lead to the development of “U.S. flavored IFRS”, which, as acknowledged in the Work Plan, is a significant risk to the overall aim of convergence. We agree that the objective would be for U.S. GAAP to remain consistent with IFRS, and the FASB should find the need to exercise its authority to issue any requirement in conflict with IFRS in only unusual circumstances, which we would expect to be rare. We therefore support the proposal for the FASB to provide significant input and support to the IASB in developing and promoting standards, the aim being to reduce the need for U.S. focused modifications.

## **Transition**

We are supportive of the strategy for transition over a period of several years and the separation of the transition effort into three categories as detailed within the Work Plan.

### *MoU Projects*

In terms of the first category, containing IFRSs subject to Memorandum of Understanding (‘MoU’) projects, we believe that the transition approach should follow the effective dates determined as part of the ongoing joint IASB and FASB convergence project. These developments are considered to represent the highest priority projects in the convergence process, and in order to support the convergence effort, these standards should be adopted globally on a consistent basis.

As indicated in our comments provided on January 31, 2011 to both Boards in response to their out-reach work regarding *Effective Dates and Transition Methods*, Morgan Stanley prefers the single date or ‘big-bang’ method for the implementation of MoU projects as this minimizes cost and disruption to entities, particularly as many of the standards are interlinked. However, we accept the final effective dates and transition guidance issued by the IASB and FASB may not follow our preferred “big bang” approach. Therefore, we are supportive of the efforts of the FASB and IASB to converge their respective accounting frameworks and to pursue a common approach to transition and effective dates on implementing the suite of converged standards.

### Convergence

We are particularly sensitive to the impact on transition, should certain standards not be entirely converged, because although Morgan Stanley reports globally under U.S. GAAP, it also reports many subsidiary financial statements under

IFRS. The risk that we may need to transition to two different financial reporting models in the same timeframe through lack of convergence is very troubling. For these reasons, we think it is of paramount importance that the FASB and IASB continue to focus on resolving the more significant differences between their respective financial reporting models before common effective dates and transition rules are established. We believe a single, consistent approach would be beneficial to preparers and users both in the U.S. and globally.

#### Early Adoption

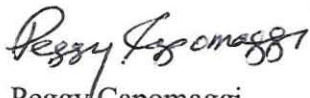
We recognize that convergence on effective dates may be difficult to achieve in all circumstances and thus re-iterate our support of early adoption. As Morgan Stanley has reporting obligations under both U.S. GAAP and IFRS, it is important that, regardless of the mandatory adoption dates, flexibility be provided by way of early adoption to enable implementation of converged standards at the same date.

#### *IFRS Not Subject To MoU Projects*

With regard to the final two categories of the transition plan, we are comfortable with the suggested approach for transition, but believe that the transition period should follow as short a timeline as possible. We believe this would avoid potential conflicts and inconsistencies created when integrating the new accounting framework into the existing U.S. GAAP framework. We also believe a relatively short conversion period for these categories would reduce the level of uncertainty amongst preparers and users.

We hope you find our feedback helpful. If there are any comments that are unclear, or you would like to discuss anything further, please do not hesitate to contact me at 212-276-3019 or Mona Nag at 212-276-5129.

Sincerely,



Peggy Capomaggi  
Managing Director  
Global Assistant Controller