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## Morgan Stanley

August 24, 2009

Mr. Russell Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

By email to: [director@fasb.org](mailto:director@fasb.org)

**Re: File reference 1700-100 *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses***

Dear Mr. Golden:

Morgan Stanley appreciates the opportunity to provide comments in response to the proposed Statement of Financial Accounting Standards, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (the “ED”). While we support the Financial Accounting Standard Board’s (the “Board”) objective to increase the transparency of disclosures about the credit quality of financing receivables and the allowance for credit losses and to provide more useful information to users of the financial statements, we have concerns about the timing of this project in coordination with other projects on the Board’s Technical Plan, the level of detail prescribed and the effective date required for the proposed disclosures. .

### **Coordination with Other Board Projects and Level of Detail Required by Proposed Disclosures**

We are concerned that the Board is taking a piecemeal approach to financial instrument disclosure and the timing of this ED in conjunction with the Board’s ongoing projects which include:

- The Disclosure Framework project, whose objective is to make disclosures more effective, coordinated and less redundant and to better integrate information in a company’s public reporting package, and
- The Financial Instruments project: improvements to recognition and measurement, which is expected to significantly impact the accounting standards and disclosures required related to financing receivables and the related allowance for credit losses

Currently, the disclosure requirements proposed in the ED are very prescriptive and require a granular level of detail in the example tables provided. We are concerned that these tables, while shown as examples, will become the required standard format. While firms may manage their portfolio of financing receivables and the related allowance methodology differently, we believe that the level of detail prescribed in the table will not allow for comparability across companies, will be confusing and will complicate, rather than simplify, users ability to interpret the information in a meaningful manner. We do not believe that this is consistent with the goals and objectives of the Disclosures Framework project, which we believe should provide flexibility to tailor disclosures in a manner that would provide the most useful and relevant information to users given the nature of an entity's lending activities and procedures for monitoring credit quality.

The Financial Instruments project is expected to have a significant impact on the scope of instruments that will require an allowance as well as how credit losses will be calculated. If the Board proceeds with the ED, companies may be required to undergo significant modifications to their systems and reporting processes in order to accommodate the required disclosures under this ED, only to change them in response to the conclusions of the Financial Instruments project.

Given the foregoing, we recommend the Board delay the issuance of this ED and deliberate as part of the Financial Instruments and Disclosures Framework projects.

### **Effective Date**

The effective date for the proposed statement is for fiscal and interim periods ending after December 15, 2009. The proposed effective date does not provide sufficient time to implement the proposed disclosure requirements. As noted above, financial statement preparers would need more time to make necessary changes to systems, processes and procedures in order to accommodate the level of detail prescribed by the ED, as many of the proposed disclosures can not be easily extracted from current reporting systems. For example, the ED requires that preparers provide quantitative information about the credit quality of loans carried at fair value that are neither past due nor impaired as defined in *Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan* (FAS 114), however, loans that are carried at fair value are not currently evaluated for impairment under FAS 114. We are also concerned about the requirement to provide the level of detail prescribed in the ED on both an interim and annual basis. The volume of reporting requirements for interim periods is approaching that of the annual requirements, and given the compressed time frame for interim financial reporting, should be limited to discussing material changes in credit risk for financing receivables from the last annual reporting period.

Finally, we note that institutions are in the process of implementing *Statement of Financial Accounting Standards No. 166, Accounting for Transfers of Financial Assets* and *Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46 (R)* that would make concurrent implementation of the proposed additional disclosures extremely burdensome.

For the reasons discussed above, if the Board is to proceed with the proposed disclosures, we ask the Board to consider delaying the effective date at least until interim or annual reporting periods ending after December 15, 2010 to allow financial statement preparers additional time to enhance systems and work through implementation issues.

Again, we thank you for the opportunity to provide comments related to proposed ED. Please contact Melanie Pinto at (212) 276-1537 or me at (212) 276-7716 with any questions of comments.

Sincerely,

/s/ Gregory Sigrist  
Managing Director  
Global Accounting Standards and Control