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Morgan Stanley

October 12, 2009

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

Re: Proposed Accounting Standards Update to Topic 820, Improving Disclosures about Fair Value Measurements

Dear Mr. Golden:

Morgan Stanley appreciates the opportunity to comment on the Proposed Accounting Standards Update, Improving Disclosures about Fair Value Measurements (the "Proposed Update"). We have also contributed to the letters submitted by the International Swaps and Derivatives Association ("ISDA") and Securities Industry and Financial Markets Association ("SIFMA") on the Proposed Update.

In general, we are supportive of the FASB's efforts to enhance fair value disclosures. However, we are concerned that the costs and operational risks associated with the Proposed Update, particularly in the timeframe currently drafted, will outweigh the desired benefits sought from the increased disclosures. Specifically, we strongly disagree with the amendment to Subtopic 820-10 that would require disclosing quantitative information about significant inputs used and the effect of reasonably possible alternative inputs for each class of Level 3 fair value measurements. The Board's prescribed approach with regards to sensitivity analysis is not consistent with the way financial instruments are managed and may lead to misinterpretation that could diminish rather than enhance the transparency of Level 3 fair value measurements. In our opinion, companies should be allowed flexibility to provide qualitative and quantitative disclosures that focus on the relevant risks of the company, and are consistent with methodologies used by management to measure, monitor and manage those risks. We believe that this form of disclosure would balance the need for enhanced fair value reporting with the cost of obtaining such information.

We also believe that the requirement to separately disclose purchases, sales, issuances, and settlements of Level 3 fair value measurements will not provide useful information to users of financial statements. In addition, this information is currently not easily available from the various reporting systems used for different products and would require costly systems enhancements.

Although we acknowledge that much of the proposed guidance is convergent with IFRS, based on our views of the operational burden of preparing such disclosures and the lack of decision usefulness of the information, we believe a more robust analysis of the costs versus benefits of the proposal is required.

Lastly, the effective date of the Proposed Update, as currently drafted, is not operational. If the FASB decides to require the specific disclosures discussed above, companies should be given appropriate time to develop systems to capture and test the required data to generate the proposed disclosures in a controlled manner. Given the date on which the public comment period ends (October 12, 2009), and the assumed date of issuance of the final guidance (early November), it is operationally not feasible for Morgan Stanley to implement the disclosure requirement to separately present purchases, sales, issuances and settlements for our December 31, 2009 annual financial statements and the sensitivity disclosure for our March 31, 2010 interim report. We strongly recommend that the FASB change the effective date for the above mentioned requirements to no earlier than annual or interim reporting periods ending after December 15, 2010, with early adoption permitted.

We also offer the following additional detailed comments and ask that the FASB consider the recommendations in the paragraphs that follow during its deliberations of the Proposed Update.

Sensitivity Analysis

The Proposed Update mandates sensitivity analysis for Level 3 fair value measurements. We believe that instead of mandating sensitivity disclosure the FASB should allow companies to provide quantitative disclosures consistent with management's views about the relevant risks and risk management practices.

Fair value of financial instruments as reflected in a company's financial statements is management's best estimate of exit price for those instruments including those that are categorized in Level 3. Disclosure of sensitivity to particular assumptions, and the range of reasonably possible alternative outcomes for all Level 3 measurements, will inevitably result in extremely unwieldy disclosures that have little practical value and merely serve to imply inappropriately that the amounts stated may be unreliable.

Morgan Stanley's Level 3 roll forward table is currently made up of 15 separate asset classes. It is not practical to disaggregate the classes any further. However, each class may include various sub categories of instruments with varying valuation techniques and

inputs that vary significantly based on underlying characteristics of each individual instrument such as the type of collateral, riskiness, the geographic location, etc. Disclosing the range of inputs used and reasonably possible alternative inputs by class of instrument will result in a meaningless and voluminous disclosure at best. In addition, we are concerned about the implied comparability of inputs between companies across the same asset class. Differences in the underlying characteristics of the instruments held by two companies in the same class may appropriately result in significantly different ranges being disclosed. Yet, a user may unknowingly conclude that the two firms have used different pricing assumptions or inputs for the same type of instrument. Also, we do not support further disaggregation of our asset classes and quantitative disclosure of range of inputs used as this information is considered proprietary and highly sensitive. In addition, given the market volatility in 2008 we are concerned that misinterpretation of sensitivity analysis could further undermine the credibility of financial information for investors, which is opposite the goal of this Proposed Update.

It should also be noted that preparation of the disclosure will involve significant amount of judgment. There is usually no clear cut-off between reasonably possible alternative assumptions and values that are not reasonably possible; possible values lie on a continuous scale, and the bounds of 'reasonably possible' are highly arbitrary and subjective. Accordingly, no real value can be attributed to the sensitivity analysis proposed.

Lastly, an important point to note is that valuations for Level 3 instruments are complex and are based on interrelated assumptions. Changing one assumption or input may impact one or more other assumptions or inputs. We note guidance in paragraph 820-10-50-2(f) which requires that an entity consider the effects of correlation among changes in significant inputs if estimating the effect of more than one reasonably possible change. However, because of the variety of products and inputs it is not possible to apply correlation in a reliable and comparable manner within and across the various asset classes. Consideration of the impact of correlation will be either highly judgmental or possibly arbitrary, and as such limit the decision-usefulness of the disclosure.

We appreciate the Board's decision to seek additional input from preparers about the proposed sensitivity of fair value measurements. We agree with the concerns expressed by volunteer participants in the Board's preparer outreach effort regarding operationality of the proposed requirement. As proposed the sensitivity analysis will be costly to derive and more importantly, confusing to many users of financial statements. We urge the FASB to allow for a flexible approach with respect to sensitively disclosures. Companies should be allowed to provide quantitative disclosures to the extent appropriate and practical and to discuss views about relevant risks based on methodologies used by management to measure, monitor and manage those risks.

Gross Disclosure of Level 3 Activity

The Proposed Update requires that within the Level 3 roll forward purchases, sales, issuance and settlements be reflected separately or on a gross basis. This information is not considered by management to provide relevant or reliable insight into the Company's risk position, and therefore we question whether it will be of use to most users of financial statements. Further, the information is not captured in a way that would facilitate compliance with the proposed disclosures without incurring significant costs.

Preparing for these disclosures would be very costly and time consuming as the Company enters into thousands of trades daily that are booked in various risk systems coupled with the associated cash flows which are processed via various settlement systems. Pulling this data together from multiple sources would require that these systems be enhanced to first identify Level 3 instruments and then collect the appropriate cash flow information to meet the gross disclosure requirements. Further operational challenges result from the need to collect this information retroactively as of the beginning of the year in order to comply with the proposed disclosure requirement for year-end 2009 financial statements. Again, we are concerned that the cost of compliance greatly outweighs the perceived benefit, which we consider marginal at best.

Effective Date

The disclosures required by the Proposed Update are effective for periods ending after December 15, 2009 except for sensitivity analysis which is effective for interim and annual reporting periods ending after March 15, 2010.

We do not agree with the Board's view that the information necessary to comply with the new disclosure requirements and the clarification of the existing disclosure requirements would be available without significant changes to an entity's information systems except for sensitivity disclosures. As indicated above, the Company does not maintain information related to purchases, sales, issuances and settlements and extracting this information will require time consuming and costly systems enhancements to many of the Company's systems. Similarly if the Board decides to retain the guidance regarding sensitivity disclosures, the Company will need to enhance its systems to aggregate the fair value of all of the Company's Level 3 instruments using various combinations of reasonably possible alternative inputs.

Finally, we note that the Company is 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 all the reasons discussed above, if the Board intends to proceed with the proposed disclosures as currently drafted, we ask that the effective date be delayed to interim or

annual reporting periods ending after December 15, 2010, with early adoption permitted, 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. Please contact me at 212-276-7716 or Mona Nag at 212-276-5129, if you have any questions.

Sincerely,

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