Morgan Stanley

September 30, 2010

Mr. Russ Golden
Technical Director
File Reference No. 1790-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116


Dear Mr. Golden,

Morgan Stanley welcomes the opportunity to comment on the Proposed Accounting Standards Update - Comprehensive Income (Topic 220): Statement of Comprehensive Income (the “Proposed Update”).

Overall we agree with the proposal to mandate the use of one performance statement containing two distinct sections being net income and other comprehensive income ("OCI"). We do not believe that there is a supportable conceptual basis for continuing to permit reporting entities to present two separate performance statements. We also support the view that items in OCI that will never be recognized in net income should be presented separately from those that may be subject to subsequent reclassification. We believe that this would provide useful information for users of financial statements.

Although we acknowledge the convergence efforts of both the FASB and IASB on the Financial Statement Presentation ("FSP") project, we continue to be concerned about the lack of convergence on projects that will determine which items are recognized in OCI. We recognize the importance of having a consistent presentation format for performance reporting, however we believe that the lack of convergence on projects such as Financial Instruments will continue to result in a lack of comparability between financial statements prepared under both IFRS and US GAAP.

We also understand that there is a certain amount of concern across the preparer and user groups that the presentation of one performance statement could be a precursor to a change in the basis of the Earnings Per Share ("EPS") calculation. EPS is a widely used key performance indicator and we would not support any efforts to base the calculation on anything other than net income.

Our responses to the questions raised in the ED are in the Appendix to this letter. We have also submitted a similar comment letter to the IASB in response to their Exposure Draft ED/2010/5: Presentation of Items of Other Comprehensive Income.
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 212-276-7716 or Matthew Pomeroy at 212-276-2872.

Sincerely,

[Signature]

Gregory A. Sigrist
Managing Director
Global Accounting Standards and Control
Appendix

Below are more detailed responses to the questions raised in the invitation to comment.

Question 1: Do you agree that requiring a continuous statement of comprehensive income will improve the comparability, transparency, and understandability of financial statements such as relationships between changes in the statement of financial position, the components of other comprehensive income, and the components of net income in each period? If not, why not, and what changes would you suggest to the amendments in this proposed Update?

We agree that requiring a continuous statement of comprehensive income will improve the comparability, transparency, and understandability of financial statements. Further, we agree with the Board’s proposal to present this continuous statement in two parts: net income and other comprehensive income. We believe that net income is a key performance measure for users of financial statements and it should be clearly presented in the performance statement.

However, we are concerned by the lack of convergence between the FASB and IASB on projects that will determine which items are recognised in OCI (e.g. the respective projects on Financial Instruments). Although we acknowledge the efforts of the FASB and IASB in moving towards a converged standard on financial statement presentation, we believe this will be of limited benefit unless there is convergence on projects that determine where items are recognized in the performance statement. We therefore continue to urge the Boards to work towards convergence in these important areas.

Question 2: Do you agree that the option should continue to report the tax effect for each component of other comprehensive income either in the statement of comprehensive income or in the notes to the financial statements?

We agree that that reporting entities should continue to have the option of reporting the tax effect for each component of other comprehensive income either in the statement of comprehensive income or in the notes to the financial statements.

Question 3: Do you believe that a requirement to display reclassification adjustments for each component of other comprehensive income in both net income and other comprehensive income in the statement of comprehensive income would improve the understandability and comparability of financial statements?

We agree that a requirement to display reclassification adjustments for each component of other comprehensive income in both net income and other comprehensive income in the statement of comprehensive income would improve the understandability and comparability of financial statements.

Question 4: What costs, if any, will a reporting entity incur as a result of the proposed changes?

While reporting entities will incur some costs associated with the proposed changes, we do not think such costs will be significantly burdensome in relation to the benefits.

Question 5: The Board plans to align the proposed effective date of the amendments in this proposed Update with the effective date of the amendments in the proposed Update on financial instruments. Are there any significant operational issues that the Board needs to understand to determine the appropriate effective date for the amendments in this proposed Update?
We are not aware of any significant operational issues that the Board needs to understand to determine the appropriate effective date for the amendments to the proposed update. However, we would encourage the Board to permit early adoption of the amendments to enable preparers to align the effective date with that of the IASB proposals.

**Question 6: The amendments in this proposed Update would not change the guidance on the calculation and display of earnings per share. Do you believe that the Board should change the guidance on earnings per share? If so, what changes would you recommend and why?**

EPS is a widely used key performance indicator and we would not support any efforts to base the calculation on anything other than net income.