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New York, NY 10004

Morgan Stanley

August 6, 2015

Russell G. Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2015-270: Proposed Accounting Standards Update, *Compensation-Stock Compensation (Topic 718)*

Dear Mr. Golden:

Morgan Stanley appreciates the opportunity to comment on the Proposed Accounting Standards Update, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (the "ASU"). We support the FASB Board's ("the Board") efforts in its initiative to reduce complexity in accounting standards related to the accounting for share-based payment transactions.

We agree with the proposed changes for the classification of excess tax benefits and employee taxes paid on the statement of cash flows, and the expansion of the exception to liability classification related to the amount withheld for an employee's taxes. We also support the proposal to permit entities to make an accounting policy election to account for forfeitures when they occur. We believe these changes reduce the cost and complexity for financial statement preparers while maintaining or improving the usefulness of information provided to users of financial statements.

Although we support the majority of the proposed changes, we do have reservations regarding one of the proposed amendments reached by the Board. We do not believe the proposal to recognize all tax benefits and deficiencies in the income statement and to eliminate the excess tax benefit pool in additional-paid-in-capital ("APIC pool") would simplify our reporting process. Calculation of the APIC pool is currently automated and processed by our accounting systems. Elimination of the APIC pool would result in additional costs and complexity as we would need to make significant changes to our existing accounting systems to administer the change. Furthermore, this change would also complicate the income tax rate reconciliation disclosures. Excess tax benefits and tax deficiencies would be recorded into the income tax provision and would result in a new reconciling item between the statutory tax and effective tax rates.

Again, we thank you for the opportunity to provide comments. Please contact me at 212-276-7824 or Rachel Ferguson at 212-276-2786 if you have any questions.

Sincerely,

G. David Bonnar

G. David Bonnar
Managing Director
Global Advisory and Policy