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Morgan Stanley

International Accounting Standards Board
1st Floor
30 Cannon Street
London
EC4M 6XH

21 October 2011

Re: IASB ED/2011/3 – Mandatory Effective Date of IFRS 9

Dear Sirs,

Morgan Stanley welcomes the opportunity to comment on the IASB's Exposure Draft ED/2011/3 *Mandatory Effective Date of IFRS 9* issued in August 2011 (the "ED").

We have participated in the preparation of the response to the ED submitted by the Association of Financial Markets in Europe ("AFME") and the International Swaps and Derivatives Association ("ISDA"), and are generally supportive of the views expressed therein.

We are supportive of the board's proposal to defer the mandatory effective date of IFRS 9 *Financial Instruments ("IFRS 9")*. With respect to transition, we are particularly concerned about fully retrospective application of IFRS 9 and therefore support the Board in proposing an alternative approach to transition. However, we believe there are challenges with the current proposal, hence, in our answer to Question 2 of the ED, we encourage the board to consider an alternative transition approach. Consistent with our response to the 31st January 2001 IASB *Request for Views on Effective Dates and Transition* ('RFV'), convergence continues to be of significant importance to us so we are supportive of a mandatory effective date that allows for consideration and comment on the FASB's upcoming exposure draft of financial instruments as well as implementation of the final standards at the same time.

Our more detailed responses to the specific questions set out in the ED are as follows:

Question 1

The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

We support the deferral of the effective date to annual periods beginning on or after 1 January 2015 as we believe it is preferable to apply IFRS 9 when all aspects of the project to replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") are complete and included within the new standard. As we also noted in our response to the RFV, the implementation of IFRS 9 will require substantial investment in the development of systems and processes, but application of the new standard on a piecemeal basis will be further disruptive and will result in multiple implementation phases which will carry additional costs and significant additional complexity as a result of the interdependencies of these phases.

However, in determining an appropriate delayed effective date it is important that the proposed effective date provides sufficient time to finalize the impairment and hedging projects, which will have a significant impact to our business and the wider financial services industry. If these phases of the project are not completed on time, then in our view the Board will need to consider an effective date later than 1 January 2015 that will allow enough time for completion of these phases by the Board as well as appropriate implementation time by IFRS preparers.

In addition, as a primary U.S. GAAP filer we are particularly concerned that sufficient time is provided to allow for comment and consideration of the feedback on the FASB's new financial instruments exposure draft. As an international financial institution Morgan Stanley continues to be fully supportive of the convergence efforts of the IASB and FASB, with convergence on financial instrument accounting being of particular importance. Therefore, we encourage the Board to establish a mandatory effective date that allows for convergence efforts to be maximized.

Finally, in considering the appropriate mandatory effective date it is also important that the Board allows for the complexities of the European Union endorsement process. Morgan Stanley operates in a number of jurisdictions across Europe and Asia reporting under IFRS therefore, a mandatory effective date that did not allow sufficient time for European Union endorsement would also add significant implementation costs as well as reduce the comparability between IFRS reporters globally.

Question 2

The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

We do not support the Board's proposal with respect to transition.

Firstly, as we state in question 1 Morgan Stanley believes IFRS 9 should be implemented in its entirety once all aspects of the project are complete. By not extending the date for comparative relief in line with the effective date, the board is effectively removing this exemption for entities that choose to early adopt IFRS 9. We believe the exemption contained within IFRS 9 for the restatement of comparatives for entities that adopt early should be extended in line with the extension to the mandatory effective date, from reporting periods beginning on or after 1 January 2012 to reporting periods beginning on or after 1 January 2014.

Secondly, we are also concerned about the existing transition provisions under IFRS 9. Although we appreciate that the current transitional provisions are to a certain extent a practical compromise to full retrospective application, we are concerned that the requirement of retrospective restatement under IFRS 9 only for financial instruments retained on balance sheet at the date of initial application leads to non comparable comparatives. We are not clear how comparative information which includes certain instruments accounted for under IFRS 9 and others under IAS 39 is useful information.

As a result of the operational challenges in implementation set out in our answer to question 1, we would strongly prefer not to restate comparatives at all.

However, if the Board decides to continue to require a form of retrospective application we would like the Board to consider an alternative practical compromise to full retrospective application which would require only the immediate prior year to be restated on the basis of IFRS 9. This would achieve some practical relief whilst still providing one full year of comparable information.

Lastly, given the complexity of any transition approach for IFRS 9 we strongly encourage the Board to work with the FASB on aligning the transitional requirements as well as the mandatory effective date.

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 on +1 212-276-3019 or Vicky Worster on 020 7425-7552.

Sincerely,

Peggy Capomaggi

Peggy Capomaggi
Managing Director
Assistant Global Controller