

# Morgan Stanley

April 20, 2009

Florence E. Harmon  
Acting Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

By email to: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Re: File Number S7-27-08: Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers

Dear Ms. Harmon:

Morgan Stanley appreciates the opportunity to provide comments in response to the Securities and Exchange Commission's ("SEC") Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") by U.S. issuers ("Roadmap"), for the purpose of their filings with the SEC.

Morgan Stanley supports the goal of a single set of high quality global accounting standards. The current financial crisis and the trend of investors seeking to invest in companies registered outside their own domestic market highlights the need to have a common set of globally accepted and understood accounting standards. A common set of high quality accounting standards would provide for comparability of financial information across global markets and would ultimately enhance investor understanding and confidence in companies' financial statements.

We believe that IFRS as issued by the IASB meets these requirements and would therefore support the mandatory use of IFRS for all U.S. issuers at an appropriate date in the future. We also believe the milestones identified in the Roadmap to be appropriate and that progress toward achievement of those milestones to be critically important to the decision as to whether IFRS should be mandated for use by all U.S. Issuers. Any decision to mandate the use of IFRS should include an appropriate timeline for adoption of IFRS. The Roadmap currently contemplates only three years between the date of a decision and the first year of reporting under IFRS inclusive of three years of financial information. We believe it may be pertinent to allow additional time to enable reporting entities more time to better focus on the conversion process.

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We believe the potential for jurisdictional interpretations of IFRS to be a significant challenge to convergence to one set of high quality accounting standards. Therefore, Morgan Stanley is supportive of the proposal that the SEC would require U.S. issuers to prepare financial statements under IFRS as issued by the IASB and we encourage the SEC not to have a separate endorsement process over and above the SEC's role in the Monitoring Group as proposed by the IASC Foundation.

Similarly, because IFRS as issued by the IASB is a principles based accounting framework adoption of IFRS will likely give rise to financial reporting differences between entities due to different, but valid, interpretations of the accounting standards. For U.S. issuers to be confident in adopting IFRS, they will need to be comfortable that they will not be penalized for applying reasoned judgment in the application of underlying principles in an accounting standard, particularly as best practices develop across industries.

An important step in requiring mandatory adoption of IFRS will be acceptance of IFRS financial statements by other regulators, rule making bodies and tax authorities. The SEC should work closely with these bodies to support and encourage the acceptance of IFRS financial statements. Non acceptance of IFRS would be a significant hurdle to the adoption of IFRS not only due to the significant costs that would be incurred in maintaining dual financial reporting but also the operational risk of maintaining a multi-GAAP financial reporting environment.

Finally, we are concerned that an interim step of allowing early adoption by certain issuers would not actually provide the SEC with the information it is seeking in advance of a decision on the Milestones and would generally not encourage reporting entities to early adopt. Coming to a decision on the mandatory use of IFRS would seem to be an appropriate first step. If the decision is to move forward with IFRS, we would suggest allowing certain users the option to adopt prior to any mandatory adoption dates.

In the meantime, Morgan Stanley strongly encourages the SEC to do more to support the convergence efforts of the IASB and the Financial Accounting Standards Board ("FASB"). The IASB and FASB set out a work plan (the MoU) covering several joint projects through 2011 to further the goal of comprehensive, high-quality converged accounting standards. Currently, there is still a lot of work to be done under the MoU, and quite notably, the FASB and the IASB have been issuing diverging guidance in areas such as consolidation, securitization and financial instrument / derivative disclosures.

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We urge the SEC to encourage the FASB and the IASB to continue to work together on converged projects such that clear and consistent progress towards convergence can be demonstrated. Continued convergence of IFRS and U.S. GAAP will serve to increase the comparability of financial information across the global markets and will ultimately help achieve the goal of a single set of high quality global accounting standards.

If you have any questions regarding our comments, we would be pleased to discuss with you at your convenience.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gregory A. Sigrist". The signature is fluid and cursive, with the first name being the most prominent.

Gregory A. Sigrist  
Managing Director  
Global Head of Accounting Policy