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Morgan Stanley

January 15, 2015

Susan M. Cosper
Technical Director
File Reference No. EITF-14B
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. EITF 14-B – Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share

Dear Ms. Cosper:

Morgan Stanley appreciates the opportunity to comment on the Proposed Accounting Standards Update, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (the "ASU"). We are supportive of the efforts of the FASB ("the Board") in its initiative to address the diversity in practice related to how certain investments measured at net asset value ("NAV") with redemption dates in the future are categorized within the fair value hierarchy.

Question 1: Should investments for which fair values are measured at net asset value (or its equivalent) using the practical expedient be excluded from categorization within the fair value hierarchy? If not, why not and how should those investments be categorized?

Answer: We agree that investments for which fair values are measured at NAV using the practical expedient should be excluded from categorization within the fair value hierarchy. The diversity in practice in categorizing these investments within the fair value hierarchy could give rise to inconsistencies amongst reporting entities. In addition, other investments are categorized in the fair value hierarchy based on the observability of significant inputs to the valuation and not on the basis of the redemption horizon of a particular investment. As noted in the ASU, investments categorized in the fair value hierarchy should be classified using a consistent approach.

In addition, such investments remain subject to the disclosure requirements in paragraph 820-10-50-6A, which were designed specifically to provide relevant information for investments for which fair values are measured at NAV using the practical expedient.

Question 2: Should the scope of the disclosures required in paragraph 820-10-50-6A be limited to only investments measured at net asset value (or its equivalent) using the practical expedient rather than all investments that are eligible to be measured at net asset value (or its equivalent) using the practical expedient? If not, why not?

Answer: The scope of the disclosures required in paragraph 820-10-50-6A should be limited to only investments measured at NAV using the practical expedient. The objective of these disclosures is to provide financial statement users with the information necessary to understand the nature and risks of these investments including whether the investments are probable of being sold at amounts different from NAV. This is only relevant when the investment has been measured at NAV.

The disclosures required in paragraph 820-10-50-6A are less relevant for eligible investments where the practical expedient is not used. For example, if an investment is measured at fair value using a fundamental valuation approach based on available information (e.g., performance of underlying investments, forecasts, peer groups, etc.), then it would be included within the fair value hierarchy on the basis of the significant valuation inputs and related disclosures would be made based on the actual valuation inputs that are utilized. Disclosures related to the fair value measurement made on this basis are more relevant than those required by paragraph 820-10-50-6A.

Question 4: Should the proposed amendments be applied retrospectively? If not, why not?

Answer: Given that the proposal changes the respective disclosures and does not have balance sheet or income statement impact, we believe the proposed retrospective application is reasonable.

Question 5: How much time would be needed to implement the proposed amendments? Should early adoption be permitted?

Answer: We do not believe the proposal in the ASU would be difficult to implement. If the Board decides to provide a substantial amount of time for mandatory adoption, we would suggest the Board to provide an option to early adopt.

Again, we thank you for the opportunity to provide comments. Please contact me at 212-276-7824 or Sarah Clark at 212-276-3010 if you have any questions.

Sincerely,

G. David Bonnar
Managing Director
Global Advisory and Policy