



Corporate Finance
Pfizer Inc.
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Vice President and Controller

Technical Director
(File Reference: Proposed FSP FAS 107-a.)
Financial Accounting Standards Board
401 Merritt 7
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LETTER OF COMMENT NO. 55

Subject: *Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107* (File Reference: Proposed FSP FAS 107-a.)

To the Technical Director:

Pfizer is a research-based, global pharmaceutical company with its principal place of business in New York. We discover, develop, manufacture and market leading prescription medicines for humans and animals. The Company's 2007 total revenues were \$48 billion and its assets were \$115 billion. We appreciate the opportunity to respond to the proposed FASB Staff Position (FSP) *FSP FAS 107-a, Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107*.

Our comments on the Proposed FSP are as follows:

Summary Comments

We are not convinced that the proposal will be an improvement to financial disclosures as the proposal:

- Introduces new terms and concepts into our financial statements that may not be well-understood by preparers and users under an accelerated adoption timetable.
- Will provide financial statement users with multiple measurements for a single asset, a situation which may prove confusing and could undermine confidence in U.S. GAAP reporting requirements, as the user is forced to make a choice as to which is more relevant and reliable notwithstanding the amount recorded.
- Commingles the long-established accounting principles for measuring impairments for loans and long-term receivables, and securities, which are different instruments, and financial statement users could be confused as to why these two impairment approaches are being presented on an equally prominent basis in the disclosure.
- Uses a term called "incurred loss amount" that suggests that losses have been incurred, which may often not be true.

Further, we believe that the measurement issues associated with financial instruments are complex and deserve a robust debate, which this FSP process simply doesn't afford.

Finally, we are concerned about the proposed implementation date. At the end of our third quarter 2008, Pfizer had approximately \$35 billion of financial assets that could be subject to the FSP. Our systems are designed to meet the current requirements of US GAAP and system changes would likely be necessary to accommodate this new measure. Also, time would be required to gather the necessary information. After that, additional time would be required to design and implement new processes and internal controls to ensure that the terminology is well-understood, consistently applied and firmly vetted. And, finally, additional time would be required to prepare the disclosure language accompanying the tables; this requirement is complicated by the introduction of new terms and concepts, for which users (and preparers) have had little or no time to absorb.

Broad Concerns

The phrase “incurred loss amount” has no generally accepted meaning. The ED alternatively refers to a reported (a real event under U.S. GAAP) amount and a *pro forma* (provided in advance of the actual event) amount. This commingling of ideas makes it confusing to understand the term “incurred,” which is a past (real) event. Further, in seeking to define “incurred loss amount” the proposal defines as the amount under an “incurred loss model,” which has no generally accepted meaning.

Seemingly (see below), for loans and long-term receivables, the “incurred loss amount” is the reported amount (11). The reported amount is net of any incurred loss. SFAS 114 requires reporting loans at this net amount (20a). The FSP term “incurred loss” (A1 b) implies that a loss has been recognized. However, the FSP requires that the amount posted under that title be reported in accordance with SFAS 114 and SFAS 5. We suspect that many loans are carried at face value, meaning no loan loss has been recognized. Thus, to report loan balances carried at face value under a caption that says “Incurred Loss Amount” misrepresents the common situation.

For securities, the term “incurred loss amount” amount implies that there has been a loss. There may be many securities where no loss exists under the FSP definition that “the amount reported is the present value of expected future cash flows discounted at the security’s effective interest rate.” Thus, to report securities balances under a caption that says Incurred Loss Amount misrepresents the situation.

We also think the phrase “incurred loss amount” suggests the amount of the loss, rather than, as required, the carrying amount of the loan after the recognition of a loan loss (SFAS 114 (20)).

Perhaps, the title should be changed to “Hypothetical Valuation.” The related loan (and securities) disclosure could then be supplemented with a footnote that reflects that “such hypothetical value reflects the probability that all amounts due according to the contractual terms will be collected.”

If the goal of this disclosure is to provide comparability of information about certain financial assets that have related economic characteristics but have different reporting attributes, why are gains and losses and interest income being combined and, then disclosed? Securities gains and losses are already disclosed under SFAS 115 (21 a).

And, as covered above, we have very broad concerns about the proposed effective date.

Specific Concerns

1. In paragraph 11, for clarity, should it read: "For loans and receivables, and entity shall disclose [**the related incurred loss amount as the**] reported carrying amount based on existing accounting policies under SFAS 114 and Statement 5?"
2. In paragraph A1a15f, for clarity, should it read: "...an entity shall measure the incurred loss amount based on the present value of ~~expected future cash flows~~ [**all cash flows due according to the contractual terms (meaning contractual interest payments and the contractual principal payments)**] discounted at the security's effective interest rate" (meaning the contractual interest rate adjusted for any net deferred loan fees or cost, premiums, or discount existing at the purchases date of the security?).

This language would then parallel SFAS 114 (8) and (14) and would thereby remove any ambiguity that this standard is creating new definitions of common things.
3. In paragraph 3 at the end, for clarity should you also add: "[**and loans held for sale are valued at fair value under the AICPA Depository and Lending Institutions Audit Guide (8)**]?"
4. In example A1 footnote (a) to the table, for clarity, should it read: "For purposes of this disclosure, entities should only estimate the incurred loss amount for ~~each~~ [**loans that would be recognized under SFAS 114 and SFAS 5 and each**] individual security or ~~loan that would be recognized under SFAS 114?"~~
5. In example A1 b uses the term "lease receivables," yet SFAS 107 exempts leases from fair value disclosures. Should you amend for consistency?"

And, as covered above, we have very specific concerns about the proposed effective date.

Sincerely,

Loretta Cangialosi

Loretta V. Cangialosi
Senior Vice President and Controller