November 30, 2012

Leslie Seidman, Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Submitted via electronic mail to director@fasb.org

Re: File Reference: No. 2012-220

Dear Chairman Seidman:

Intel is pleased to respond to the request for comment on the Discussion Paper, Disclosure Framework. We support establishing a framework for determining information that is appropriate for the footnotes to the financial statements (the footnotes) and agree that a framework could improve the effectiveness and usability of financial statements. The Discussion Paper is timely, as the increasing rate of footnote disclosures is unsustainable. This trend requires swift action to stem the tide of disclosure overload. We believe that complex models or solutions are unnecessary. We recommend a simpler approach that allows for a quicker path to implementation while achieving the project’s objectives.

Establishing a clear disclosure scope that the Board can use as a filter for proposed disclosures is an important first step. We recommend that the Board retain the responsibility for determining the body of relevant disclosures, while preparers use materiality to select the appropriate disclosures. We believe that the Board should adopt the Securities and Exchange Commission (SEC) interim framework, and not develop a separate interim framework. This letter expands upon these concepts. More detailed responses to certain questions posed in the Discussion Paper are provided in the Appendix to this letter.
The scope of the footnotes must be established

We believe that a series of decision questions to identify relevant disclosures is unnecessary. The questions seem oriented towards identifying relevant disclosures as opposed to filtering unnecessary or inappropriate disclosures. The Board has been able to identify relevant disclosures as it considers the accounting for a particular topic. Most of the issues we identify with proposed disclosures are associated with whether the information is appropriate for the footnotes. Significant and rapid progress can be made towards achieving the project's objective by focusing on the disclosures that are appropriate for footnotes.

The footnotes should be comprised of information that can be derived from the company's accounting policies and books and records. As a result, we believe that the characteristics of information included in footnotes outlined in the discussion paper should be supplemented with the following exclusions:

- Forward looking information
- Quantification of the sensitivity of recorded amounts from changes in inputs to models
- Information that could prejudice a pending or potential legal claim against the company, or cause competitive harm

Forward looking information and sensitivity analysis should be excluded from the footnotes because they are not based upon the historical financial statements. Further, such disclosures would fail to receive Safe Harbor protection and cannot be audited. Financial statement users should make their own judgments about future variability to the amount recognized in the company's financial statements. Preparers, on the other hand, should provide information for users to conduct sensitivity analysis based upon historical financial statement information. Finally, we believe that the Board should not require disclosures that could cause harm to the company's investors by providing prejudicial or sensitive competitive information.

The Board should continue to establish disclosure requirements

We believe that the responsibility of establishing disclosure requirements should remain with the Board. As outlined in FASB Statement of Concepts No. 8, "Chapter 1, The Objective of General Purpose Financial Reporting, and Chapter 3, Qualitative Characteristics of Useful Financial Information" (CON 8), comparability is one of the key characteristics that enhance the usefulness of relevant information. Consistency would be compromised if individual preparers were responsible for determining what should be disclosed based on a series of questions. We believe that preparers' judgment should instead be focused on what is material to the company based on a set of flexible disclosure requirements. Enabling flexibility, based upon materiality, would result in the right balance of providing relevant information while maintaining comparability.
Disclosure effectiveness requires application of materiality

We agree that materiality should be assessed based on the users' assessments of cash flow prospects, which would consider sensitivity and measurement uncertainty. The Discussion Paper supports providing disclosure if it would change users' assessments of cash flow prospects by a material amount. We agree that is the appropriate threshold for disclosure as it is consistent with the way materiality is interpreted by the U.S. Supreme Court. However, CON 8 states that something is material if it could influence decisions. This is too low of a threshold and only exacerbates disclosure overload.

Materiality assessments for disclosures are not occurring as often as they should. The Board should emphasize that the statement within the codification that it “need not be applied to immaterial items” equally applies to each specific disclosure requirement within a topic. We recommend the Board state that disclosures “should not be applied to immaterial items.” While this stops short of an explicit requirement to exclude immaterial disclosures, this would affect a much needed change in the mindset of preparers, independent auditors, and regulators to encourage conversation on whether a disclosure or disclosure element should be removed from the footnotes.

Interim disclosures framework

The current SEC interim requirements as outlined in Regulation S-X Article 10 requires the disclosure of material events that have occurred since the end of the previous period. We believe that is an appropriate framework for interim disclosures that the Board, with the cooperation of the SEC, should adopt. We do not believe that the Board should make specific interim disclosure requirements or establish a separate interim disclosure framework. As outlined above, we believe the Board is in the best position to determine overall annual disclosure requirements, but the preparer is in the best position to make judgments of whether an interim disclosure is necessary to provide an update from the annual financial statements.

Thank you for your consideration of the points outlined in this letter. If you have any further questions or would like to discuss our responses further, please contact me at (971) 215-7931, or Kevin McBride, External Reporting and Treasury Accounting Controller, at (971) 215-1229.

Sincerely,

James G. Campbell
Vice President, Finance Corporate Controller
Intel Corporation
Appendix

2. Do the decision questions in this chapter and the related indicated disclosures encompass all of the information appropriate for notes to financial statements that is necessary to assess entities’ prospects for future cash flows?

3. Do any of the decision questions or the related indicated disclosures identify information that is not appropriate for notes to financial statements or not necessary to assess entities’ prospects for future cash flows?

5. Do you think that this decision process would be successful in helping the Board to set more effective disclosure requirements? If not, what would be a better approach?

In addition to the footnotes, a public company has different avenues to provide financial information, including management’s discussion and analysis in periodic filings and voluntary disclosures, such as an earnings release. Paragraph 1.15 acknowledges that not all financial information belongs in the footnotes and limits the footnotes to information that: is unique to the entity or industry, is not already apparent from the financial statements or readily available from accessible public sources, and could make a material difference in assessments of future cash flow prospects. However, when considering the questions set forth in Chapter 2 against the limits described in paragraph 1.15, the set of financial information that could be provided in the footnotes is unlimited.

We believe that a series of decision questions are unnecessary as the standard setting process is effective at generating potential relevant disclosures. What is needed is a clear disclosure scope that can be used as a filter to determine what relevant disclosures should be included in the footnotes.

4. Would these decision questions be better applied by reporting entities instead of the Board? In other words, should the Board change its practice of establishing detailed requirements in each project and, instead, establish a single overall requirement similar to the questions in this chapter?

When required disclosures are material, consistent information between companies is important as users make investment and credit decisions. As a result, we believe that the Board is in the best position to determine relevant disclosures.

6. Would any of the possibilities in this chapter (see paragraphs 3.8 and 3.11) be a practical and effective way to establish flexible disclosure requirements?
We believe the idea outlined in 3.11(a) would be a practical and effective way to establish flexible disclosure requirements. Removing the most prescriptive requirements and allowing preparer judgment in how to provide disclosure would increase the effectiveness of the footnotes while maintaining comparability between companies. However, 3.11(a) does not allow the preparer to apply judgment on whether to provide a disclosure. We believe the preparer should maintain the ability to use materiality to conclude whether any disclosure is necessary.

We do not believe the proposals creating minimum and expanded disclosure requirements or a 3-tier approach would be practical in application. As the proposed model for assessing materiality in Chapter 4 demonstrates, it is difficult to apply materiality to disclosures; therefore, adding additional materiality assessments would further complicate the process. Under these approaches, the preparer would need to have a framework to justify the overall tier of materiality and then assess materiality at the individual disclosure level. As noted in Chapter 3, many preparers view disclosure requirements for a given topic as an “inseparable package.” A likely result is that preparers and auditors would default to the more conservative tier and provide all required disclosures for that tier. We think a more efficient approach resulting in more effective disclosures would be for the Board to establish less prescriptive disclosure requirements as outlined in paragraph 3.15. We believe that approach would provide the right balance of providing relevant information while maintaining comparability.

Creating different requirements for different entities based on industry could be an effective tool that the Board uses when considering the relevance of disclosures. There are currently disclosure requirements that are only applicable to financial institutions and the recent Exposure Draft, *Disclosures about Liquidity Risk and Interest Rate Risk*, also made this delineation. We think that this delineation is meaningful and should be extended; however, the number of industry delineations should be limited to minimize complexity.

9. This chapter attempts to provide a benchmark for judgments about disclosure relevance by clarifying the objective for the judgments. Is the description of the approach clear enough to be understandable? If not, what points are unclear?

We agree with the overall objective to provide information that would change users’ assessments of prospects for future cash flows, but the framework should be clear that the user owns responsibility for performing projections of future cash flows based upon the historical information. We believe the model described using a baseline assessment would seem to only apply to a small subset of currently required disclosures. Most disclosures are related to the composition of line items in the financial statement and valuation inputs used to determine those line items. There are limited footnote disclosure requirements around sensitivity to future changes in value where the model would be most appropriately applied.
However, it is unclear if the intent of the model is to also help with making materiality judgments to provide required disclosures around valuation inputs. For example, if a currently recognized liability is not quantitatively material but the valuation is sensitive to certain inputs, should the model be used to conclude that the liability and valuation inputs should be disclosed based on the risk profile of that particular liability?

Instead of creating a materiality model for disclosure, the Board should emphasize that the statement within the codification that it “need not be applied to immaterial items” equally applies to each specific disclosure requirement within a topic.

11. Reporting entities would need to document the reasons for their decisions about which disclosures to provide. How would reporting entities document the reasons for their disclosure decisions and how would auditors audit those decisions?

While we appreciate that the model outlined in Chapter 4 is intended as a way to structure thinking, in practice judgments for excluding a disclosure based on that approach would need to be documented and that mathematical thought process would likely be distilled to arithmetic computations with auditors requesting support for the amounts. Instead of a separate model, we think that the Board should instead emphasize that the preparer is responsible for performing the company-specific task of assessing whether a disclosure is material.

12. Would any of the suggestions for format improve the effectiveness of disclosures in notes? If so, which ones? If not, why not?

We agree that preparers should spend time thinking about the organization and presentation of the footnotes. Thoughtfully using headings and tables are useful tools to aid in the understandability of footnotes. In addition, cross referencing within footnotes to assist readers in understanding the full impact of a transaction or event improves effectiveness. However, we believe the face of the financial statements should be clear and concise and placing numerous references on financial statement line items clutters the presentation. Also, if we are able to achieve the overall objective of the disclosure framework and only include relevant financial information in the footnotes, then highlighting the more relevant information would not be appropriate.

14. Do any of the suggested methods of organizing notes to financial statements improve the effectiveness of disclosure?
To aid users in finding information in footnotes across numerous companies, a standard footnote order could be provided. Arranging footnotes in order of relevance seems at odds with only including relevant information. We also believe that footnote information is consumed on a piecemeal basis so a consistent order is more effective than ordering by importance.

We believe grouping information based on transactional order would be confusing. Based on the example provided, the information about the debt incurred to fund an acquisition would be placed in a different location than debt incurred for general corporate purposes. A potential creditor would likely prefer to see the full picture of outstanding debt in one footnote. However, we do agree that helping readers understand the full impact of transactions is important so cross-referencing within the footnotes is an important tool.

16. Do you think that any of the possibilities in this chapter would improve the effectiveness of disclosures for interim financial statements?

The current SEC interim framework, which requires the disclosure of material events that have occurred since the end of the previous period, is an appropriate framework. We do not believe that the Board should make specific interim disclosure requirements or establish a separate interim disclosure framework.

17. If you think that a framework for the Board’s use in deciding on disclosure requirements for interim financial statements would improve the effectiveness of interim reporting, what factors should the Board consider when setting disclosure requirements for interim financial statements?

18. If you think that a framework for reporting entities’ use in deciding on disclosures for interim financial statements would improve the effectiveness of interim reporting, what factors should reporting entities consider when providing disclosures for interim financial statements?

We do not believe that providing a framework for the Board’s use in deciding disclosure requirements for interim financial statements would improve the effectiveness of disclosures. While we believe the general determination for annual disclosure requirements should reside with the Board, the application to interim reporting should reside with preparers. We believe the preparer is in the best position to make judgments of whether an interim disclosure is necessary to provide an update from
the annual financial statements.

20. Would the change to the requirements described in paragraph 7.8 for disclosure of the summary of accounting policies improve the effectiveness of disclosure?

We agree that applying the change outlined in paragraph 7.8 would improve the effectiveness of disclosure.

22. Are there other required disclosures that could be modified or eliminated in the short term that would result in a significant reduction in the volume of notes to financial statements?

The Board should place increased reliance on the overall SEC requirement to provide updated information in the interim financial statements when there have been material events that occurred since the end of the most recent fiscal year. While we believe in the long term that interim requirements should generally be removed, in the short term, removing the interim disclosure requirements for financial instruments for non-financial institutions would significantly reduce the volume of footnotes for many companies.