

Pfizer Inc 235 East 42nd Street New York, NY 10017-5755

Loretta V. Cangialosi Senior Vice President and Controller

August 15, 2008

Technical Director 401 Merritt 7 P. O. Box 5116 Norwalk, CT 06856-5116



Subject: Proposed Statement of Financial Accounting Standard: Accounting for Hedging

Activities - an amendment of FASB Statement No. 133

Reference: 1590-100

Dear Technical Director:

Pfizer Inc. is a research-based, global pharmaceutical company. We discover, develop, manufacture and market leading prescription medicines for humans and animals. In 2007, we reported revenues of \$48 billion and total assets of \$115 billion.

On behalf of Pfizer, we ask the FASB to consider the following comments with respect to the proposed changes to the accounting for hedging activities. While we appreciate the FASB's desire to simplify and improve the accounting for hedging activities, we do not believe that this proposal accomplishes that goal in a cost-effective manner. Our comments are presented on an issue-by-issue basis, but many points are interconnected and should be considered in the context of the whole.

Elimination of Short-Cut Method and Critical Terms Matching

Both the short-cut method and critical terms matching were introduced to simplify hedge accounting and, as such, were widely adopted. In fact, we believe that they are still widely used, notwithstanding a recent rash of restatements associated with these approaches. We understand that U.S. financial institutions incurred significant costs as a result of the transition from short-cut to long haul for their fair value debt hedges. Unfortunately, for such an effort, most preparers simply do not have access to the same level of internal resources as that of a financial institution. The elimination of the short-cut method and critical terms matching will require considerable cost and effort related to valuation methodologies, long-haul models, documentation, training, procedural changes and systems and controls. Further, we are clear as to the potential costs, but we are unclear as to the benefit to the readers of our financial statements.

We believe that the long-haul requirement for fair value debt hedges, for example, will add unnecessary complexity and administration when our simple objective was to hedge interest rate risk. Further, we believe that the economics of our simple objective is best shown with short-cut.

In short, we suggest that the short-cut method and critical terms matching be maintained. But, we would also like the FASB to explore ways to actually encourage the use of these approaches by indicating that clearly insignificant application errors be corrected prospectively rather than through financial statement restatement (in other

Page 2 August 15, 2008

words, unambiguously eliminate the ability of regulators to apply a "death penalty" approach).

Different Accounting for "Late" Hedging of Debt

We do not understand the penalty associated with so-called "late" hedging. If the conditions for hedging can be met at a later date, then the accounting and documentation requirements should be the same. Since management's objectives in both situations are the same and since the economics are also the same (when the term 'economics' is defined in the context of management's objectives - - that is, hedging risks other than the company's own credit), we believe that the readers of our financial statements are best served if the accounting would also be the same.

Limiting the hedging of benchmark interest rate to only "at inception hedges" of our own debt will put undue constraints on our ability to manage interest rate risk. The result will be that these economic hedges (but "late") will have to consider both interest rate risk and credit risk (our own) and may not meet the requirements for hedge accounting treatment. We share the concern of others that it will likely be difficult to establish the expectation that the interest rate swap will "reasonably" offset the total change in fair value of the debt. Even though the purpose of the transaction would be to hedge interest rate risk, the accounting would fail because of the unhedged risk. This doesn't seem like the right outcome.

We suggest that "late" debt hedges be accounting for in the same manner as "at inception" debt hedges.

Inability to Designate an Individual Risk as a Hedged Risk

We are unclear as to why a preparer cannot account for designated risk - - shouldn't accounting provide flexibility to properly reflect management's risk management objectives? If a company manages risk by employing a bifurcation-by-risk approach, then accounting should accommodate this real-world circumstance. How are readers of financial statements served otherwise?

We suggest that bifurcation-by-risk be permitted.

Loss of Ability to Dedesignate Hedging Relationships

Again, we are concerned about an accounting approach that doesn't reflect real-world circumstances. Risk management is a dynamic process - - it doesn't end at the inception of a risk. Desirably, a company manages a risk at inception and throughout the existence of that risk until the risk is removed. This risk management process may involve a 100% acceptance of the risk, a 100% hedge of the risk or something in between and that continuum of risk acceptance may change many times during life-cycle of an exposure. Management changes their view because new market circumstances occur. The accounting should accommodate those changes. The prohibition against dedesignation appears to us to be long-hand for "we don't trust you." We don't believe that that is a solid foundation on which to standard-set. The elimination of the ability to dedesignate a hedge puts an artificial constraint on business judgment.

We suggest that the ability to dedesignate be permitted (and, for that matter, redesignation) as long as contemporaneous documentation is developed and maintained.

Page 3
August 15, 2008

Elimination of Pre-Issuance Hedging

The proposal would prohibit forecasted issuances of debt (or short-term rollovers) from being hedged for benchmark interest rate risk. We share the concern of others that this very common method of risk management will be severely impaired and we are unclear as to the benefit of this prohibition. Since we would be required to now hedge the overall changes in cash flows (including our own credit risk and supply/demand basis risk), the measurement issues become quite complex as they appear to involve hypothetical derivatives that would be measured using Level 3 inputs. A very straight-forward risk management strategy has become unrecognizable.

We suggest that hedging of the benchmark interest rate risk for forecasted issuances of debt be permitted.

Requirement for Effectiveness Evaluation "If Circumstances Suggest"

We appreciate that the ED permits that "if circumstances suggest that the hedging relationship may no longer be reasonably effective [only then would there be a] ... reassessment of the hedge effectiveness." We think we would employ a reasonable application of a critical terms match approach as a control for identifying this triggering event.

Change in Approach to Using Options for Cash Flow Hedges

DIG G20 should not be superseded. While the ability to defer changes in the time value of a purchased option would still be allowed under the ED, the option premium would be amortized on a "rational basis." This resulting increase in income statement volatility is not warranted. When the option is being used to hedge a forecasted transaction, we believe that the cost of the option (its intrinsic value) should be recorded in the same period that the underlying hedge transaction would impact the income statement.

Substitution of "Reasonably Effective" for "Highly Effective"

We support this change, but clarification of the definition of "reasonably effective" would eliminate diversity in practice. Many are currently interpreting this range as 50%-200%, but without authority. Please clarify.

Near-term Effective Date

Given the changes that the ED would require to systems and processes and our uncertainty as to the commercial availability of such comprehensive systems for a reasonable cost, we request that the effective date be extended another year; in other words, for fiscal years beginning after June 15, 2010.

Limitation on Ability to Hedge Forecasted Intercompany Transactions

The ED would severely limit the ability to achieve hedge accounting for forecasted intercompany FX transactions. We are unclear as to how strong the connection must be to "third-party risk" and how extensively that connection must be documented, both in advance of and after transaction execution. We believe that SFAS 133 intended to permit hedge accounting for these types of transactions and believe that paragraph 40 should not be amended.

Page 4
August 15, 2008

Potential Conversion to International Accounting Standards

We share the concerns of others about dramatic changes in hedge accounting until the roadmap to IFRS conversion is clearer. Unless the changes significantly simplify hedge accounting (we fear that the ED provisions do not) or significantly advance convergence, we do not agree that the spending of limited and already strained resources is warranted. Further, although we are not IFRS experts, we are advised that many common risk management strategies, adversely impacted by this ED, would be more easily accommodated by IAS 39. If true, we ask that the Board consider the impact of making U.S. based companies less competitive than their international brethren as well as consider whether the creation of yet more differences between U.S. GAAP and IFRS is on the path to convergence.

We appreciate this opportunity to comment and encourage the FASB to continue to engage its constituents. If requested, we would be pleased to discuss our comments with you at any time.

Sincerely,

Loretta V. Cangialosi

Loretta V. Cangialosi Senior Vice President and Controller

cc: Frank D'Amelio

Senior Vice President and Chief Financial Officer