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September 25, 2012

Technical Director
File reference No 2012-200
Financial Accounting Standards Board
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Pfizer is a research-based, global pharmaceutical company with its principal place of business in New York. We develop, manufacture and market leading prescription medicines for humans and animals. The Company's 2011 total revenues were $67 billion and its assets were $188 billion. We appreciate the opportunity to respond, as a non-financial institution preparer, to the FASB Exposure Draft on Financial Instruments (Topic 825): *Disclosures about Liquidity Risk and Interest Rate Risk*.

Summary

Pfizer supports the Board's efforts to provide financial statement users additional information about an entity's liquidity risk to enable useful decision-making. We understand user requests for increased standardization and comparability as well as the importance of bridging these disclosures to the amounts recorded on the statement of financial position.

Although we generally agree that some of the proposed amendments would enable financial statement users to better understand an entity's exposure to liquidity risk, we wish to highlight some of our theoretical and operational concerns. As per above, our comments are in response to the proposed requirements for a non-financial institution.

Interim Reporting Requirements

We do not support the requirements to provide interim reporting and to disclose a "rolling" of the first four quarters. As a public company, information included within the interim period disclosures should be read in conjunction with the annual financial statements and accompanying footnotes as permitted by SEC regulations. We believe that the FASB should recognize these regulations as readers of the interim reports should be able to rely on annual reports; except in cases where the entity is experiencing significant liquidity deterioration, or there is an indication of significant heightened liquidity risk concerns, or there is doubt of the entity's ability to continue as a going concern. Non-financial institutions that require extensive liquidity disclosures at the interim period likely have issues of going concern.

We believe that the costs that companies will incur as a result of the proposed changes will be significant for the following reasons:

- The current proposal to require cash flow obligations information on a rolling quarterly basis and for interim periods would entail a significant amount of time and resources. It should be noted that management does not currently collect and utilize this information.
- The process is largely manual and companies do not typically collect the information for interim reporting or for a rolling quarterly basis and such information is not part of a systematized process. Ensuring a sustainable process will require additional controls and process development.
- The requirement to collect expected cash payments information on elements such as purchase obligations on a quarterly basis would necessitate a level of estimation that would not pass a cost-benefit analysis.

Effective Date

The requirements, as currently proposed, would require a significant amount of operational resources, particularly for large, global entities, as companies work to establish operational definitions, prepare data collection templates, train template preparers, collect and analyze data, and prepare the disclosure. As the current data collection process is largely manual, we recommend that the Board provide sufficient time for companies to plan and execute the new disclosures.

Disclosure Time Horizon

The current proposal requires the disclosure of expected financial cash flow obligations for *all* maturities. Over the long-term time horizon, an entity's cash flow obligations are subject to wide variations dependent on the entity's business strategy and operations. We suggest shortening the expected payments time horizon to better match use of available liquid funds. We believe that this long-term horizon would result in financial statement users misinterpreting a company's actual liquidity risk since the disclosures rightfully do not consider future cash flows from operations.

Derivatives

We believe that the requirement to disclose the cash flow obligations of derivatives may not, at all times, provide relevant information with which to assess liquidity. As derivatives are presented under fair value measurements, the amounts recorded in the balance sheet are most often determined as of an interim date within the contractual term of the arrangement and, accordingly, do not represent the ultimate contractual obligation (which could ultimately become a receivable). As a result, the timing and amount of the ultimate future cash flows (inflows or outflows) are uncertain and very likely indeterminable. Further, in the event that a derivative is entered into as part of a hedging or offset relationship against an entity's debt, and the fair value of the derivative is in an asset position, the current proposed requirement would not enable readers of the disclosure to properly assess liquidity since only derivatives in liability positions are disclosed in the proposed cash flow obligations table.

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." As such, the fair value of a derivative is only relevant as of the reporting period measurement date and not at future maturity; therefore, we believe that derivatives in a liability position would all need to be reported in the current period, which we would view as misleading. Consequently, we are concerned that the disclosure of cash obligations on derivatives is not relevant and could be misleading.

Lastly, we suggest that the Board provide guidance on the interest-rate and foreign-rate assumptions that should be applied when estimating expected cash obligations (e.g., forward rate or current rate) in order to ensure comparability among companies.

Definition of Commitments

With respect to the disclosure of cash flow obligations on commitments, we believe comparability will be reduced as there is no definition of commitments in the Exposure Draft. It is unclear as to whether cancellable and/or otherwise conditional commitments are within the scope of the requirements.

Complexity of Pension Disclosures

We believe that it is well understood that the liabilities that we have recorded on our balance sheet in accordance with U.S. GAAP do not necessarily reflect future cash payments as the impact of changes in economic conditions on the fair value of the pension plan assets and/or liabilities can be significant and, as a result, the impact on any potential future payments can be significant as well. As such, we suggest that the Board provide added clarification on the cash flow obligations associated with pension plans. It is unclear as to whether information on contributions to pension plans is required for periods after the first year; the illustrative example in the Exposure Draft presents information only for the four subsequent quarters. It is also unclear as to whether the pension benefit disclosures are required for the balance sheet obligations or for expected contributions. There is significant diversity in practice in this area for the SEC requirements for the contractual obligations table. We believe that clear, unambiguous guidance in the standard itself (versus by way of a sample disclosure) is the only way to achieve standardization and comparability.

Uncertain Timing

We suggest that the Board provide explicit guidance as to how to present obligations for which the timing of payments cannot be estimated (for example, see our comments in “Derivatives” above).

Narrative Disclosures

Paragraph 825-10-50-23Q requires “narrative disclosures necessary to provide users of financial statements with an understanding of its exposure to liquidity risk.” As these narrative disclosures will be audited disclosures, we are concerned about operational difficulties with auditors. We believe that “narratives” belong in Management’s Discussion and Analysis, not the audited financial statements, particularly with respect to forward looking information as it includes safe harbor rules which financial statements do not. If liquidity risk is significant, the auditor is required to speak through its audit opinion, which includes assessing going concern risks.

Coordinate with SEC’s Contractual Obligations Disclosure Requirements

There is significant overlap between the proposed disclosures and the SEC’s disclosures of contractual obligations and yet also some differences. We suggest that the Board coordinate with the SEC to reduce inconsistencies between the information provided in the proposed Update with information provided in the SEC's current liquidity disclosure requirements (e.g., the disclosure of *expected* versus *contractual* obligations). A consistent discussion of an entity's liquidity will better serve readers of the financial statements in their exposure assessment and minimize redundancy or confusion in the reporting (which may actually leave user's wondering why some information is repeated or disclosed differently and therefore maybe it is more important). Further, consistency would reduce the data collection and review effort for preparers and auditors.

We appreciate your consideration of these comments. We would be happy to discuss these matters further or to meet with you if it would be helpful.

Sincerely,

Loretta Cangialosi
Senior Vice President and Controller

Cc:

Frank D'Amelio
Executive Vice President, Business Operations and Chief Financial Officer