Pfizer Inc.
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Office of the Chief Accountant
U.S. Securities and Exchange Commission
Washington, DC 06856-5116

Re: Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers – Exploring a Possible Method of Incorporation

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, as well as nutritional products and many of the world's best-known over-the-counter consumer healthcare products. The Company's 2010 total revenues and assets exceeded $67 billion and $195 billion, respectively.

We appreciate the opportunity to respond to the SEC Staff Paper called *Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers – Exploring a Possible Method of Incorporation.*

As we stated in our letter to the SEC on May 27, 2000, (FY 2000 letter) in response to the Concept Release: *International Accounting Standards*, "we support [the SEC's objective of encouraging a high quality global financial reporting framework], but recognize that this objective is secondary to the SEC's mission of investor protection." This is no less true today and we urge continued caution as the SEC deliberates the incorporation plan for U.S. Issuers.

Our Commitment

We have been monitoring international accounting standard setting activities since 1995, when the International Accounting Standards Committee (IASC) entered into an agreement with the International Organization of Securities Commissions (IOSCO) that established a plan for the IASC to complete a set of core standards by 1999 and for IOSCO to review those core standards for "endorsement."

As we look back, we find that the baseline assertions of our FY 2000 letter are unchanged:

> "We believe the following:
> - That the strength and stability of U.S. capital markets is critical to the strength and stability of world markets and economies;
> - That the strength and stability of U.S. capital markets is due in part to the strength and quality of U.S. generally accepted accounting standards, which have been supported by a high-quality financial reporting infrastructure that includes: high-quality auditing standards; high-quality auditing firms with effective quality controls, profession-wide quality assurance; [fair] due process; and active regulatory oversight;

- That investor confidence in U.S. capital markets is based on "perception" as well as reality;
- That a comprehensive set of generally accepted international accounting standards is desirable as long as investor protection is not diminished;
- That investor protection is best achieved by market regulation- - in other words, that it is best to allow even "unhealthy" companies to trade their securities as long as full and fair disclosure permits investors to understand the risks of ownership; and
- That the competition for investor capital should be regulated in a fair and even manner for all participants."

And, we continue to support the SEC's criteria for accepting international standards; that is, that the standards (i) constitute a comprehensive, generally accepted basis of accounting; (ii) are of high-quality; and (iii) can be rigorously interpreted and applied.

Since that time, however, we believe that transition efforts towards a global financial reporting framework have been more complex than anticipated and the results have been uneven. Specifically:

- We have observed that, despite good faith efforts, the members of the FASB and the IASB have been unable to resolve some of the targeted differences within agreed-upon time frames. Further, the process has revealed that some views, for example approaches to the accounting for financial instruments and hedging, appear to be entrenched - - seemingly incapable of being resolved no matter how generous the time-line.

  The specific goals of the 2006 Memorandum of Understanding between the FASB and the IASB have shifted, specifically in key areas such as Financial Instruments, Revenue Recognition and Leases. And, Financial Statement Presentation appears to have been indefinitely deferred.

- We are under the belief that only a small portion of current IFRS reporters have actually adopted IFRS *as issued* (that is, without country/market-specific exceptions). The numerous exceptions serve to undermine the goal of a global financial reporting framework.

- We are not convinced that some of the more meaningful milestones to be achieved, as put forward in 2009 by the SEC in its proposed *Roadmap for the Potential Use of Financial Statements Prepared In Accordance With International Financial Reporting Standards By U.S. Issuers,* have been achieved. For example,

  - Improvements in Accounting Standards – Has the SEC determined that IASB standards, taken as a whole, are high-quality? Are they sufficiently comprehensive for the complex U.S. capital markets? Is the process used by the IASB for developing international accounting standards able to produce high quality standards that improve the accuracy and effectiveness of financial reporting?
  - Education and Training – Does the SEC believe that preparers, auditors, regulators and users of financial information are adequately prepared for such a change?

In summary, we continue to believe that a comprehensive set of generally accepted international accounting standards, that are of high quality and can be rigorously interpreted and applied, is desirable. But, presently, the achievability of that goal seems tenuous, at best. There continue to be many issues that need to be considered and clarified for U.S. issuers before we could support, without reservation, a transition away from U.S. GAAP.

Comments/Recommendations

If and when there is greater clarity that a set of generally accepted international accounting standards is available that will serve to support the strength and stability of U.S. capital markets and achieve investor protection, some of our thoughts and recommendations surrounding acceptance and incorporation of those standards follow:

- Existence of the term "U.S. GAAP" – U.S. GAAP, as a concept, should be retained. We agree that the term can exist in all cases as long as it is defined.

- U.S. Standard Setter – The FASB or an equivalent, as and if authorized by the U.S. Government, should continue to bear primary responsibility for the quality of standards incorporated into U.S. GAAP. We fear that U.S. reporting and disclosure concerns could be minimized or ignored without a strong standard setting presence in the U.S. Further, if the SEC were to ever lose confidence in the international standard setter, the absence of a FASB-type organization and/or mechanism would complicate withdrawal from the international system or the re-establishment of the reconciliation requirement.

  We believe that the U.S. standard setter should have broad and substantive authority for interpreting and responding to the needs of financial statement users. In executing its responsibilities, we agree that "…the FASB would incorporate fully the IASB's adopted standard into U.S. GAAP [or] … in incorporating the standard, it would … modify the requirements of the standard, retain relevant U.S. GAAP or find an alternative solution" (Staff Paper pages 9-10).

  Finally, we believe that since the SEC has no official standing in the governance of the IASB, of which we have some concerns, then retaining the FASB or an equivalent is the right answer. Our concerns around governance of the IASB relate to instances where they have attempted to circumvent proscribed due process in an effort to expedite matters, the lack of IASB responsiveness to U.S.-only issues (i.e. withholding taxes for stock based compensation, contingency disclosures) and to the large number of board members, where expertise can be uneven and where interests and concerns may diverge widely.

- U.S. GAAP Differences from IFRS – Based on observations of the convergence process over the last several years, we believe that U.S. GAAP may need to diverge from international accounting standards on a basis that may prove to be more than "rare," a standard that is often interpreted as "never" by the accounting community. The demands of U.S. investors are stringent and increasing; their demands for information will continue and their low tolerance for misleading or incomplete information will persist and require satisfaction. U.S. GAAP, as supplemented by SEC guidance, must meet those demands, regardless of the state of international accounting standard setting. As stated above, we would support differences when they are documented as *necessary*, which may be a rare or frequent occurrence.

Accordingly, we would ask that the U.S. standard-setter develop a theoretical framework for exceptions and be required to support why differences are *necessary.* We believe that the U.S. standard-setter, when rejecting an IFRS standard, should be required to specifically address (i) why *conforming* U.S. GAAP to the international standard would cause U.S. GAAP to be inadequate or misleading and (ii) if foreign private issuers filing under IFRS continue to be permitted to file without a reconciliation process, why those differences could exist in the parallel system for foreign-private issuers without harming investors (for example, differences in stock option accounting might peacefully co-exist if stock options weren't used heavily outside of the U.S.).

But, while we endorse a strong U.S. standard-setter, we believe that the U.S. process for standard setting should be improved. We are concerned about the number of post-implementation issues that arise and the inability of *experts* to agree on complex issues even after years of debate and discussion. For example, Consolidations has been revised three times since the 2009 issuance of SFAS 167 and remains the subject of two major projects on the FASB's agenda even today; all this related to a project that began in the 1990s.

We also believe that the SEC and the FASB should consider the cost – benefit relationship of switching to an IFRS standard that is not meaningfully different but that does require significant cost. To have preparers, and thus investors, bear a significant cost to implement a standard that does not represent a meaningful improvement in the financial statements (but that would foster the statement that the standard is "IFRS as published by the IASB") would be imprudent in a strong global economy, but particularly imprudent in a fragile one.

Finally, we believe that the FASB or its equivalent should be strongly encouraged to re-prioritize the completion of an accounting and disclosure framework and should be required to perform extensive field testing (or similar approaches) before standards are issued. We believe that ongoing implementation issues and the need for ongoing modifications, technical corrections and exceptions is a direct reflection of the absence of a comprehensive, internally consistent accounting and disclosure framework and an insufficient emphasis on real-world implementation issues. Further, the absence of a comprehensive, consistent framework could delay the ultimate success of any coordinated work plan with the IASB and would continue to frustrate U.S. preparers, auditors and users of financial statements.

- Voluntary Adoption by U.S. Registrants – The impact of the removal of the reconciliation requirement for foreign private issuers should be examined. We believe in a "level playing field" in the competition for U.S. investment capital, but we don't currently have one. What has been the impact of this disparity? What would be the impact of permitting U.S. registrants to adopt IFRS on a voluntary basis? We believe that such an analysis would help the Staff develop a view as to whether U.S. registrants should be afforded the opportunity to voluntarily adopt IFRS and file financial statements without reconciliation to U.S. GAAP.

- Convergence/Endorsement/Condorsement – Under any method of incorporation, we support a phased approach using prospective application wherever possible to reduce the burden on the preparer and auditor communities.

    - Conversion – We do not support a conversion approach (big-bang, where U.S. companies would be required to switch at a certain date to IFRS, using an "IFRS-1" adoption approach) as the burden to the preparer community is simply too great and the current economic environment is simply too uncertain. Of course, a non-conversion approach could cause some to question whether the goal of a comprehensive set of generally accepted international accounting standards will ever be achieved. But, it is possible that the goal could be substantively achieved if the differences from IFRS as published (i) were well-understood and (ii) would reflect necessary modifications due to unique country/market-specific conditions. In those situations, subject to the study requested in the Voluntary Adoption by U.S. Registrants section above, the Staff may find that the parallel existence of U.S. GAAP and IFRS (without reconciliation to U.S. GAAP) either now or in the future would not lead to a meaningful misallocation of capital.

      Finally, without a comprehensive study of how U.S. investors have managed to deal with the current co-existence of U.S. GAAP and IFRS (without reconciliation to U.S. GAAP), see our comments in the Voluntary Adoption by U.S. Registrants section above, we would have to be skeptical of any cost/benefit statements associated with a conversion approach.

In closing, 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 V. Cangialosi

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Cc:

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