International Bancshares Corporation

November 25, 2013

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Pay Ratio Disclosure; File Number S7-07-13

Dear Ms. Murphy:

The following comments regarding the U.S. Securities and Exchange Commission's ("SEC") proposed pay ratio disclosure requirements (the "Proposed Rule") pursuant to Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), are submitted on behalf of International Bancshares Corporation ("IBC"), a multi-bank financial holding company headquartered in Laredo, Texas. IBC holds four state nonmember banks serving Texas and Oklahoma with each bank having less than $10 billion in assets. With approximately $12 billion in total consolidated assets, IBC is the largest Hispanic-owned financial holding company in the continental United States. IBC is a publicly-traded financial holding company.

IBC understands that the Proposed Rule is intended to implement the requirements of Section 953(b) of the Dodd-Frank Act. However, it is IBC's position that the Proposed Rule is more restrictive than necessary to comply with the Dodd-Frank Act, and compliance with the Proposed Rule will be difficult without companies expending a large amount of time and resources. Additionally, the "flexible" approach that the SEC has proposed for calculating the pay ratios will result in inconsistencies from company to company, and thus unreliable pay ratios that will not provide any material benefit to investors. The required use of foreign employees and part-time, temporary and seasonal employees in the calculations will result in further inconsistencies between companies, and will add to companies' difficulty in calculating the ratios. It is also questionable whether the pay ratios, even if consistently calculated, would be relied upon by investors enough to justify the time and expense necessary to calculate them. This letter urges the SEC not to adopt the proposed rule as written, and to revisit the issue to determine a less restrictive and more effective means of implementing the requirements of Section 953(b) of the Dodd-Frank Act.

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Background

Since its passage in July 2010, Section 953(b) of the Dodd-Frank Act has caused concern among many corporate stakeholders. Representative Nan Hayworth proposed H.R. 1062 in the 112th Congress to repeal Section 953(b), but the bill died awaiting a vote by the House of Representatives. On March 13, 2013, Representative Bill Huizenga introduced H.R. 1135, referred to as the Burdensome Data Collection Relief Act, on the basis that Section 953(b) "creates an enormous burden for publicly traded companies while offering no corresponding benefit."[1] Like the proposed H.R. 1062, if passed, H.R. 1135 would repeal the pay ratio requirements of Section 953(b) of the Dodd-Frank Act. H.R. 1135 was reported out of the House Financial Services Committee on June 19, 2013 and is currently awaiting action by the House of Representatives.

Aware that the implementation of Section 953(b) would be a challenge, a number of organizations submitted a letter to the SEC on January 19, 2012, suggesting that the SEC hold a roundtable discussion of experts and stakeholders in order to fully understand the potential issues and any unintended consequences that may result from implementation of Section 953(b) of the Dodd-Frank Act.[2] No such discussion was conducted prior to introduction of the Proposed Rule, even though there was no deadline set by Congress for the implementation of Section 953(b). Additionally, given the complexity of the issues involved, the 60-day comment period permitted by the SEC, is not nearly sufficient to fully evaluate the potential issues and unintended consequences involved with the Proposed Rule.

Compliance with the Proposed Rule will be Difficult and Expensive

For many companies, compiling the data necessary to calculate the pay ratio will be complex and will require a large amount of time and resources. It is a common misconception that the information needed should be readily accessible to companies and that the ratio can be calculated with the touch of a button. This simply is not true. Companies with multiple locations throughout the country (and in many cases throughout the world) do not necessarily maintain all of their payroll records in one convenient location. Instead, different offices and business units maintain their own payroll records, all of which would have to be compiled before the pay ratio can be computed. Additionally, to properly determine the salary for each employee, a company will need to account for bonuses, stock compensation, pensions and other benefits, data which may not ordinarily be factored into the annual salary amounts in a company's records.

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[1] Mary Hughes, Pay Ratio Provision Not Worth Cost, Repeal Bill Sponsor Huizenga Says, *Bloomberg BNA*, March 20, 2013, available at http://huizenga.house.gov/news/documentsingle.aspx?DocumentID=325003.

[2] January 19, 2012 letter to the SEC Re: Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, *available at* http://www.sec.gov/comments/df-title-ix/executive-compensation/executivecompensation-84.pdf.

Commentary reflects that one company estimated that to compile the data and calculate the pay ratio, it will cost about $7.6 million and will take approximately 26 weeks.[3] The inclusion of foreign employees in the pay ratio calculation further complicates matters.

Section 953(b) of the Dodd-Frank Act requires that the pay ratio be calculated based on the median salary of "all employees." However, there is no language in Section 953(b) or legislative notes to indicate that this was intended to include foreign workers. Compiling data on a company's foreign workforce will be a challenge due to constantly fluctuating exchange rates between the dollar and foreign currencies and the differing employee benefits and pension rights afforded to employees worldwide. Additionally, the vast differences in costs of living internationally would not adequately be accounted for in the calculation, and would result in misleading data underlying the pay ratio disclosed to investors. In order to obtain the necessary data on foreign employees, worldwide companies will be subjected to the restrictive privacy and data security laws existing in foreign countries. The benefits to investors of including foreign employees in the pay ratio calculation are unclear, and the complications involved in obtaining such data are unlikely to justify any such benefits.

The Pay Ratio Calculations will Result in Inconsistencies that are Misleading for Investors

In addition to the required inclusion of foreign employees, as discussed above, the Proposed Rule also requires that part time, temporary and seasonal employees are included in the pay ratio calculation. Despite that the annual wages earned by these employees will be considerably less than full-time, year round employees, the Proposed Rule does not permit companies to annualize the wages of such employees as if they had worked full-time, year round. Accordingly, including the salaries of such employees will substantially reduce the median employee salary for many companies, particularly in industries where seasonal employees are essential. The result is a pay ratio that cannot be fairly compared against companies that do not rely on part-time, temporary and seasonal employees. Additionally, the greater the size of a company, the more variables that will exist to skew the calculation of its pay ratio. The pay ratio of a company with employees nationwide or worldwide could not fairly be compared with a company that is concentrated in only one state or region. Differing costs of living and market conditions will result in inconsistent salary amounts and unreliable pay ratios. In order to reduce the wage gap and low pay ratio, instead of reducing executive salaries, companies may reduce a number of their low-wage positions, and outsource the work performed by them to third parties. This result is probably not what legislators had in mind when they enacted Section 953(b) of the Dodd-Frank Act.

[3] November 11, 2011 letter to the SEC from Tim Bartl, Center on Executive Compensation.

While the SEC provided specific requirements as to which employees were to be included in the pay ratio calculation, it did not provide any specific methodology for calculating the pay ratio. This flexibility may have been intended to make compliance with the Proposed Rule easier, but the result is only further inconsistency between companies' pay ratios. Companies have the option of compiling the data of all employees to determine the actual median or they can use a sample group of the employees and determine the median from that group. Companies are required to disclose the methodology used for calculating the pay ratio, but there are no standards to ensure that sample groups are truly representative of all employees or to ensure any consistency between calculation methods. Accordingly, the result is again pay ratios that cannot be fairly compared from company to company. While IBC appreciates the SEC's idea of flexibility, the lack of standard procedures only further complicates matters by creating pay ratios that are difficult for investors to interpret and compare.

Proponents of the pay ratio disclosure have attempted to overcome the problems of the pay ratio's inconsistency and unreliability by encouraging companies to provide a narrative with their pay ratio to explain method of calculation, the variables that may have affected the pay ratio, and the reasons why the ratio may be higher or lower than that of other companies. However, the pay ratio was intended to be a tool that investors could use to evaluate executive pay structures of multiple companies. If a narrative is necessary to make sense out of each pay ratio, then the ratio cannot consistently be used as intended and will only serve to confuse and mislead investors.

Conclusion

As discussed above, the pay ratios determined by companies will be extremely inconsistent due to the inclusion of foreign, part-time, temporary and seasonal workers and the lack of standardization of methodology for calculating the ratio. The result is pay ratios that cannot be utilized by investors the way that they were intended. Accordingly, it will be essential for all investors to fully consider the narrative provided by a company to explain its pay ratio. Even with the accompanying narrative, investors may still find it difficult to interpret the ratios and rely on them, or investors may ignore the narrative altogether. The benefits to investors of the pay ratio as determined pursuant to the Proposed Rule cannot be clearly identified. One commentator indicated that only 10% of individuals polled believed that the pay ratio disclosure would have any value for investors.[4] One SEC Commissioner even stated that the pay ratio disclosure would harm investors and negatively affect corporate competition.[5] Another Commissioner has voiced his concern that the disclosure will have zero economic benefit to companies.[6]

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[4] *Employers Wary of Cost of Pay Ratio Rules*, The CFO Report-Wall Street Journal, October 10, 2013.
[5] *SEC Offers 'Flexible' Proposal on Pay Ratio*, The CFO Report-Wall Street Journal, September 18, 2013.
[6] *SEC Offers 'Flexible' Proposal on Pay Ratio*, The CFO Report-Wall Street Journal, September 18, 2013.

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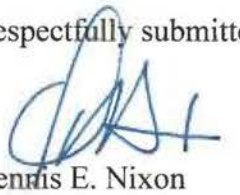
IBC already makes extensive compensation disclosures in its proxy statements and public filings, and the addition of the pay ratio disclosure will not provide any added value to IBC's shareholders and investors in addition to the disclosures already provided.

As previously discussed, the cost of compliance with the Proposed Rule is extremely high. Unfortunately, the corresponding benefits to investors do not seem to justify the time and resources that companies will be forced to expend to calculate the pay ratio. With this in mind, IBC requests that the SEC carefully consider the issues raised by IBC and other opponents of the Proposed Rule. Further, IBC strongly urges the SEC not to adopt the Proposed Rule as written, and rather to determine a less restrictive means of implementing the requirements of Section 953(b) of the Dodd-Frank Act that better benefits investors.

Thank you for this opportunity to comment.

Respectfully submitted,



Dennis E. Nixon
President and Chairman