June 29, 2015

Via email Rulemaking Portal: www.regulations.gov

Mr. Brent J. Fields
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-07-15, Comments to Proposed Pay Versus Performance Rule and Amendments to Item 402 of Regulation S-K ("Proposal"); Securities and Exchange Commission ("SEC")

Dear Mr. Fields:

The following comments 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 over $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 bank holding company that is subject to Regulation S-K and required to file definitive proxy statements in connection with its annual shareholders meetings. We appreciate the opportunity to comment on the SEC's Proposal.

I. Overview of the Proposal

On May 7, 2015, the SEC proposed amendments to Item 402 of Regulation S-K that would require registrants to disclose in a clear manner the relationship between executive compensation actually paid and the financial performance of the registrant.

By issuing the Proposal, the SEC aims to give shareholders a clear picture of the relationship between (a) compensation actually paid to a registrant's principal executive officer ("PEO") and other named executive officers ("NEOs") and (b) the performance of the registrant based on total shareholder return ("TSR")[1]. Compensation "actually paid" would be based on the compensation figure disclosed in the Summary Compensation Table, except that unvested stock options grants and certain actuarial pension amounts would be excluded from the calculation. Amounts for a registrant's PEO would be specifically disclosed, whereas amounts for the other NEOs would be averaged.

[1] TSR is defined in Item 201(e) of Regulation S-K to mean the sum of the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and the difference between the registrant's share price at the end and the beginning of the measurement period, divided by the share price at the beginning of the measurement period.

P.O. DRAWER 1359, LAREDO, TEXAS 78042-1359 (956) 722-7611

Compensation "actually paid" and TSR would be disclosed in a Pay Versus Performance Table, followed by a narrative or graphical representation of the relationship between pay and performance. Furthermore, the table would include a disclosure of the TSR of the registrant's peer group. The format of the table and tagging the table in extensive Business Reporting Language ("XBRL") would be mandated; but the exact placement of the table within the proxy statement and the format of the description of the pay versus performance relationship would be discretionary.

Large reporting companies would be required to disclose compensation "actually paid" and TSR for the preceding five years, whereas smaller reporting companies would be required to disclose for the preceding three years. TSR would be reported on a cumulative basis during the required period (e.g. for large reporting companies, for year 1, for years 1 and 2, for years 1 through 3, for years 1 through 4, for years 1 through 5).

The Proposal would not apply to emerging growth companies or foreign private issuers.

Section II of this letter includes our comments to the proposed rule and concludes that the SEC's Proposal, although well-intentioned, will not accomplish the SEC's goal of providing clear pay versus performance disclosures that are comparable across registrants and will cause additional expense for registrants with minimal or no benefit to shareholders.

II. Comments to the Proposal

A. Compensation "Actually Paid"

IBC agrees with the SEC that shareholders should be informed of compensation of PEOs and NEOs. However, the Summary Compensation Table already required by Regulation S-K is sufficient; the calculation of compensation "actually paid" required by the Proposal is administratively burdensome, has uncertain practical application, does not increase comparability across registrants and creates a distorted depiction of executive compensation.

First, calculation of compensation "actually paid" would be administratively burdensome because it is calculated differently than and in addition to the compensation figures in the Summary Compensation Table. Unlike the Summary Compensation Table figures, compensation "actually paid" excludes unvested share grants and certain actuarial pension amounts.

Instead of valuing stock options at the date of grant (as in the Summary Compensation Table), for the purposes of calculating compensation "actually paid", stock options would be valued at fair value as of the date of vesting. However, IBC believes that uncertainty remains as to the practical application of this valuation method. The SEC does not explain how certain scenarios should be handled, such as "clawback" options. Furthermore, the SEC relies on the registrant to make certain assumptions and estimates in order to obtain the fair market value of the option. Each registrant can choose its own valuation method, input data, and other assumptions, which assumptions may be too burdensome, complicated, or confidential to disclose, and would decrease the potential for comparability across registrants. Finally, TSR for a particular year is affected by when in the year the option is granted and vested.

Therefore, registrants may strategically alter the grant and vest dates of their stock options in order to obtain a more favorable TSR for that year.

Compensation "actually paid" would not include the change in the actuarial present value of all defined benefit and pension plans (unlike in the Summary Compensation Table). Only the service cost for services rendered by the executive during the applicable year would be included in compensation "actually paid;" the portion of the total change in actuarial pension value that results solely from changes in interest rates, executive's age or other actuarial inputs and assumptions regarding benefits accrued in previous years would be excluded. Again, IBC believes that this new calculation will again create uncertainty and will not increase comparability among registrants. Although the Proposal removes the aforementioned assumptions from the calculation of compensation "actually paid," the measurement of service cost itself reflects certain assumptions by the plan's benefit formula (for example, the future compensation level of the employee), which decreases the comparability across registrants. As with the new stock option valuation under the Proposal, the SEC would be requiring the registrant to calculate a new pension compensation value with little or no value to shareholders.

Secondly, the Proposal provides that compensation "actually paid" would be disclosed for the PEO. If there is more than one PEO during the year, the Proposal requires that the compensation of all PEOs employed during that year be aggregated. IBC believes this would create distortion in the year of a PEO change, especially if the exiting PEO received severance pay or received a greater proportion of such PEO's compensation during the first few months of the year (before exiting) than such PEO would have received in the final months of the year. The year of the PEO change would have a larger ratio of compensation "actually paid" to TSR, which would appear unfavorable to shareholders, despite the change in PEO being beneficial to shareholders.

The Proposal contemplates that compensation "actually paid" would be averaged for all NEOs other than the PEO, whereas the Summary Compensation Table lists the compensation for each individual NEO. IBC is concerned that the average compensation "actually paid" figure (which would include the new stock option and pension valuations) will leave shareholders confused as to how the Summary Compensation Table and the Pay versus Performance Table relate to one another. Therefore, the average NEO compensation "actually paid" may not be a helpful calculation.

Finally, the Proposal contemplates that the Pay Versus Performance data would be subject to the advisory shareholder vote promulgated by the SEC in response to Section 951 of the Dodd-Frank Act. Considering the above discussion, IBC believes that the Proposal will distort shareholders' view of executive compensation and cloud the shareholders' vote.

B. Total Shareholder Return

The Proposal links compensation "actually paid" to TSR, as the sole metric of performance. IBC is concerned that the TSR metric creates a narrow view of executive success and completely ignores other factors that affect TSR that are unrelated to an executive's performance, incentivizes companies to focus on the short-term, and deters companies from higher risk appetites or longer-term growth strategies.

First, the Proposal contemplates that TSR is the single metric of an executive's performance. Yet, IBC does not consider TSR as the only metric that captures its executives' performance. Executive excellence is measured by various financial metrics, as well as soft skills such as leadership ability, communication ability, honesty, integrity, reliability, industry knowledge and organization. Limiting the measure of performance only to TSR creates a narrow view of executive success and also ignores other factors that affect TSR that are wholly unrelated to an executive's performance, such as a tumultuous economic environmnet or troubled market conditions. Indeed, a strong executive may prove his or her worth the most in times when the compensation to TSR ratio is at its most disparate.

Secondly, IBC is concerned that shifting shareholder focus to TSR as the sole performance metric will incentivize companies to alter their business strategies in order to boost current-year TSR, at the expense of long-term performance. If a proposed action will have a short-term negative impact on TSR, but will result in long-term TSR gains or other long-term benefits, the Proposal may discourage current executives from going forward with such proposed action.

Finally, companies with higher risk appetites, whose TSR fluctuates more so than their lower risk counterparts, will be deterred from taking risk, even though such risk may be financially and socially beneficial in the long-term. Companies that are focused on growth (and who therefore have higher risk in the short-term) may be deterred from growth activities due to a decrease in short-term TSR. For example, substantial investments in buildings and workforce expansion to pursue long term growth strategies could dramatically affect TSR in the short-term, and lead to perceived unfavorable short-term disclosures that would be required by the Proposal.

C. Peer Comparison

The Proposal requires that large registrants disclose the TSR of a peer group chosen by such registrant so that shareholders can compare the registrant's TSR to that of its peers. However, IBC does not agree that the Proposal will allow for comparability among a registrant's peer group. Various factors can dramatically thwart the comparability that the SEC is trying to achieve: the choice of the peer group, the disparity that is likely to result as registrants choose how to disclose the link between pay and performance, and the lack of use of the disclosures by institutional investors and proxy advisors.

First, the Proposal charges each large registrant with the difficult task of choosing a peer group to which the registrant will compare its TSR. As each company is unique, selecting a peer group that would provide a meaningful TSR comparison is a nearly impossible task. Furthermore, a potential competitive peer of a large registrant may include an emerging growth company or a foreign private issuer, but the Proposal provides that emerging growth companies and foreign private issuers are exempt from Pay Versus Performance disclosures.

Secondly, the Proposal allows registrants to choose the method by which they disclose the relationship between compensation "actually paid" and TSR; registrants may convey such relationship as a narrative, graphical representation, or a combination of the two. As companies develop disclosures that suit their unique businesses, disparity among the form and content contained in the disclosures is likely to result.

Finally, neither institutional investors nor proxy advisors are likely to use the registrant's Pay Versus Performance disclosure as their metric for evaluating executive compensation. After Section 951 of the Dodd-Frank Act was passed (giving shareholders the right to an advisory say-on-pay vote), institutional investors and proxy advisors developed their own internal models for assessing pay and performance, due to their fiduciary responsibility to give an informed vote in say-on-pay polls. It is unlikely that institutional investors or proxy advisors will abandon their consistent, internal models in favor of comparing pay and performance via the disparate explanations contained in each company's proxy statement. Therefore, if institutional investors and proxy advisors, who represent a majority of the stockholders of publically traded companies, are not using the disclosures required by the Proposal, then such disclosures will not have significant impact, and could lead to even greater confusion for those who do look to such advisory services when comparing their internal models with the Proposal disclosures. Again, the Proposal's requirements require additional administrative burden and cost with little or no shareholder benefit.

D. Pay Versus Performance Disclosure Format

If the SEC issues a final rule regarding certain pay versus performance disclosures, IBC is concerned about the format of the Pay Versus Performance Table and the corresponding narrative or graphical representation.

First, the form of the Pay Versus Performance Table is mandated by the Proposal. This mandate disallows flexibility for the registrant to disclose data in a way that is consistent with the remainder of its proxy statement and/or is preferred by its shareholders. Furthermore, the addition of the Pay Versus Performance Table and related disclosures to the proxy statement means that the proxy statement would include multiple explanations of compensation, which would lead to a lack of clarity as to the registrant's compensation structure and shareholder confusion.

Secondly, the Proposal indicates that the Pay Versus Performance Table must be in XBRL format. Not only does the XBRL requirement increase the administrative cost to the registrant due to the complexity of formatting data in XBRL, but no other portion of the proxy statement is required to be in XBRL. Therefore, it is unclear where in the proxy statement the Pay Versus Performance disclosure should appear (and the Proposal does not mandate a location for such disclosure). The Pay Versus Performance disclosure is most similar to the Compensation Discussion and Analysis section, but, because the Pay for Performance table must appear in XBRL format, such table cannot merely be inserted into the text of the proxy statement.

Finally, the Proposal requires a narrative or performance graph that discloses the relationship between compensation "actually paid" and TSR. However, it is possible that the registrant's decision as to executive compensation was not based just on TSR, but on a whole host of other material factors that may be difficult to disclose in a tabular format and more easily lost in a narrative, thus giving undue recognition to the disclosures being mandated by the Proposal. Therefore, it is unclear how the registrant should structure the narrative or performance graph in order to avoid liability under Section 18 of the Securities Exchange Act of 1934.

E. Implementation

Foreign private issuers and emerging growth companies are exempt from the Proposal, and small reporting companies are required to disclose only three years of data. Therefore, the Proposal positions domestic reporters at a significant disadvantage as compared to their foreign counterparts, and the Proposal positions large reporters at a significant disadvantage to emerging growth companies and small reporting companies.

Thank you for your consideration.

Respectfully,

Dennis E. Nixon
President