

July 9, 2018

Mr. Brent J. Fields  
Secretary  
U. S. Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0609

**RE: File No. S7-10-18**

## **AUDITOR INDEPENDENCE WITH RESPECT TO CERTAIN LOANS OR DEBTOR-CREDITOR RELATIONSHIPS**

Members and Staff of the United States Securities and Exchange Commission:

First Data Corporation (FDC) respectfully submits the following comments to U.S. Securities and Exchange Commission's proposed amendments to the auditor independence rules. The comments below address certain practical matters that have arisen over time in relation to determining whether an auditor is independent when the auditor has a lending relationship with certain shareholders of an audit client (the Loan Rule).

As background, FDC is a global provider of electronic commerce and payment solutions for merchants, financial institutions, and card issuers. The services FDC provides include merchant transaction processing and acquiring; credit, retail, and debit card issuing and processing; prepaid services; and check verification, settlement and guarantee services. FDC serves clients in 118 countries, reaching approximately 6 million business locations and over 4,000 financial institutions. FDC distribution model includes an extensive network of joint ventures with financial institutions. FDC is listed on the New York Stock Exchange (under the ticker symbol FDC), with a majority of the voting rights in our stock controlled by Kohlberg Kravis Roberts & Co. L.P.

Turning to the proposed amendments, we have three suggestions. First, the current definition of "audit client" in Rule 2-01 of Regulation S-X includes all "affiliates" of the "audit client." For purposes of applying the Loan Rule, we agree that excluding affiliated funds from the audit client definition for a fund under audit would address some of the challenges in applying the current rule without compromising an auditor's objectivity and impartiality. We also believe, however, that the Commission should extend this proposed exclusion to non-wholly owned subsidiaries subject to Regulation S-X Rule 2-01(c)(1)(ii)(A) in addition to fund audit clients. Without this change, Rule 2-01(c) would apply to certain non-wholly-owned downstream investees that have other investors which have little or no influence over the issuer, but are lenders to the issuer's auditor. Recognizing that all audit firms are likely to have some lending relationships with financial institutions, this could result in issuers such as FDC, whose business involves extensive relationships with financial institutions, being unable to identify suitable auditors who are able to satisfy the independence requirements of the Rule.

Second, and in addition to or as an alternative to our first proposal, the Commission should provide in the Proposed Amendment that the analysis of significant influence should be conducted solely on a

consolidated basis at the issuer level and not with respect to each downstream affiliate that is not wholly owned on a stand-alone basis. In that regard, the significant influence analysis at the issuer level would identify those shareholders having a special and influential role with the issuer.

Finally, we also believe that the SEC should consider incorporating a materiality qualifier in the Loan Provision as it relates to both the lender's investment in the audit client and to the loan's significance to the auditor. We believe adding this materiality qualifier would not impair an auditor's objectivity or impartiality because it would be highly unlikely that a lender would seek to inappropriately influence the auditor if their investment is not material. Additionally, it would be unlikely for an auditor to be inappropriately influenced if the loan is not material to the firm.

We appreciate this opportunity to comment on the Commission's Proposed Amendments and would be happy to discuss any questions the Commission may have regarding this letter. Any such questions should be directed to Matt Cagwin, SVP, Corporate Controller and Chief Accounting Officer at ( [REDACTED] [REDACTED] or Adam Rosman, EVP, General Counsel at [REDACTED] [REDACTED].

Sincerely,



Matt Cagwin

SVP, Corporate Controller and Chief Accounting Officer