



Powering Business Worldwide

November 16, 2018

Via email: rule-comments@sec.gov

Secretary
Securities and Exchange Commission
100 F. Street NE
Washington, D.C. 20549-1090

Re: File Number S7-19-18

Dear Securities and Exchange Commission:

Eaton plc ("Eaton," "we," "our") appreciates the opportunity to provide the Securities and Exchange Commission (the "SEC") with our comments on File Number S7-19-18, "Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates whose Securities Collateralize a Registrant's Securities."

Background

Eaton is a power management company with 2017 net sales of \$20.4 billion. Eaton provides energy-efficient solutions that help its customers effectively manage electrical, hydraulic and mechanical power more efficiently, safely and sustainably. Eaton has approximately 98,000 employees in over 60 countries and sells products to customers in more than 175 countries.

Eaton became subject to the Rule 3-10 of Regulation S-X guarantor alternative disclosure requirements as a result of its registration of guaranteed senior notes in connection with an exchange offer made in October 2013.

Summary

We fully support the SEC's proposed amendments related to the financial disclosure requirements applicable to registered debt offerings for guarantors and issuers of guaranteed securities. We agree with the SEC that the proposed amendments will:

- Focus the disclosures on information that is material to investors
- Make the disclosures easier to understand
- Significantly reduce the costs and compliance burdens for registrants
- Further encourage issuers similarly situated to Eaton to utilize the registered market, and thus provide investors with additional protections that are not present in unregistered offerings

We have three additional recommendations related to the alternative disclosures that have been proposed in the SEC's amendment:

- Require or allow companies to exclude all related party balances and transactions with subsidiaries that are not issuers or guarantors (the "Other Subs") from the summarized financial information of the Obligor
- Only require the most recent year-to-date financial information in the quarterly and annual disclosures (i.e. no prior period)
- Only require balance sheet information in the disclosure (i.e. no income statement)

We appreciate the opportunity to provide the SEC with our recommendations on the proposed amendments and we believe our recommendations will enhance the benefits of the proposed amendments. Additional details on our recommendations are included below:

Proposed Alternative Disclosures – Excluding Subsidiaries that are not Issuers or Guarantors

We agree with the SEC that the alternative disclosures should exclude financial information of the Other Subs in order to clearly distinguish and segregate the financial information of the entities obligated under the guarantees from those that are not. We agree that, at a minimum, the requirement to use the equity method of accounting should be removed and companies should be allowed to decide which method best meets the objective of excluding the financial information of the Other Subs from the disclosure. In addition to being one of the most significant compliance burdens, the equity method of accounting is effectively a one-line consolidation.

We recommend allowing companies to exclude all related party balances and transactions with the Other Subs from the Obligor financial information to create the cleanest picture of what the Obligors look like excluding balances and transactions with the Other Subs. The equity method of accounting for investments in the Other Subs, the cost method of accounting for investment in the Other Subs and even intercompany receivables and loans with the Other Subs, all result, indirectly, in the inclusion of Other Subs' value within the Obligor disclosures.

Additionally, we believe investors disregard these related party balances and transactions with the Other Subs and thus the additional time and effort that is required for registrants to provide this information is not justified.

Proposed Alternative Disclosures – Periods Presented

We agree with the SEC that providing only the most recent financial information, when used in conjunction with the parent company's consolidated financial statements, will provide investors with the most meaningful information needed to monitor and assess the Obligors' ability to perform its obligations on the debt, while eliminating unnecessary compliance costs for registrants. For example, issuers often face significant burden recasting prior period information for circumstances as insignificant as restructuring ownership of wholly-owned subsidiaries.

However, we believe the SEC should consider amending the proposal to only require the most recent period financial information because including prior year information as well adds little value despite the significant burden associated with recasting.

Alternatively, in the event that both the prior year and year-to-date interim periods are required, we recommend prospective application for any changes associated with restructuring ownership of wholly-owned subsidiaries. We believe that recasted financial information from a prior period is not useful to investors when presented along-side the more current information that already reflects the completed restructuring. The current information, when coupled with enhanced qualitative disclosures (as currently

proposed by the SEC) that can address the specific impacts of internal legal-entity restructuring, if material, will provide the most meaningful picture.

Proposed Alternative Disclosures – Level of Detail

We agree with the SEC that investors in guaranteed debt securities rely primarily on the consolidated financial statements of the parent company when making investment decisions and need only supplemental details about the subsidiary issuers and guarantors. Accordingly, we agree with the proposal to replace the consolidating financial statements with summarized financial information as this will yield streamlined financial information that is material to an investment decision and easier to understand. We also agree with the proposal to exclude supplemental cash flow information because (i) investors in a registered offering look primarily to a parent company's consolidated cash flow information to assess creditworthiness where the parent is the primary obligor and (ii) the preparation of cash flow information is costly and difficult.

However, we urge the SEC to consider revising the proposed amendment to require only balance sheet information for the Obligor. This would provide information on current and non-current assets and liabilities and therefore would be sufficient to address investors' primary concern of monitoring and assessing the Obligor's ability to make payments timely and in full. Balance sheet information would provide a debt holder with insight into the nature and liquidity of the assets held by guarantors, as well as the composition of liabilities and obligations. In the event of default, these assets would potentially be utilized to satisfy obligations, as well as service the debt in connection with the guarantee. Income statement information is also not frequently provided in exempt transactions (e.g. 144A).

Conclusion

In summary, we support the SEC's proposed amendments related to the guarantor financial disclosures and agree that the proposed amendments will simplify and streamline the disclosures, significantly reduce the burden on registrants and encourage debt offerings to be conducted on a SEC-registered basis.

In addition, we respectfully ask the SEC to consider the feedback identified in our comment letter.

Very truly yours,



Ken D. Semelsberger
Senior Vice President and Controller