



**International Bancshares  
Corporation**

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March 13, 2020

*Via email to rule-comments@sec.gov (Subject: File Number S7-26-19)*

To: Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

Re: RIN 3235-AM63, File Number S7-26-19, Request for Comment on Proposed Rule Regarding Amendments to Rule 2-01, Qualification of Accountants

Dear Secretary Countryman:

The following comments are submitted to the Securities and Exchange Commission ("SEC") on behalf of International Bancshares Corporation ("IBC"), a publicly traded multi-bank financial holding company headquartered in Laredo, Texas. IBC holds five subsidiary banks serving Texas and Oklahoma with approximately \$12 billion in total consolidated assets. We appreciate the opportunity to provide input on the SEC's proposed rule regarding amendments to Rule 2-01, Qualifications of Accountants, as set forth in Release Number 33-10738; 34-87864; FR-86; IA-5422; IC-33737.

**I. Response to Proposed Amendments to Definitions of Affiliate of Audit Client to Address Certain Affiliate Relationships in Common Control Scenarios and the Definition of Investment Company Complex**

IBC agrees with SEC's proposed amendments including materiality qualifiers in the definition of "affiliate of the audit client" and "investment company complex" in order to more narrowly focus only on those relationships and services that are most likely to threaten auditor objectivity and impartiality. IBC believes that the current application of the rules is too broad and may unnecessarily limit access to qualified audit firms, negatively impact audit quality and increase compliance costs.

In addition, in the case of entities operating under common control, IBC proposes to include materiality qualifiers not only with respect to sister entities, but also with respect to other entities under common control, which may not be material to the controlling entity and do not present issues with respect to the audit firm's objectivity or impartiality. Since auditors are already familiar with materiality evaluation<sup>1</sup> and have experience in applying materiality standards when identifying affiliates, auditors should be able to make independence assessment based on materiality with respect to all entities within the control group. Given the complexity of certain affiliate relationships under common control, IBC believes that qualified auditors should be able to provide services to affiliate entities that do not jeopardize their independence regardless of the type of their relationship with the controlling entity.

**II. Response to Proposed Amendment to Shorten the Look-Back Period for Domestic First Time Filers in Assessing Compliance with the Independence Requirements**

IBC has no comments on this issue.

**III. Response to Proposed Amendments Adding Certain Student Loans and De Minimis Consumer Loans to the Categorical Exclusions from Independence-Impairing Lending Relationships**

IBC agrees with SEC's amendments adding certain student loans and de minimis consumer loans to the categorical exclusions from prohibitive lending relationships.

In the case of student loans, IBC believes that such loans, which are fairly common in the industry, would not threaten auditor objectivity and impartiality so long as such loans were incurred prior to the client engagement. In addition, IBC believes that the proposed student loan exception should not be limited only to the covered person's accounting and auditing educational expenses, but should be available for any student loans incurred prior to the individual becoming a covered person.

With respect to Questions 21 and 22, IBC also supports expanding the Credit Card Rule to encompass other types of consumer loans and increasing the limit from \$10,000 to a higher amount. With respect to Question 24, IBC would like the SEC to provide additional clarifying guidance regarding what constitutes a "consumer loan" under the proposed amendments and whether the definition is limited only to signatory loans or includes other loans such as an auto loan or home equity loan.

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<sup>1</sup> As noted in the proposed amendments, auditors are familiar with materiality requirements from the definition in Rule 2-01(f)(4)(ii) and (iii) and from the definition of "affiliate" used by the American Institute of Certified Public Accountants in its ethics and independence rules.

**IV. Response to Proposed Amendments Replacing the Reference to “Substantial Stockholders” in the Business Relationships Rule with the Concept of Beneficial Owners with Significant Influence**

IBC agrees with SEC’s amendments replacing the reference to “substantial stockholders” in the Business Relationships Rule with the concept of beneficial owners with significant influence. IBC believes that the amendments would provide more clarity and non-subjectivity in the evaluation of auditor independence.

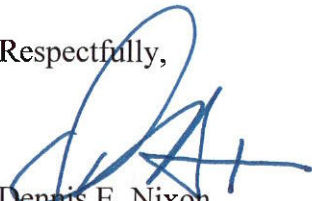
**V. Response to Proposed Amendments Introducing a Transition Framework for Merger and Acquisition Transactions to Consider Whether an Auditor’s Independence Is Impaired**

IBC agrees with SEC’s proposed amendments introducing a transition framework for merger and acquisition transactions to address inadvertent auditor independence violations. With respect to Question 33, IBC believes that the timeline for corrective action should be significantly longer than suggested under the proposed amendments. IBC believes that such a timeline should be increased from six months after the effective date of the merger or acquisition that triggered the independence violation to 12 to 18 months in order to allow audit firms sufficient time to correct the violation.

IBC commends the SEC for addressing the concerns surrounding auditor independence requirements. These rules have a significant impact on the competition and quality of the audit firms. The proposed rule advances the SEC’s continued efforts to ensure strong markets and sound governance.

Thank you for this opportunity to share our views.

Respectfully,



Dennis E. Nixon  
President