MasterCard

August 13, 2015

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2015-270 – Proposed Accounting Standards Update – Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting

Dear Ms. Cosper:

MasterCard Incorporated ("MasterCard" or the "Company") is a technology company in the global payments industry that operates a proprietary, electronic global payment network linking consumers, financial institutions, merchants, governments and businesses worldwide, enabling them to use electronic forms of payment instead of cash and checks. As an operator of a payment network, we facilitate the processing of payment transactions, including authorization, clearing and settlement, and deliver related products and services. We appreciate the opportunity to comment on the Proposed Accounting Standards Update – "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("Proposed Update"). We have responded to the applicable questions posed by the Board in the Proposed Update that have the most significant impact to our Company.

Question 1: Do you agree that the proposed amendments result in a reduction (or potential reduction) of cost and complexity while maintaining or improving the usefulness of information provided to users of financial statements? If not, why?

We are supportive of the Board's efforts to simplify the accounting for stock compensation as part of its Simplification Initiative and we commend the FASB for its ongoing efforts. We believe that the proposed amendments could potentially reduce complexity in some of the areas covered while increasing the complexity in other areas as noted below.

Question 2: Should excess tax benefits and tax deficiencies be recognized in the income statement? If not, why, and are there other alternatives that are more appropriate? Should an entity delay recognition of an excess tax benefit until the benefit is realized through a reduction to taxes payable? If yes, why?

We appreciate the Board's efforts to simplify complex areas of accounting, however, we are not in support of the Proposed Update to recognize the excess tax benefits and tax deficiencies in the income statement as this will drive a disconnect between the amount recognized as stock-based compensation expense and the related amounts of tax benefits recognized in the income statement. We believe this will increase both complexity for the financial statement users and volatility in companies' effective tax rate as the stock based compensation expense will be based on the grant date fair market value, while the related tax benefit will be based on the fair market value of the award at the date of exercise for options or date of vesting for restricted stock units.

In addition, the proposed change will result in incremental costs and create complexity in forecasting of the effective tax rate. Companies would have to predict future settlement events and movements in stock price. The recognition of tax benefits and deficiencies in the income statement creates the potential for volatility in companies' earnings and makes it more difficult for the company to forecast its effective tax rate during interim periods. The Proposed Update shifts companies' efforts from tracking its excess tax benefit and deficiencies in the APIC pool to tracking awards for forecasting purposes. MasterCard has a well-established semi-automated process surrounding the tracking of awards within the APIC pool, since adopting the current guidance in 2006. In order to forecast effectively, companies would have to establish a new multi-scenario forecasting model taking into account variability in its settlement price. Additionally, the development of systems to handle the modeling and maintenance of an effective control environment around these processes will require additional resources.

Lastly, the fluctuations that could result from recognizing tax benefits and deficiencies in earnings could also reduce comparability among peer companies as well as companies' own reporting periods. For example, over the past 5 years, MasterCard's tax windfalls have fluctuated between fiscal reporting periods at an average rate of $43M with as much as a year-over-year change of $73M.

Question 3: Should the effect on tax cash flows related to excess tax benefits be classified as an operating activity on the statement of cash flows? If not, what classification is more appropriate and why?

We support the classification of the excess tax benefit as an operating activity on the statement of cash flows as this aligns the disclosure requirements of ASC 230 for all other tax related items that impact the income statement if the APIC pool is eliminated. If the APIC pool is not eliminated we believe the excess tax benefit should remain as a financing activity.

Question 4: Should entities be permitted to make an accounting policy election either to account for forfeitures when they occur or to estimate forfeitures? If not, why?

We do support making a policy election to account for forfeitures when they occur or to estimate forfeitures for companies that do not have the historical information to estimate forfeitures. However, when historical data becomes available, a company should estimate forfeitures. We acknowledge the Board's perspective that the estimates can be considered highly subjective, however, the principle of management's best estimate is consistent with other areas of the codification. The removal of this estimate will also increase volatility and affect comparability of financial results.

Question 5: Is the proposed expansion of the exception to liability classification related to the amount withheld for employee's taxes appropriate? If not, is there another exception that is more appropriate and why?

We agree with the Board's decision to expand the exception to liability classification relating to employees' withholding taxes to permit companies to use their employees' maximum withholding rate. This proposal will allow greater flexibility in the process, particularly for those jurisdictions that don't have minimum statutory tax rates. In addition, the Proposed Update will make it easier to comply with local tax requirements for individuals. In reviewing the Board's comments regarding the topic, we would appreciate additional clarification regarding the selection of maximum withholding rates for individuals in the same tax jurisdiction. We anticipate that while a jurisdiction may only have one maximum withholding rate, the actual withholding rates will differ by individual.

Question 6: Should the cash paid by an employer to the taxing authorities when directly withholding shares for tax-withholding purposes be classified as a financing activity on the statement of cash flows? If not, what classification is more appropriate and why?

Yes, the cash paid by an employer to the taxing authorities when directly withholding shares for tax-withholding purposes should be classified as a financing activity on the statement of cash flows.

Question 10: Are the transition requirements for each area appropriate? If not, what transition approach is more appropriate?

If the standard is issued as proposed, the Board's proposed transition requirement to prospectively account for the removal of the APIC pool is appropriate. However, supplementary disclosures would be necessary to ensure the readers of financial statements understand the change to earnings. We also support the retrospective transition related to classification on the statement of cash flows.

Question 11: How much time will be necessary to adopt the amendments in this proposed Update? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

We believe the adoption of the standard as proposed would take considerable time to implement, particularly the removal of the APIC pool. In order to properly adopt the standard, complex forecasting capabilities related to effective tax rates will need to be developed. In addition the Proposed Update will require resources both internally and externally to enhance or develop systems to automate these processes. Resources will also be required to develop systems and processes to maintain an effective control environment.

Companies will also need sufficient time to educate both internal and external users of financial information. Investor relations' teams will need to thoroughly understand the accounting change and be able to clearly articulate the related impact to investors. We would anticipate a consistent adoption period for all public companies in order to preserve comparability.

We appreciate the opportunity to comment on the Proposed Update. If you have any questions, please feel free to contact me.

Sincerely,

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