Alcoa

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October 18, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. 4-608

Dear Ms. Murphy:

Alcoa Inc. appreciates the opportunity to respond to the Securities and Exchange Commission's (the "Commission") request for comment on three topics (contractual arrangements, corporate governance/stock exchange listing requirements and statutory distribution restrictions and other legal standards tied to financial reporting standards) related to its ongoing consideration of incorporating International Financial Reporting Standards ("IFRS") into the financial reporting system for U.S. issuers. Alcoa is the world's leading producer of primary aluminum, fabricated aluminum and alumina. As mentioned in our response to the Commission's IFRS Roadmap in April 2009, we strongly support the goal of a single set of globally accepted accounting standards as we believe there are many benefits for us and the users of our financial statements in utilizing one common set of accounting standards throughout our operations as well as reporting our results in a manner that is comparable with our competition.

Should the Commission choose to move to IFRS, the changes to such areas as contractual arrangements, corporate governance/exchange listing requirements and statutory distribution restrictions will indeed present issues which will require a considerable amount of attention on the part of U.S. companies in their conversion to IFRS. However, we believe, with the establishment of a date certain for the conversion to IFRS and a sufficiently long lead time to enable U.S. issuers to prepare for IFRS reporting, these issues can be dealt with in an orderly manner.

Our more detailed responses to some of the Commission's specific requests for comment are presented below:

<u>Contractual Arrangements</u>

- The company would need to undertake a thorough review of its existing agreements, particularly financing agreements, in advance of the adoption of IFRS to identify any issues raised by the conversion. Based on our review to date, some agreements may need to be amended to stay in compliance or to avoid being required to maintain two sets of financial statements, particularly those that have a fixed or "frozen" GAAP definition that requires financial reports to be prepared or financial metrics to be calculated using U.S. GAAP that was in effect on the date of signing of the agreement or the date of the debt issuance. Although some of these agreements contemplate that accounting principles and terms are to

be construed in accordance with U.S. GAAP "as in effect from time to time", it is unclear at this point, depending on how the transition to IFRS occurs, whether the delivery of IFRS financial statements would comply with the covenant, given the specific wording of the fixed GAAP definition.

- To the extent that trust indentures for debt issued by public companies contain provisions tied to a fixed U.S. GAAP standard similar to that described above, amending the indenture may not be practicable in many situations due to bondholder consent requirements.

- In addition to the issues noted above for existing agreements, companies negotiating new agreements that would extend beyond the mandated adoption date of IFRS would need to consider the implications of the transition (e.g., whether the new agreement should or could explicitly address in advance how the conversion to IFRS will be handled).

- For acquisition and divestiture agreements that require post-closing adjustments or contain earn-out provisions, a conversion to IFRS during the term of these agreements could raise issues similar to those noted above for financing arrangements -- e.g., potential dual bookkeeping requirements for those with a frozen GAAP provision and the need for clarity regarding how a conversion to IFRS is to be handled. These types of agreements may be more difficult to amend than standard financing agreements or raise other issues (e.g., if one or more of the entities involved is a private entity or does not prepare IFRS financial statements or has a different transition period).

- Performance-based compensation plans that set bonus targets for cash incentive or equity awards based on U.S. GAAP financial results would need to be reviewed to determine the impact of the conversion to IFRS on various thresholds of performance-based compensation and potentially modified as a result of such review. The ability to develop meaningful IFRS-based performance measures may require the availability of IFRS-based results over a period of time by the company and its peer group. To the extent shareholder approval may be required for the amendment of existing, or adoption of new, plans to comply with IRC Sec. 162(m), knowing the date certain for adoption of IFRS sufficiently far in advance would be important to mitigate the transition to IFRS. Also, the Compensation and Benefits Committee of the Board of Directors would need to become familiar with IFRS in order to accurately grant and adjust performance-based compensation awards.

- Other contractual arrangements that may be affected by the adoption of IFRS potentially include those that contain ratings triggers or pricing grids or collateral-posting requirements that are tied to credit ratings (e.g., credit agreements, ISDA agreements) if the conversion to IFRS could affect companies' credit ratings. For these types of arrangements, it would be important to know whether the changeover to IFRS, in and of itself, will result in a change in credit ratings (e.g., will the financial metrics used by the rating agencies also change to reflect IFRS or will a company's ratings be subject to potential downgrade or upgrade solely because its financial ratios are adversely or favorably impacted by IFRS).

- In our experience, a change in existing accounting principles under U.S. GAAP typically does not result in the company being required to prepare two sets of financial statements to

stay in compliance with existing provisions of financing agreements or debt covenants. As noted above, unless financing agreements are amended, a shift to IFRS could potentially have this result under some contractual arrangements that contain provisions tied to a fixed U.S. GAAP standard.

- As for the most likely method to address the effects on contractual arrangements of conversion to IFRS, in our case we believe it would be preferable to amend the contracts where practicable and cost effective to do so rather than being required to maintain multiple accounting systems, which could be quite burdensome particularly for an extended period of time.

- With respect to the means by which the potential effects of adoption of IFRS on contractual arrangements could be mitigated, we believe that identifying the date certain for adoption of IFRS at least three years in advance would facilitate the renegotiation or amendment of agreements that may be necessary. Also, we believe that interpretive issues under some contractual arrangements raised by the conversion to IFRS could potentially be avoided if, when the Commission mandates IFRS, IFRS is expressly adopted and incorporated and deemed to be "U.S. GAAP". Also, we believe the ongoing convergence of IFRS and U.S. GAAP will help to mitigate the impact on performance under existing agreements if the changes in accounting standards result in actual changes in financial statement results. Finally, although we agree with the proposal in the Roadmap that contemplates that the concept of IFRS would be incorporated into the references to GAAP that appear in the securities laws, given that the definitions of GAAP that appear in contractual arrangements may not be tied to the securities laws, we note that such amendments to the securities laws would not necessarily resolve the interpretive issues under contractual provisions.

Corporate Governance; Stock Exchange Listing Requirements

- The adoption of IFRS would be a company-wide issue that would require a coordinated approach involving not only our financial accounting staff and auditors, but also senior management, business unit and resource unit staff and legal counsel, as well as the Board of Directors, including the Compensation and Benefits Committee as noted above and the Audit Committee. We believe the need for literacy in IFRS by relevant company personnel would be of paramount importance for a successful transition.

- The shift to IFRS may reduce the number of outside directors who would qualify as "audit committee financial experts" as currently defined under the Sarbanes-Oxley Act, particularly if IFRS experience is required, or who would meet the financial literacy standards of the listing rules for the NYSE. For example, many audit committee financial experts qualify based on, among other attributes, their experience as a current or former CEO or CFO of a company that reports under U.S. GAAP. An adequate lead time for the adoption of IFRS would help to mitigate some of these issues by allowing for additional education and training.

- From a compliance standpoint, management will need to reassess the effectiveness of internal controls in anticipation of IFRS conversion and may need to modify or add controls.

Also, disclosure controls and procedures would need to take account of any changes in reporting procedures due to the conversion to IFRS (e.g., the triggering events for certain real-time reporting on Form 8-K would change as a result of the adoption of IFRS). Also, the CEO and CFO may need additional training to be able to give their CEO/CFO certifications as required under the Sarbanes-Oxley Act.

- The company would need to plan for a process of educating its relevant stakeholders (shareholders, analysts, rating agencies, lenders and other users of its financial statements) regarding the material accounting changes under IFRS that will affect it.

- Based on a preliminary review, given Alcoa's current size and global market capitalization, we do not believe adoption of IFRS would affect Alcoa's ability to comply with the New York Stock Exchange's quantitative listing standards for continued listing.

<u>Statutory Distribution Restrictions and Other Legal Standards Tied to Financial Reporting Standards</u>

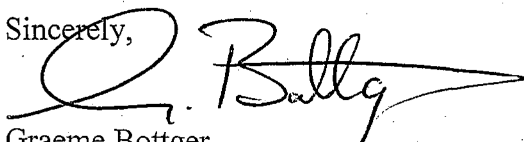
- Statutory distribution restrictions exist in both state and foreign jurisdictions. In addition, a number of states have capital or franchise taxes that may be based on book income or book assets/equity. The calculation of "earnings and profits" (E&P) is a key US attribute in determining the impact of distributions from affiliates. GAAP is the basis for E&P, so changes to GAAP with the adoption of IFRS could impact the calculation of taxable income.

- In some jurisdictions that have moved to IFRS, we have found there to be a reasonably good effort on the part of governments to identify and address IFRS/GAAP changes that will impact their tax law. While it may be too early to determine if this is indeed the case, we are concerned whether individual states in the U.S. will have the resources to address these issues in a timely manner.

We hope the above comments are helpful to the Commission in its ongoing consideration of the implications of incorporating IFRS into the financial reporting system for U.S. issuer. We would again point out that, while the above impacts and changes are significant, we believe they are manageable given a timely decision by the Commission on the move to IFRS as well as a three-year transition period.

We appreciate the opportunity to share our observations with the Commission. If you have any further questions, please feel free to contact us.

Sincerely,



Graeme Bottger
Vice President and Controller