

Supporting Statement
U.S. Department of Commerce
Bureau of Economic Analysis
Benchmark Survey of Financial Services Transactions between
U.S. Financial Services Providers and Foreign Persons
OMB Control Number: 0608-0062

A. Justification

1. Explain the circumstances that make the collection of information necessary.

The BE-180 Benchmark Survey of Financial Services Transactions between U.S. Financial Services Providers and Foreign Persons is necessary to obtain complete and accurate data used by the Bureau of Economic Analysis (BEA) to produce the International Transactions Accounts (ITAs) of the United States. These accounts provide a comprehensive and detailed view of economic transactions between the United States and other countries. In addition, they provide input into other U.S. economic measures and accounts, contributing particularly to the National Income and Product Accounts and Input-Output Accounts. The ITAs are used extensively by both government and private organizations for national and international economic policy support and for analytical purposes. The services transactions accounts are contained within the current account of the ITAs and are divided into nine major categories. Financial services are a major category of trade in services in the ITAs, accounting for 13 percent of U.S. exports and 4 percent of U.S. imports of services in 2014.

The proposed information collection, BE-180 Benchmark Survey of Financial Services Transactions between U.S. Financial Services Providers and Foreign Persons, is associated with the proposed rule RIN 0691-AA84 and is necessary to provide baseline information on U.S. trade in financial services. The survey would ask U.S. financial companies to report their financial services transactions with foreign persons. The proposed BE-180 survey would be mandatory and conducted under the International Investment and Trade in Services Survey Act (P.L. 94-472, 22 U.S.C. 3101-3108, as amended by P.L. 98-573 and P.L. 101-533), hereinafter “the Act,” and under Section 5408 of the Omnibus Trade and Competitiveness Act of 1988. It is the subject of this supporting statement.

In Section 3 of Executive Order 11961, as amended by Executive Orders 12318 and 12518, the President delegated responsibility for performing functions under the Act concerning trade in services to the Secretary of Commerce, who has re-delegated it to the Bureau of Economic Analysis (BEA). The implementing regulations for the international services surveys conducted under the Act can be found in 15 CFR Part 801.

2. Indicate how, by whom, and for what purpose the information is to be used.

The benchmark survey covers the financial services universe and is BEA’s most comprehensive survey of such services. The benchmark survey collects services transactions data for U.S. financial services providers’ sales to and purchases from foreign persons. Some specific uses of the data to be collected are discussed in greater detail below.

(a) Compile and improve the U.S. economic accounts:

Data from the BE-180 survey will be used by BEA to estimate the financial services component of the U.S. ITAs. For each country and region, BEA will estimate trade in financial services. The data will also provide a benchmark for deriving current universe estimates of financial services transactions from sample data collected on quarterly BEA surveys in non-benchmark years and will enable BEA to improve these estimates, which enter the National Income and Product Accounts and the Input-Output Accounts.

(b) Support U.S. government policy on services trade:

Data from the proposed survey are also needed by the government to monitor U.S. exports and imports of financial services; analyze their impact on the U.S. and foreign economies; support U.S. international trade policy on financial services; and assess and promote U.S. competitiveness in international trade in services. In addition, they will improve the ability of U.S. businesses to identify and evaluate market opportunities.

The data are used by several U.S. Government agencies including the Office of the U.S. Trade Representative, the International Trade Administration of the Commerce Department, the Departments of Treasury and State, the Council of Economic Advisers, and the Federal Reserve Board to support U.S. international economic policy.

The United States is a signatory to regional and multilateral commercial agreements that cover trade in services. The data from this and related surveys provide information that can be used both during the negotiations and as an aid in monitoring the resulting agreements. For example, trade in services are covered both by the General Agreement on Trade in Services, which is the principal World Trade Organization agreement on trade in services, and by the North American Free Trade Agreement among the United States, Canada, and Mexico.

(c) Other government uses:

Several agencies, including the U.S. Commercial Service, part of the Department of Commerce International Trade Administration, and the Export-Import Bank, facilitate U.S. trade by providing information and assistance to businesses. They use data from the benchmark survey for this purpose. They also use the data to examine the impact of trade in services on developing countries.

(d) Non-government uses:

International organizations and private researchers also use data from the benchmark survey in assessing the impact of U.S. trade in services on the U.S. and foreign economies. International organizations that regularly make use of BEA data on U.S. trade in services include the United Nations, International Monetary Fund, Organization for Economic Cooperation and Development, and World Bank. Numerous private researchers use the data; use by researchers affiliated with the National Bureau of Economic Research has been among the most extensive.

The Section 515 Information Quality Guidelines apply to this information. The information is collected according to documented procedures in a manner that reflects standard practices accepted by the relevant economic/statistical communities. BEA conducts a thorough review of the survey input data using sound statistical techniques to ensure that the quality of the data is high before the final estimates are released. The data are collected and reviewed according to documented procedures and best practice standards along with on-going review by the appropriate supervisor. The quality of the data are validated using a battery of edit checks to detect potential errors and to otherwise ensure that the data are accurate, reliable, and relevant for the estimates being made. Data are routinely revised as more complete source data become available. The collection and use of this information complies with all applicable information quality guidelines, i.e., those of the Department of Commerce, the Office of Management and Budget (OMB), and BEA.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology.

BEA offers electronic filing through its eFile system for use in reporting the BE-180 benchmark survey form. The eFile system enables respondents to download the survey forms in PDF format for each reportable U.S. company, enter the required data, and submit the forms securely to BEA.

In addition, BEA provides links to all its survey forms and reporting instructions on its web site (www.bea.gov). These may be downloaded, printed, and submitted via fax or mail.

4. Describe efforts to identify duplication.

Data on U.S. international financial services transactions are available only from surveys conducted by BEA.

The BE-180 survey will provide comprehensive information on financial services for which data had been collected on a sample basis on the BE-185, Quarterly Survey of Financial Services Transactions between U.S. Financial Services Providers and Foreign Persons. The quarterly collection of data is required to provide timely indicators of quarterly movements in transactions. The benchmark collection, conducted after the companies have closed their books for the year, is required not only to verify the accuracy of the quarterly data, but also to collect data on transactions that fall below the reporting threshold on the quarterly survey.

The Census Bureau conducts economic surveys of establishments in services industries and includes on those surveys broad questions pertaining to revenues derived from sales to foreign persons. Although these surveys do not identify the type of service or the country of the foreign customer, both of which are required by the ITAs, BEA has used the information reported to expand the mailing lists for several of its surveys.

5. If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden.

A BE-180 survey would be required of any U.S. financial company that is a financial services provider or intermediary, or whose consolidated U.S. enterprise includes a separately organized subsidiary, or part, that is a financial services provider or intermediary, and that had transactions (either sales or purchases) directly with foreign persons in all financial services combined in excess of \$3,000,000 in fiscal year 2014. While the survey would not collect data on total sales or other measures of the overall size of the businesses that respond to the survey, historically the respondents to the existing quarterly survey of financial services transactions and to previous benchmark surveys have been comprised mainly of major U.S. corporations.

This information collection excludes most small businesses from mandatory reporting. The reporting threshold for this survey is set at level that will exempt most small businesses from reporting. Any small businesses that may be required to report would likely have engaged in only a few covered transactions, and would therefore be expected experience less than the expected average burden of 10 hours per response. Even if the responses for small businesses took the expected average burden of 10 hours per response, that would not constitute a significant impact on any small business or other entity.

Finally, to reduce burden, respondents may provide estimates of their transactions with foreign persons where precise data cannot be obtained without undue burden.

6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.

This is a benchmark survey designed to yield universe data for the covered U.S. international financial services transactions. In non-benchmark years, universe estimates covering these transactions will be derived from the sample data reported on BEA's quarterly survey by extrapolating from the universe data collected on the benchmark survey. By law, the survey must be taken once every five years. The benchmark survey data are updated between benchmark years by means of quarterly sample surveys that are more limited in scope and coverage. A period beyond the normal benchmark interval would require reliance on universe estimates linked to an aging base. The reliability of the estimates becomes increasingly questionable as the base ages. This problem is particularly serious during a period when international trade in financial services is growing rapidly in size, variety, and complexity, and as the geographic pattern of trade changes, due partly to the expansion of trade with emerging economies. Conducting the survey less frequently would also reduce the timeliness of the detailed information collected only on benchmark surveys that is needed for policymaking purposes.

7. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

No aspects of the proposed Benchmark Survey of Financial Services Transactions between U.S. Financial Services Providers and Foreign Persons require a special justification.

8. Provide a copy of the PRA Federal Register notice that solicited public comments on the information collection prior to this submission. Summarize the public comments received in response to that notice and describe the actions taken by the agency in response to those

comments. Describe the efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

This submission supports a proposed rulemaking that will solicit comments on this survey. BEA maintains a continuing dialogue with respondents and with data users, including its own internal users through the Bureau's Source Data Improvement and Evaluation Program, to ensure that, as much as possible, the required data serve their intended purposes and are available from existing records, that the instructions are clear, and that unreasonable burdens are not imposed.

In October of 2014, BEA contacted the nine largest reporters currently filing brokerage fees on the quarterly BE-185 survey to determine the feasibility of expanding upon the data that are collected pertaining to brokerage activities. Respondents were asked if they would be able to report values associated with market-making activities by type of security and if they could identify net earnings from these activities, either in total, or with foreign counterparties. Based on the results of this investigation, and the burden impact on reporting companies, BEA decided not to add the additional detail on brokerage fees to the BE-180 survey.

9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.

No payments or gifts to the respondents will be made.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

BEA provides respondents with assurance that it will keep the reported data confidential. The following statement is taken directly from the reporting instructions for the survey: “**Confidentiality** – The Act provides that your report is CONFIDENTIAL and may be used only for analytical or statistical purposes. Without your prior written permission, the information filed in your report CANNOT be presented in a manner that allows it to be individually identified. Your report CANNOT be used for purposes of taxation, investigation, or regulation. Copies retained in your files are immune from legal process.”

Sec. 5(c) of the Act (22 U.S.C. 3104) provides that the information collected may be used only for analytical and statistical purposes and access to the information shall be available only to officials and employees (including consultants and contractors and their employees) of agencies designated by the President to perform functions under the Act. The President may authorize the exchange of information between agencies or officials designated to perform functions under the Act, but only for analytical and statistical purposes. No official or employee (including consultants and contractors and their employees) shall publish or make available any information collected under the Act in such a manner that the person to whom the information relates can be specifically identified. Reports and copies of reports prepared pursuant to the Act are confidential, and their submission or disclosure shall not be compelled by any person without the prior written permission of the person filing the report and the customer of such person, where the information supplied is identifiable as being derived from the records of such customer.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

No questions of a sensitive nature are asked.

12. Provide estimates of the hour burden of the collection of information.

The benchmark survey, as proposed, is expected to result in the filing of approximately 8,750 reports, approximately 1,250 respondents would report mandatory or voluntary data on the survey and 7,500 respondents would file an exemption claim. The average annual burden for completing the survey with data is estimated at 10 hours and the average annual burden for other responses is 2 hours, resulting in an overall respondent burden of an estimated 27,500 hours. This estimate covers the amount of time for respondents to review the instructions, search existing data sources, gather and maintain the data needed, and complete and review the information collection.

Of the 8,750 reports BEA expects to receive, approximately 6,400 of those will be filed by for-profit entities, 2,200 will be filed by not-for-profit entities, and 150 will be filed by State, Local and Tribal Governments. Of the 6,400 for-profit entities, BEA estimates that 925 will file mandatory or voluntary data and 5,475 will file exemption claims accounting in total for approximately 20,200 burden hours. Of the 2,200 not-for-profit entities, BEA estimates that 300 will file mandatory or voluntary data and 1,900 will file exemption claims accounting in total for approximately 6,800 burden hours. Of the 150 State, Local, and Tribal Governments entities, BEA estimates that 25 will file mandatory or voluntary data and 125 will file an exemption claim accounting in total for approximately 500 burden hours.

The actual burden will vary from reporter to reporter depending upon the number and amounts of their transactions and the ease of assembling the data. The estimated cost to the public is \$1,100,000 based on an estimated reporting burden of 27,500 hours and estimated hourly cost of \$40.

13. Provide an estimate of the total annual cost burden to the respondents or record-keepers resulting from the collection (excluding the value of the burden hours in #12 above).

Other than respondent cost associated with the estimated burden of 27,500 hours (see A.12 above), the total additional annual cost burden to respondents is expected to be negligible. Total capital and start-up costs are insignificant because new technology or capital equipment would not be needed by respondents to prepare their responses to the survey. As a consequence, the total cost of operating and maintaining the technology and capital equipment will also be insignificant. Purchases of services to complete the information collection are also expected to be insignificant.

14. Provide estimates of annualized cost to the Federal government.

The annual project cost to the Federal Government for this survey is estimated at \$715,000, which consists of \$590,000 for salaries and related overhead and \$125,000 for equipment, supplies, form design, and computer processing.

15. Explain the reasons for any program changes or adjustments.

This request is for a reinstatement, with change, of a previously approved collection for which approval has expired. Currently, there are no burden hours for the BE-180 survey in the inventory maintained by the OMB. Therefore, the estimated burden of 27,500 hours (see A.12 above) for this periodic collection is shown entirely as a program change in the ROCIS.

The estimate for the 2014 BE-180 benchmark survey of 27,500 burden hours is more than the estimated respondent burden for the previous (2009) benchmark survey. For the 2009 survey, the estimated burden was 24,000 hours. The increase in burden hours is associated with an increase in the respondent universe.

16. For collections whose results will be published, outline the plans for tabulation and publication.

The data from this survey will be used to estimate financial services transactions by major world region and selected countries for the quarterly U.S. ITAs and for a more detailed annual tabulation of U.S. trade in services. These estimates will be published in BEA's monthly journal, *Survey of Current Business*, and on BEA's web site (www.bea.gov). The data will also be used to provide the basis for the estimates of financial services transactions in monthly estimates of international services transactions, which are included in a joint BEA-Census Bureau news release on U.S. trade in goods and services.

The data collected will be used to estimate the universe of financial services transactions necessary to publish revised 2014 and 2015 quarterly estimates in June 2016 and the more detailed annual estimates in October 2016.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why display would be inappropriate.

The OMB expiration date will be displayed on the forms.

18. Explain each exception to the certification statement.

The BE-180 information collection is consistent with the certification in all aspects.