

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 Bureau of Economic Analysis (BEA) produces 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. 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 several major components. Financial services are a component of trade in services in the ITAs, accounting for 11 percent of U.S. exports and 5 percent of U.S. imports of private services in 2008.

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-AA73, and is necessary to provide baseline information on U.S. trade in financial services. In 2004 BEA conducted the BE-80, Benchmark Survey of Financial Services Transactions Between U.S. Financial Services Providers and Unaffiliated Foreign Persons. The BE-80 covered transactions with unaffiliated persons only. The proposed BE-180 will cover transactions with affiliated foreign persons in addition to unaffiliated foreign persons. This will align the benchmark survey with BEA's quarterly survey of trade in financial services, which will be necessary to provide the baseline information used in connection with the sample data from the quarterly survey.

The proposed survey would be a mandatory survey under the authority of the International Investment and Trade in Services Survey Act (P.L. 94-472, 22 U.S.C. 3101 through 3108), hereinafter "the Act," and by Section 5408 of the Omnibus Trade and Competitiveness Act of 1988. It is the subject of this supporting statement. The survey will ask U.S. financial companies to report their financial services transactions with foreign persons.

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

As in the case of previous benchmark surveys, the information will be used by BEA in estimating the financial services component of the U.S. ITAs. For each country and

region, BEA will estimate cross-border financial services. The data will also provide a benchmark for future quarterly estimates will enable BEA to improve these estimates, which enter the national income and product and input-output accounts as well as the ITAs.

Data from the proposed survey also are 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 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 the data quality before the final estimates are released. The data are collected and reviewed according to documented procedures including the use of check lists, procedures manuals, and on-going review by the appropriate supervisor or team leader. The quality of the data are validated using computerized 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., OMB, Department of Commerce, and those of the Bureau of Economic Analysis.

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.

eFile is BEA's electronic filing system and has been used successfully for many of BEA's surveys. The *eFile* system makes use of fillable Adobe PDF forms that can be downloaded, completed, saved, and submitted securely to BEA. The proposed survey will use *eFile* or a similar system for electronic data submission. Use of *eFile* will be at the respondent's option. BEA expects that approximately 30 percent of the total responses will be filed electronically.

4. Describe efforts to identify duplication.

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

This information collection excludes most small businesses from mandatory reporting. Companies that engage in international financial transactions tend to be quite large. In addition, the reporting threshold for this survey is set at level that will exempt most small businesses from reporting. The proposed benchmark survey will be required only from U.S. financial companies whose sales of financial services to foreign persons or purchases of financial services from foreign persons exceeded \$3 million for the fiscal year. Any small business required to report would likely have engaged in only a few covered transactions, and so the burden would be relatively small. 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 survey is intended to yield universe data for the services transactions covered. In nonbenchmark years, universe estimates covering these transactions will be derived from the sample data reported on BEA's quarterly survey by extrapolating forward the universe data collected on the benchmark survey.

This is a benchmark survey designed to cover essentially the entire universe of U.S. international financial services transactions. The estimates derived from the benchmark survey data will be 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 of five years 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.

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, which will solicit comments on this survey. BEA maintains a continuing dialog 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 far as possible, the required data serve their intended purposes and are available from existing records, that instructions are clear, and that unreasonable burdens are not imposed.

In July of 2009, BEA staff contacted several financial services companies to determine if they could disaggregate financial management receipts into several subcomponents that were of interest to data users. BEA staff also contacted several financial services companies to determine if they could disaggregate electronic funds transfer payments. If the companies responded that they could disaggregate these data, they were asked if it would significantly increase the reporting burden. Based upon the results of this investigation, BEA decided to add the disaggregation of financial management receipts to the proposed survey and not to add the disaggregation of electronic funds transfer payments.

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.

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 the 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 such 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.

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.”

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 8,000 reports, approximately 1,000 respondents would report mandatory or voluntary data on the survey and 7,000 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 two hours, resulting in an overall respondent burden of an estimated 24,000 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 8,000 reports BEA expects to receive approximately 5,850 of those will be filed by for-profit entities, 2,000 will be filed by not-for-profit entities, and 150 will be filed by State, Local and Tribal Governments. Of the 5,850 for-profit entities, BEA estimates that 730 will file mandatory or voluntary data and 5,120 will file exemption claims and will account for approximately 17,540 burden hours. Of the 2,000 not-for-profit entities, BEA estimates that 250 will file mandatory or voluntary data and 1,750 will file exemption claims and will account for approximately 6,000 burden hours. Of the 150 State, Local, and Tribal Governments entities, BEA estimates that 20 will file mandatory or voluntary data and 130 will file an exemption claim and will account for approximately 460 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 \$960,000, based on an estimated reporting burden of 24,000 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 24,000 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 in order 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 \$650,000, which consists of \$525,000 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 reported in Items 13 or 14 of the OMB 83-I.

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 Benchmark Survey of Financial Services Transactions between U.S. Financial Services Providers and Foreign Persons in the inventory maintained by the Office of Management and Budget because the prior benchmark survey, BE-80, approval had expired. Therefore, the estimated burden of 24,000 hours (see A.12 above) for this periodic collection is shown as a program change in RISC/OIRA Consolidated Information System (ROCIS).

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 private 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 reflection 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 survey will be conducted on a quinquennial basis beginning with data for fiscal year 2009 upon completion of the clearance process. The data collected will be used to estimate the universe of financial services transactions and publish revised 2009 and 2010 quarterly estimates in June 2011 and the more detailed annual estimates in October 2011.

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 identified in Item 19 of the OMB 83-I.

The Benchmark Survey of Financial Services Transactions between U.S. Financial Services Providers and Foreign Persons is consistent with the certification in all aspects.