



July 2, 2021

Via Electronic Mail

Christopher Stein, Chief
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Bureau of Economic Analysis

Re: Revisions to the Quarterly Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons (Form BE-125; OMB Control No. 0608-0067) and the Quarterly Survey of Financial Services Transactions between U.S. Financial Services Providers and Foreign Persons (Form BE-185; OMB Control No. 0608-0065)

To Whom it May Concern:

The Bank Policy Institute¹ appreciates the opportunity to comment on the proposals by the Bureau of Economic Analysis to revise the Quarterly Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons (BE-125)² and the Quarterly Survey of Financial Services Transactions between U.S. Financial Services Providers and Foreign Persons (BE-185).³ We recognize the importance of the BEA's efforts in data collection and the value that such analysis of U.S. trade in financial services provides, as well as the BEA's efforts "to increase the quality and usefulness of BEA's statistics."⁴ However, the proposed change in the submission dates for the BE-125 and BE-185 would present a number of challenges for respondent firms and therefore should not be implemented.

Each proposal would change the due date of the applicable survey from 45 days after quarter-end to 30 days, for the three quarters that are not fiscal year-end, and from 90 days to 45 days for the quarter coinciding with fiscal year-end. The BE-125 and BE-185 differ greatly from other regulatory reporting requirements with respect to the granularity and breakouts of the data required and therefore production of these surveys entails more manual processes, which in some instances include sifting

¹ The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

² 86 Fed. Reg. 23923 (May 5, 2021).

³ 86 Fed. Reg. 28333 (May 26, 2021).

⁴ Id at 28334.

through raw data. Respondents' general ledgers do not contain either the required breakout of country-specific information or the necessary granularity for BE-125 and BE-185 reporting, requiring firms to utilize manual processes to gather the necessary data on income and fees by country from the relevant lines of business and financial teams, which currently takes more than 30 days to complete. Additionally, firms' systems and infrastructure are not currently built to breakout this granular data in a readily usable format, requiring further introduction of several manual processes, which adds significant time to the preparation and filing of the BE-125 and BE-185.

As result, the existing 45-day and 90-day turnaround time for both the BE-125 and BE-185 is already challenging and many firms require additional time to compile the relevant data from data providers, prepare the surveys, and subject the reports to regulatory reporting controls processes prior to submission. Several respondents frequently request (and obtain), extensions of approximately two weeks to one month for each report to provide additional time for preparation of the surveys. As the proposed changes would reduce the amount of time respondents have to file these surveys by 33%-50% thereby increasing the difficulty of timely compliance by the reporting date, firms anticipate that there would be a significant increase in the number extension requests submitted, eliminating much of the perceived benefit of the earlier proposed submission date.

As with all regulatory reports, firms have extensive existing controls and review processes in place for the BE-125 and BE-185 that are based on the current reporting deadlines. These procedures involve due diligence, such as a thorough review and analysis of the data, and given the manual nature of the BE-125 and BE-185, these procedures are paramount to ensure data quality. While the proposed change in submission dates would allow for the "BEA to use more reported data for preliminary statistics, improving the accuracy of both the aggregates and the country and service-type details, and reducing revisions in subsequent statistical releases,"⁵ this change would have the opposite effect for respondents. Without ample time for firms to complete these reviews and subject the data to the appropriate controls, there is the potential for an increase in operational risk including data quality errors. This would likely lead to a greater volume of resubmissions, which would ultimately further exacerbate the substantial burden already created by the expedited deadlines.

The existing reporting deadlines for the BE-125 and BE-185 allow respondents to prioritize submission of their primary regulatory reporting obligations prior to finalizing the BE-125 and BE-185 for submission. Shortening the filing windows for these reports would cause their submission timelines to conflict more significantly with these other quarterly regulatory reports from respondent firms' primary regulators, as well as other BEA surveys. For example, the Call Reports are due 30 calendar days after the report date.⁶ Similarly, for FR Y-9C reporting, submissions are due 40 days after quarter-end and for the December 31 as-of date, they are due within 45 calendar days.⁷ Each of these submission timelines would therefore conflict with the proposed due dates for the BEA surveys. The Call Reports are integral in firms' regulatory reporting as they "serve as a primary source of financial data used for the

⁵ Id.

⁶ FFIEC, *Instructions for Preparation of Consolidated Reports of Condition and Income, FFIEC 031 and FFIEC 041* (Updated March 2021), available at https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_202103_i.pdf.

⁷ Federal Reserve, *Instructions for Preparation of Consolidated Financial Statements for Holding Companies* (Effective March 2021), available at https://www.federalreserve.gov/reportforms/forms/FR_Y-9C20210401_i.pdf.

supervision and regulation of banks, and is used as an editing benchmark for many other reports.”⁸ The FR Y-9C is similarly as important, as it “is used to assess and monitor the financial condition of holding company organizations[...] The FR Y-9C is a primary analytical tool used to monitor financial institutions between on-site inspections.”⁹ Changing the submission dates for the BE-125 and BE-185 surveys would therefore require respondents to divert attention and resources away from the FR Y-9C and Call Reports in furtherance of these BEA surveys.

Further, the proposals acknowledge that the proposed timing would coincide with that of the direct investment surveys like the Quarterly Survey of U.S. Direct Investment Abroad Transactions of U.S. Reporter with Foreign Affiliate (BE-577). While alignment of the due date for the BE-125 and BE-185 is optimal given the similar nature and data of the surveys, alignment of the BE-577 with BE-125 and BE-185 reporting deadlines would not result in any benefit to respondents and would increase burden. The BE-577 requires firms to report by entity, resulting in hundreds of submissions each quarter for some respondents. Changing the submission dates for the BE-125 and BE-185 would create significant overlap in the submission timing with the BE-577, which would result in fewer resources available for the extensive BE-577 reporting in order to meet the deadline for the other surveys.

These conflicts and competing priorities would also present staffing strains and challenges at respondent banks. Many regulatory reports, like the Call Reports and BEA surveys, leverage the same limited set of data providers to meet the regulatory reporting requirements and firms do not currently have the resources available to accommodate the conflicts with other reports inherent in the proposed shortened submission timeline. Currently, firms have established control processes in place based on the existing report due dates, including those for the BEA surveys. Shortening the reporting deadlines as proposed would require firms to make substantial changes to not only the timing and processes of the production of the BE-125 and BE-185, but also to those for other reporting requirements. As noted above, the timing and preparation of BE-125 and BE-185 reporting is heavily dependent on that of data providers. Irrespective of firms’ reporting processes, data providers will be limited in the accommodations that they can make to expedite their BE-125 and BE-185 data compilation processes. As a result, firms would need to reprioritize the regulatory reporting workflow, moving preparation of the BEA-125 and BE-185 ahead of other substantial BEA reports like the BE-577, as well as higher-risk reports that are used for regulator supervisory purposes, such as the Call Reports and FR Y-9C, thereby reducing the time available to prepare those reports.

These reporting conflicts are even more prevalent for the year-end submissions, where the submission timing of the BE-125 and BE-185 would be cut in half, even though there are significantly more standalone reports due at fiscal year-end compared to the other fiscal quarters. Some of these year-end reports include the Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y-11S), the Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314S) which is at the legal entity level, Treasury International Capital reporting, as well as reporting in other foreign jurisdictions. For some firms, this results in more than a doubling of the number of reports due at fiscal year-end. Additionally, at fiscal year-end, the proposed timing would also lead to a conflict with other BEA surveys such as the BE-10, which is filed once every five years and is the “BEA’s most comprehensive survey, in terms of both the number of companies covered and the amount of information gathered, on U.S multinational enterprises,”¹⁰ as well as the BE-11, which is filed in the four

⁸ <https://www.federalreserve.gov/apps/reportforms/reportdetail.aspx?sOoYJ+5BzDZEgOSIEbzQIPTvsLR097ci>.

⁹ <https://www.federalreserve.gov/apps/reportforms/reportdetail.aspx?sOoYJ+5BzDal8cbqnRxZRg==>.

¹⁰ <https://www.bea.gov/be-10-benchmark-survey-us-direct-investment-abroad>.

years between the BE-10 surveys. This conflict would similarly force respondents to divide their available resources in order to accommodate the change in due date.

In light of the many challenges created by that the proposed adjustments to the reporting timeline, as well the potential for increased operational risk and implications for other reporting requirements, the proposed accelerated submission timeline would be exceptionally challenging for respondents. We therefore strongly urge the BEA not to proceed with the proposed change in the due dates of both the BE-125 and BE-185 and maintain the existing deadlines.

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The Bank Policy Institute appreciates the opportunity to comment on the proposals. If you have any questions, please contact the undersigned by phone at 646.757.0380 or by email at alix.roberts@bpi.com.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Alix Roberts".

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