



FEDERAL DEPOSIT INSURANCE CORPORATION, Washington DC 20429

DONALD E. POWELL
CHAIRMAN

January 2, 2003

Honorable Kenneth W. Dam
Deputy Secretary
Department of Treasury
Washington, D.C. 20220

Dear Mr. Secretary:

I am writing to express my views concerning the Internal Revenue Service's modified proposal to require the reporting of interest paid on bank deposits to non-resident aliens. I appreciate your willingness to consider my thoughts on this issue.


I understand that this rule is being considered in the context of "improving compliance with U.S. tax laws and permitting appropriate information exchange without imposing an undue burden on U.S. banks." Certainly, these are important goals; however, I would like to emphasize that a decision should not be made on this rule without the benefit of a thorough and careful analysis in two important areas.

The first area of concern relates to the potential impact of this rule on the U.S. banking system. Bankers have reported that as much as \$1 trillion in U.S. bank deposits derive from foreign nationals. A shift of even a modest portion of these funds out of the U.S. banking system would certainly be termed a significant economic impact. This would be of great concern to me and to many financial institutions - particularly smaller institutions whose survival is dependent on stable sources of deposits.

Another area of concern relates to the additional regulatory burden this proposal would pose on U.S. banks. We must be sensitive to these concerns as we consider the adoption of any new regulation - regardless of its merit and good intention.

Again, I appreciate your consideration of my views as the Treasury deliberates on adopting this regulation. Please feel free to contact me if I, or my staff, can be of further assistance on this matter.

Sincerely,


Donald E. Powell