



Lawrence Uhlick
Chairman

2001 Kirby Drive
Suite 611-C
Houston, TX 77019
Phone 713-831-7324
Fax 713 831-7326

larry.uhlick@bbvacompass.com

April 7, 2011

Internal Revenue Service
CC: PA: LPD: PR
Room 5203
PO Box 7604
Ben Franklin Station
Washington, DC 20044

RE: Notice of Proposed Rulemaking – REG 146097-09
Reporting Interest Paid to Non Resident Aliens

Dear Sir or Madam:

BBVA Compass is pleased to comment on the proposed regulation referenced above. BBVA Compass, a Sunbelt based bank headquartered in Birmingham, operates branches in Alabama, Arizona, California, Colorado, Florida, New Mexico and Texas. BBVA Compass is a wholly owned subsidiary of BBVA – a financial services group operating in more than 35 countries with over 47 million clients, 8,000 branches and 112,000 employees.

BBVA Compass strongly opposes the proposed regulation. If implemented, the regulation: (1) could put the welfare of the non resident alien depositors at risk; (2) will provide little or marginal benefit to the Internal Revenue Service, and (3) will damage the U.S. economy in general and banks specifically.

1. Risks to the Non Resident Alien ("NRA") depositors

It is a well known that many countries around the world are simply not safe or represent a threat to a certain population segment or group of citizens. In many cases, because some citizens do not trust their home country banking system and government, they regularly deposit money in U.S. banks. Despite recent setbacks, the U.S. banking system remains one of the safest and the most sound in the world. Moreover, U.S. privacy laws seek to ensure that a customer's personal information remains confidential and protected from disclosure.

Rampant criminal activity reported recently in Venezuela, Mexico and several countries in Central America is an example of the very real dangers that people face if they are perceived or believed to have money. In the past, kidnapping of people and family members believed to be financially affluent was primarily limited to organized criminal gangs. Lately, however, less sophisticated criminals are also involved in this activity and children of middle class and upper class families are often targeted. Information regarding U.S. deposits, if obtained by criminal elements, would create very real personal safety concerns for NRA depositors and their families.

The IRS has long declined to negotiate tax treaties with certain foreign countries because they *do not provide sufficient protection for confidential information*. Some of these same countries are likely to try to take advantage of the information provided in this proposed regulation. Currently, there is inadequate assurance that this information would be safe in the hands of these governments. Political instability, criminal activity or simple unintentional security lapses could expose NRA depositors to potentially grave consequences.

2. There is Little Practical Utility to the Proposed Rule

Because the U.S. government does not tax interest paid to nonresident aliens, we do not believe the proposed rule will significantly increase U.S. tax collections nor do we think it is necessary for the proper performance of the functions of the IRS. Instead, the proposed rule would turn the IRS into a vast database of international bank customers with negligible reciprocal benefit to the U.S. because we would not expect many U.S. citizens would be depositors in the foreign countries that provide the vast majority of NRA deposits. Therefore, other countries may benefit from the proposed rule but the U.S. will receive very little in return.

3. Negative Impact on U.S. Bank Liquidity and the U.S. Economy

It is well known that the U.S. economy has recently suffered the worst crisis seen in many generations. The proposed regulation will have a significant negative impact on U.S. bank liquidity and thereby stall the current economic recovery. This is because we believe that many NRA depositors, for the reasons stated in this letter, will move their deposits to other financial centers.

The Commerce Department estimates that NRA's passively invest approximately \$3.6 trillion dollars in U.S. banks and securities brokers. This is equivalent to 24% of our Gross Domestic Product and almost 40% of total commercial bank credit. Ample academic research suggests that weaker financial intermediation would have a significant negative impact on productivity growth and capital accumulation.

In conclusion, we believe there is very limited benefit to the proposed regulation. Instead, there is significant danger to the safety of NRA depositors and a substantial negative impact to U.S. financial institutions and the U.S. economy. We respectfully request that you withdraw this proposed regulation and continue the long-standing policy with regard to NRA depositors and provide critical liquidity to U.S. financial institutions and our economy.

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. Uhlick".

Lawrence Uhlick
BBVA Compass
Chairman