

**Supporting Statement for the
Government-Issued, General-Use Prepaid Card Surveys
(FR 3063a and b; OMB No. 7100-0343)**

Summary

The Board of Governors of the Federal Reserve System (the Board), under delegated authority from the Office of Management and Budget (OMB), will to implement the following surveys:

1. The **issuer survey (FR 3063a)** will collect data from issuers of government-administered, general-use prepaid cards including card program information, the number of government-administered prepaid cards outstanding, funding, ATM transactions, purchase transactions, interchange fees, fees paid by issuers, revenues from cardholder fees, and fees assessed to cardholders. The issuer survey (FR 3063a) will be mandatory.
2. The **government survey (FR 3063b)** will collect data from state governments, the District of Columbia, and U.S. territories (collectively “state governments”) that administer general-use prepaid card payment programs including program information, the number of cards outstanding, and funding.¹ The government survey (FR 3063b) will be voluntary.

The Board will use the data from these surveys to support an annual report to Congress on the prevalence of use of general-use prepaid cards in federal, state, and local government-administered payment programs and the interchange and cardholder fees charged with respect to such use. The first data collection for both surveys will be conducted in the first quarter of 2012, with the information collected as of December 31, 2011. The Wall Street Financial Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) provides the Board with authority to require submission of information from government-administered, general-use prepaid card issuers, but survey responses will be voluntary for state governments. The total annual burden for the surveys is estimated to be 1,900 hours. Final copies of the FR 3063a and FR 3063b surveys are available on the Board’s Public web site: <http://www.federalreserve.gov/reportforms/review.cfm>

Background and Justification

Section 1075(a) of the Dodd-Frank Act provides that the Board shall provide annually a report to Congress regarding the prevalence of the use of general-use prepaid cards in federal, state, and local government-administered payment programs, and the interchange and cardholder fees charged with respect to this use.² Section 1075(a) of the Dodd-Frank Act also provides the Board with authority to require card issuers to respond to information requests as may be necessary to carry out the provisions of the section.

¹ The issuer and government surveys would request information on all card programs that include the issuance of a general-use prepaid card or other debit card that has been provided to a person pursuant to a federal, state, or local government-administered program, in which the person may only use the card to transfer or debit funds, monetary value, or other assets that have been provided pursuant to such program. The government survey may be distributed to federal government agencies in addition to state governments, but collections of information from federal government agencies are not subject to the Paperwork Reduction Act and, thus, are not included in this discussion. U.S. territories include American Samoa, Federal States of Micronesia, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, Republic of Palau, Republic of the Marshall Islands, and U.S. Virgin Islands.

² 15 U.S.C. 1693o-2(a)(7)(D).

On March 24, 2011, the Board distributed two surveys to industry participants (a depository institution survey and a state government survey) designed to assist the Board in meeting the Dodd-Frank Act's reporting requirement related to the prevalence of the use of general-use prepaid cards in federal, state, or local government-administered payment programs and associated fees. In response to comments and survey submissions from issuers and governments the Board developed the FR 3063a and b surveys.³

Description of Information Collection

The FR 3063 comprise two surveys: (1) the issuer survey (FR 3063a) and (2) the government survey (FR 3063b). A general description of these surveys is provided below.

Issuer Survey (FR 3063a)

The issuer survey will be required for approximately 20 depository institutions that issue general-use prepaid cards for federal, state, or local government-administered payment programs.⁴ The survey will request information on cards associated with accounts domiciled in the United States, District of Columbia, and U.S. territories.

In general, the survey will collect information separately for each government-administered program for which the depository institution is the issuer of general-use prepaid cards as well as the aggregate for all programs.⁵ The issuer survey will collect information on card programs using two types of authentication mechanisms: dual-message transactions (those requiring a signature) and single-message transactions (those requiring the input of a personal identification number (PIN)).⁶ The first reporting period will cover the calendar year 2011, collected as of December 31, 2011. The issuer survey comprises 10 sections.

- I. Respondent Information:** Respondents will provide the name of the card issuer covered in the response; and the contact person(s) name, survey section for which they are responsible, e-mail, and phone number.
- II. Card program information:** Respondents will report summary information on card programs covered in the response, whether the response covers federal, state, or local programs, jurisdiction, sponsoring government agency(ies), a description of payment type, recipients receiving payments on prepaid cards, and recipients receiving payments by all payment methods.⁷

³ The March 24, 2011 survey was conducted via the Ad Hoc Payment Systems Survey (FR 3054a; OMB No.7100-0332).

⁴ This estimate is based on issuers known to issue government-administered, general-use prepaid cards, and who responded to the 2010 survey.

⁵ The *Federal Register* notice requested comment whether there are issuers of government-administered, general-use prepaid cards that are not depository institutions, and, if so, should the depository institution holding the insured deposits underlying the cards be required to report on behalf of those issuers

⁶ In dual-message transactions, authorization information is carried in one message and clearing information is carried in a separate message. In single-message transactions, authorization and clearing information is carried in one message. General-use prepaid transactions use either method (although dual-message transactions are more common) and can be reloadable or non-reloadable cards.

⁷ Jurisdiction refers to the geographic area in which the general-use prepaid card program is administered. The

- III. **Government-Administered Prepaid Cards:** Respondents will report summary information on the number of cards outstanding, and the allocation of cards outstanding between cards that can be used on both dual-message (signature) and single-message (PIN) networks, cards that can be used on dual-message (signature) networks, and cards that can be used on single-message (PIN) networks.
- IV. **Funding:** Respondents will report the value of funds loaded into prepaid card accounts, funds outstanding on prepaid card accounts, and all funds paid by all payment methods.⁸
- V. **ATM Transactions:** Respondents will report summary information on the number of cards outstanding at year-end that can be used to make ATM cash withdrawals, the volume and value of ATM cash withdrawals, and the ATM fees charged for withdrawals by ATM operators at nonproprietary ATMs.
- VI. **Purchase Transactions:** Respondents will report summary information on the volume and value of settled purchase transactions and the volume and value of settled purchase transactions by authentication method.
- VII. **Interchange Fees:** Respondents will report interchange fee revenues received on settled purchase transactions and the allocation of the interchange fee revenues received on settled purchase transactions for dual-message (signature) transactions and single-message (PIN) transactions.
- VIII. **Fees Paid by Issuers:** Respondents will report the fees paid on ATM cash withdrawals and the fees paid on over-the-counter at-bank (teller) cash withdrawals.⁹
- IX. **Revenues from Cardholder Fees:** Respondents will provide total revenues received on all fees charged to cardholders and the allocation of all fees charged to cardholders between routine purchase transaction fees, monthly fees, balance inquiry fees, ATM fees, over-the-counter at-bank (teller) fees, account servicing fees, penalty fees, and all other fees.
- X. **Fees Assessed to Cardholders:** Respondents will provide summary information on fees assessed to cardholders, including routine purchase transaction fees, monthly fees, balance inquiry fees, ATM fees charged to cardholders, over-the-counter at-bank (teller) fees, account servicing fees, penalty fees, and all other fees.

Federal Register notice requested comment regarding the ability of depository institutions to provide the total number of recipients receiving payments, regardless of payment method.

⁸ The *Federal Register* notice requested comment regarding the ability of depository institutions to provide the total value of all funds disbursed, regardless of payment method. The *Federal Register* notice will also request comment regarding any funding patterns during the month that may change significantly an issuer's response depending on the as-of date requested. The survey requested outstanding funds at the end of the month.

⁹ The *Federal Register* notice requested comment as to whether fees paid for over-the-counter at-bank cash withdrawals should be included in the survey.

Government Survey (3063b)

The government survey will be voluntary for approximately 60 state governments to submit information about the prevalence of use of general-use prepaid cards in federal, state, and local government-administered payment programs. The first reporting period will cover the calendar year 2011, collected as of December 31, 2011. The government survey comprises four sections.

- I. Respondent Information:** Respondents will provide the government agency (including federal, state or other jurisdiction) for which they are responding; and the contact person(s) name, survey section for which they are responsible, e-mail, and phone number.
- II. Program Information:** Respondents will report summary information on card programs covered in the response, whether the response covers a federal, state, or local program, sponsoring government agency(ies), card-issuing bank(s), a description of payment type, the number of recipients receiving payments on prepaid cards, and the number of recipients receiving payments by all payment methods.
- III. Cards:** Respondents will report the number of cards outstanding.
- IV. Funding:** Respondents will report the value of funds loaded into prepaid card accounts and the value of all funds paid by all payment methods.

Reporting Panel

The Board estimates that there are approximately 20 depository institutions that issue government-administered, general-use prepaid cards and approximately 60 state governments that administer general-use prepaid cards. .

Time Schedule for Information Collection and Publication

The Board is required to provide an annual report to the Congress on government-administered, general use prepaid cards. The Board will make the issuer and government surveys available by mid-February 2012 and will request that the surveys be completed and returned to the Board within 60 calendar days.¹⁰ The Board will provide the respondents with secure online access to the surveys.

Legal Status

¹⁰ In subsequent years, the Board anticipates that the issuer and government surveys would be available by mid-January.

The Board’s Legal Division has determined that this information collection is authorized by subsection 920(a) of the Electronic Fund Transfer Act, which was amended by section 1075(a) of the Dodd-Frank Act (15 U.S.C. § 1693o-2). This subsection requires the Board to submit an annual report to the Congress on the prevalence of the use of general-use prepaid cards in Federal, State, or local government-administered payment programs and the interchange transaction fees and card-holder fees charged with respect to the use of such general-use prepaid cards (15 U.S.C. § 1693o-2(a)(7)(D)). It also provides the Board with authority to require issuers to provide information to enable the Board to carry out the provisions of the subsection (15 U.S.C. § 1693o-2(a)(3)(B)). The obligation of issuers to respond to the issuer survey (FR 3063a) is mandatory. However, the obligation of state governments to respond to the government survey (FR 3063b) is voluntary. Some of the data collected by the issuer survey (FR 3063a) may be kept confidential under exemption (b)(4) of the Freedom of Information Act (FOIA), which exempts from disclosure “trade secrets and commercial or financial information obtained from a person and privileged or confidential.” 5 U.S.C. § 552(b)(4). Information collected under the issuer survey can be kept confidential under exemption 4 if the release of data would cause substantial harm to the competitive position of the issuer. The Board anticipates that all of the information collected by the government survey (FR 3063b) would be publically accessible and will not be given confidential treatment.¹¹

Consultation Outside of the Agency and Discussion of Public Comments

As mentioned above, the Board collected similar information from issuers and governments in 2010. On September 15, 2011, the Federal Reserve published a notice in the *Federal Register* (76 FR 57037) requesting public comment for 60 days on the implementation of this information collection. The comment period for this notice expired November 14, 2011. The Federal Reserve received 11 comment letters; however, no comments specifically addressed the FR 3063a or FR 3063b paperwork burden estimates. On December 21, 2011, the Federal Reserve published a final notice in the *Federal Register* (76 FR 79184) on the FR 3063a and FR 3063b, that includes a detailed discussion of the comments received.

Estimate of Respondent Burden

The annual reporting burden for the surveys is estimated to be 1,900 hours, as shown in the following table. The Board estimates that approximately 20 depository institutions will take, on average, 50 hours each to complete the issuer survey. The Board estimates that approximately 60 state governments will take, on average, 15 hours each to complete the government survey. The surveys represent less than 1 percent of the total Federal Reserve System paperwork burden.

<i>Estimated number of respondents</i>	<i>Annual Frequency</i>	<i>Estimated average time per response</i>	<i>Estimated annual burden hours</i>
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¹¹ The *Federal Register* notice requested comment on whether assessment is correct. If this assessment is incorrect, a new confidentiality determination will need to be made.

Issuer survey (FR 3063a)	20	1	50 hours	1,000
Government survey (FR 3063b)	60	1	15 hours	<u>900</u>
<i>Total</i>				1,900

The total annual reporting cost to the public (issuers and governments) for these surveys is estimated to be around \$80,000.¹²

Estimate of Cost to the Federal Reserve System

The annual cost to the Federal Reserve System for designing the surveys, contacting the respondents, and compiling the information is estimated to be around \$122,500.¹³

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines (e.g., ethnicity, sexual relationships, etc.).

¹² Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support @ \$16, 45% Financial Managers @ \$50, 15% Legal Counsel @ \$54, and 10% Chief Executives @ \$80). Hourly rate for each occupational group is the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2010, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

¹³ Total cost to the Federal Reserve System was estimated using the following formula: (estimated staff time of 1,000 hours, multiplied by average hourly rate of \$50) plus estimated information technology costs of \$72,500.