

**Supporting Statement B
for the Retail Payments Surveys
(FR 3066a, b, and c; OMB No. 7100-0351)**

Depository and Financial Institution Payments Survey (FR 3066a)

The Federal Reserve would construct the population frame of depository and financial institutions (including credit card banks, commercial banks, savings institutions, and credit unions) at the level of the highest holder contained within reports filed with the Federal Reserve. A sample of approximately 2,800 institutions would be drawn from this population frame arranged by type and size to include both a certainty stratum of approximately 200 of the largest institutions (including any institutions that are known to play a unique role in payments processing or issuance) and a set of randomly sampled institutions from the remaining population of institutions, stratified by type and size.

A contractor would recruit respondents, including follow-up contacts by letter (e-mail and post) and telephone, and administer the surveys using an internet webpage format. For the major payment types most critical to the estimation methods used by the Federal Reserve, previous Federal Reserve Payments Study (FRPS) surveys of depository institutions achieved response rates of approximately 50 percent overall, with a near census of the largest 100 institutions. This approach yielded estimated standard errors that were quite small. For example, the standard error for the national number of checks was 1.1 percent (1.4 percent by value). Item response on subcategories of the major payment types sometimes dropped to 25 percent or less. Methods of imputation would be employed to provide a complete analysis dataset capable of producing logically consistent estimates for the entire array of items being reported. Past FRPS estimates yielded reasonably precise figures even for items with low response rates.¹

To address nonresponse issues (including both unit-level and item-level nonresponse) and to help assess the reliability of estimates, the Federal Reserve may select a subsample of institutions for further follow-up, including additional letters and phone calls. The follow-up study would explore nonresponse bias and would include questions related to, but not necessarily identical to, the survey questions.

The draft survey instruments were developed based on experiences with the previous FRPS surveys and in response to the changing payments environment. Certain details on check processing have been removed because of almost universal adoption of electronic check presentment and deposit. Several categories of questions have been expanded, and additional sections have been added.

As the payments processing technology used by financial institutions becomes more automated, especially for new methods of payment, the Federal Reserve believes that questions about payment volumes are becoming easier for financial institutions to report, although ability

¹ In part, this is because of a logical hierarchy built into the survey instrument that bounds the possible values of missing items when related items have been reported. Estimated standard errors that take into account of the uncertainty in the imputation method are used to assess the reliability of such estimates.

to do so would continue to vary across institutions. To help reduce the burden, the FR 3066a survey requests volumes for the month of March only rather than for March and April, as was requested in past FRPS surveys. This effectively reduces the quantity of volume questions by almost half. This reduction would likely be helpful to institutions that, for some requested items, would need to tabulate daily information for just one month rather than the two months required by previous FRPS surveys.

While the greater variety of questions likely increases the complexity of providing an accurate response, the item count of the proposed new survey is about the same. Statistical analysis of previously reported FRPS data has led the Federal Reserve to conclude that the exclusion of April volumes would not substantially reduce the precision or accuracy of the national aggregate estimates.

Network, Processor, and Issuer Payments Surveys (FR 3066b)

Unlike the FR 3066a, the FR 3066b is designed as a census. The Federal Reserve would work with a contractor to identify the final list of networks, processors, and issuers from which to collect data. Estimation of national aggregate payment volumes from the survey is based on developing a complete population frame of all relevant organizations (estimated to be between 100 and 150 organizations, and counted as 130 in the response burden estimates) and requesting data from each. The survey is broken up into parts, and respondents only provide information in the sections of the survey applicable to their organizations. In cases where a response is not returned, the missing items would need to be imputed using publically available information and analysis of data from similar organizations that did provide data.

Check Sample Survey (FR 3066c)

The FR 3066c would conduct a survey that in past FRPS surveys was referred to as the Check Sample Study (CSS). Versions of the CSS were conducted in three out of four FRPS, including the first and last. The survey instrument design could be modified slightly, but is expected to be very similar to the instrument used in 2010. More importantly, the data collection method may be revised based on proposals received through a competitive bidding process. Past approaches include the collection of individual check information on multiple survey forms provided by a stratified sample of about 150 financial institutions and the use of survey forms by personnel employed by a contractor using images retrieved from a single institution that aggregated data from about 11 very large institutions. The decision on what approach to use for this survey would be based on an evaluation of the proposals received.