

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

Depository and Financial Institutions Payments Survey (FR 3066a)

The Federal Reserve constructed 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. These institutions include those that offer demand deposits accounts, prepaid card program accounts, and credit card accounts to consumer, business, and government customers, or serve as ATM sponsors for independent service operator (ISO) customers.

A sample of approximately 3,800 institutions was drawn from this population frame. The sample consisted of both a certainty stratum of approximately 300 of the largest institutions (including any institutions that are known to play a unique role in payments processing or issuance) and a set of separate random samples of 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.

The sample size of 3,800 institutions is more than 1/3 larger than the sample size in the previous version of the survey. This was to allow the number of questions in the survey to vary proportionally with institution size, placing lower burden on and encouraging response from smaller institutions. The 300 largest institutions would receive all survey questions. Other institutions would receive only a fraction of 70 percent of the questions. As a result of this design, 30 percent of questions would be requested from 3,800 institutions, while the remaining 70 percent of questions would be requested from 2009 institutions.

The survey will collect data for calendar year 2015, a change from past surveys which collected data for one or two months. This will deal with seasonality concerns and provide comparability with the other surveys which will also collect data for 2015. An outreach effort was conducted which provided feedback on this change as well as feasibility and clarity of new survey questions. The feedback led to changes and improvements to the proposed survey questions, as well as deletions of some questions and the addition of others. As there are a significant number of new questions, the reductions in the number of questions requested from smaller institutions should offset some of the additional burden of providing a full response.

In past versions of the Federal Reserve Payments Study (FRPS), surveys of depository institutions achieved survey response rates as high as 50 percent overall, with a near census of the largest 100 institutions. This approach yielded estimated standard errors that were quite small. Item response on subcategories of the major payment types sometimes dropped to 25 percent or less. Methods of imputation were 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 Bias or other problems related to nonresponse in past surveys were not found to be significant.

As noted above, the new survey design results in the deliberate exclusion of some questions. Analysis, imputation, and estimation methods will be adapted to account for the new survey design.

Networks, Processors, and Issuers 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 125 in the burden estimates) and requesting data from each. The surveys have been expanded to include additional questions about fraudulent payments and the use of authentication technology. Other changes include the addition of surveys of ATM networks and processors, and a new statistical sample-based method to estimate national volumes of payments made to transit system operators for commuter rides. 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). The data collection process was revised to include a pilot study of check images processed via the Reserve Banks' check service. The additional data are expected to improve the variety and quality of data used to estimate the proportion of checks by categories such as payers, payees, and purposes. Returned checks will also be sampled in order to classify into relevant categories.

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.