

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

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the voluntary Federal Reserve Payments Study (OMB No. 7100-0351). This family of reports is composed of the following four reports:

- Depository and Financial Institutions Payments Survey (FR 3066a),
- Networks, Processors, and Issuers Payments Surveys (FR 3066b),
- Check Sample Survey (FR 3066c), and
- Retail Payments Survey Supplement (FR 3066d).

The FR 3066a, FR 3066b, and FR 3066c are triennial surveys. The FR 3066d is conducted up to one time per year. These surveys are designed to collect information needed to support the Federal Reserve System's (FRS) role in the retail payments system.¹ These surveys are the latest iteration in a series of surveys of depository institutions, payment networks, processors, and issuers, collectively called the Federal Reserve Payments Study (FRPS) that were conducted at 3-year intervals from 2001 to 2013.²

The FR 3066a and FR 3066b were designed to support a triennial data collection. The Federal Reserve proposes to continue the triennial data collection for 2015 data and to add shorter, annual surveys to update high-priority items from a relatively small set of participants for 2016 data and for 2017 data.

The Federal Reserve proposes to revise the FR 3066a to collect data for the full calendar year 2015 instead of a single month, as was the case in the 2013 survey. This will improve the quality of aggregate estimates by removing the need to annualize monthly data, making the

¹ The Federal Reserve plays a vital role in the U.S. payments system, fostering its safety and efficiency, and providing a variety of financial services to depository institutions. The Federal Reserve is involved with both retail and wholesale payments. Retail payments are generally for relatively small-dollar amounts and often involve a depository institution's retail clients—individuals, businesses, and governments. The Reserve Banks' retail services include distributing currency and coin, collecting checks, and electronically transferring funds through the automated clearinghouse system. By contrast, wholesale payments are generally for large dollar amounts, and often involve a depository institution's large corporate customers or counterparties, including other financial institutions.

² In the previous information collection these surveys were titled "Retail Payment Study." The study would be designed to be compatible with and a continuation of past triennial surveys on the payments system conducted in 2001, 2004, 2007, 2010, and 2013. The timing of the surveys would follow the same pattern as in past surveys; the reference period for the FR 3066a and the reference period for the FR 3066b would be January through December 2015. Data from both surveys would be used to create aggregate estimates for 2015. Reports on past surveys are available at http://frbervices.org/communications/payment_system_research.htm. The Board has published three Federal Reserve Bulletin articles on the studies as well: in August 2002 (http://www.federalreserve.gov/pubs/bulletin/2002/0802_2nd.pdf), Spring 2005 (http://www.federalreserve.gov/pubs/bulletin/2005/spring05_payment.pdf), and October 2008 (<http://www.federalreserve.gov/pubs/bulletin/2008/pdf/payments08.pdf>).

estimates less sensitive to annual seasonality, and providing closer comparability with data collected in FR 3066b. The change from a month to a year does not affect the number of reported items. Because of greater availability and automation of data reporting systems at many depository institutions, this revision is not expected to significantly affect the reporting burden.³

The Federal Reserve proposes to revise the data collection processes for the FR 3066a and FR 3066b to more effectively employ adaptive survey methods, supplemented by the use and collection of survey paradata.⁴ For example, to adapt to relatively low past response probabilities and incomplete responses, particularly in some smaller-institution survey strata, some participants may receive shorter survey forms with selected questions or entire sections removed. The survey paradata would provide information to assess the influence of differential treatment and to possibly adjust for any bias that might otherwise be introduced into the estimation process.

In 2013, the FRPS began collecting information on payments fraud from depository institutions responding to FR 3066a, and established baseline aggregate estimates for unauthorized third-party fraud payments by payment type. The Federal Reserve would use new information collected on payments fraud to update totals for 2015 and to estimate trends in unauthorized third-party payments fraud.

The Federal Reserve proposes revisions to the survey questions based on the need to further expand the collection of payments-related fraud and security information, respond to new developments in technology and choices in the payments marketplace, and adjust for lessons learned from the 2013 data collection. Most of the proposed expanded fraud questions would be in the FR 3066b surveys sent to payment networks, issuers, and processors. The expanded questions on fraud and payments security are based on an attempt to align the questions with the way that various participating organizations have said they already track and compile such information.

In addition, more detailed fraud baseline information would be collected through follow-up studies, including the FR 3066d, or possibly in questions included in another triennial study approved in a future clearance process.

The Federal Reserve proposes revising the FR 3066c data collection process to include 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.

³ Evidence of this is based on data collected in other surveys conducted by the Board, and a recent survey conducted by the 3066a contractor. Support for this view was also expressed by various depository institution participants and other survey researchers.

⁴ Adaptive methods include Survey paradata is administrative information generated during the conduct of the survey describing the survey process, including differential treatments and records of any communication such as telephone conversations and website interactions.

The total annual paperwork burden for the FR 3066a, FR 3066b, FR 3066c, and FR 3066d is estimated to be 48,300 hours, a decrease of 800 hours from the previous burden estimate of 49,100 hours, as explained under Estimate of Respondent Burden section. The draft survey instruments are attached.

Background and Justification

The FR 3066a, FR 3066b, FR 3066c, and FR 3066d are the latest iteration of the FRPS, which has been conducted by FRB Atlanta and the Board since 2000. The FRPS originated from a system-wide effort to improve the measurement and public availability of information on volumes and trends in checks and other noncash payments. Despite the retail payments system's critical importance in supporting everyday commerce, there was a significant gap in quantitative information on U.S. retail payments before 2000. The FRPS filled this gap by providing a reliable and transparent non-mandatory survey-based approach to collecting payments industry data on retail payment volumes and trends.

A U.S. payments system that is safe, efficient, and broadly accessible is vital to the U.S. economy, and the Federal Reserve plays an important role in promoting these qualities as a leader, catalyst for change, and provider of payment services to financial institutions and the U.S. Treasury. In 2012, Federal Reserve Financial Services (FRFS), managed by the Reserve Banks, refreshed its strategic direction to focus on meeting the evolving needs of payment system users for end-to-end payment speed, efficiency and security, while remaining true to its longstanding financial services mission to foster the integrity, efficiency and accessibility of the U.S. payment system.⁵ FRFS identified gaps in available data on payments fraud and payment security threats. In support of these efforts, the Federal Reserve proposes to leverage the FR 3066 surveys, where appropriate, to collect and improve the availability of aggregate payments fraud and security information.

The FRPS helps to support FRFS goals by producing information on aggregate volumes and trends in the payments system and sharing that information with the financial services and payments industry and the public. The aggregate survey results are widely cited in academic working papers and journal articles, industry publications, reported in the media, and used by the public, industry, and FRS staff as the quantitative aggregate benchmark on payments activity in the United States. Questions in the surveys consist primarily of quantitative payment transaction volume data in the form of number-value pairs, and require knowledgeable personnel at participating organizations to reference their confidential commercial and financial records. The surveys also contain a smaller amount of categorical questions (e.g., Yes/No/Don't Know) to help clarify the meaning and content of the responses to volume questions. Because of the confidential nature of the information, individual response data are only used to produce aggregate estimates and are not disclosed.

The Retail Payments Risk Forum (RPRF) and the Retail Payments Office (RPO), both at FRB Atlanta, play key roles within the Reserve Bank's strategic framework. The mission of the RPRF is to identify, detect, and encourage mitigation of risk in retail payments through research, and through collaboration with industry stakeholders. RPRF will provide leadership and

⁵ See the FedPayments Improvement website for more information (<https://fedpaymentsimprovement.org/>).

assistance with the surveys, in recognition of the importance of payments security to the FRS and the increasing focus on payments fraud and security of the FRPS. The RPO provides leadership in payments services, operates check and Automated Clearing House (ACH) clearance services, and will continue to support study planning, contractor procurement, contracting, and survey execution.

The Federal Reserve oversees the provision of financial services to depository institutions; develops policies and regulations to foster the efficiency and integrity of the U.S. payments system; works with other federal agencies on payments issues of joint responsibility; works with other central banks and international organizations, such as the Committee on Payments and Market Infrastructures (CPMI) at the Bank for International Settlements, to collect information on and improve the payments system more broadly; and conducts research on payments issues.

As the noncash payments system has continued to grow larger and more complex and as policymakers, the industry, and the public face more choices related to the payments system, the Federal Reserve believes that the data collected under the FR 3066 surveys play a crucial role in objectively maintaining and updating quantitative information on the U.S. retail payments system and should be continued in 2016 through 2018. The FRS's role as a trusted leader in payments processing, its essential role in policymaking, and the successful record of the data collected under the FRPS uniquely positions the Federal Reserve to collect these data.

Description of Information Collection

The FR 3066a currently collects information on the national volume (number and value) of major categories and subcategories of established and emerging methods of payment from a nationally representative stratified random sample of depository institutions.⁶ Most questions in the surveys consist of payment and related transactions organized as number-value pairs. The FR 3066b currently comprises 15 different surveys, each specific to a particular payment instrument and/or respondent type (respondents only answer surveys that apply to their organizations). It collects information from a census of payment networks, processors, and issuers. The FR 3066c currently collects data from samples of individual checks obtained from a set of depository institutions. The FR 3066d is an ad-hoc supplement to the other FR 3066 surveys.

The Federal Reserve currently use data collected from the FR 3066a and FR 3066b to estimate aggregate totals and trends in (1) the number and value of various types of payment and withdrawal transactions processed by financial institutions that hold transaction deposit, prepaid card program, or credit card accounts domiciled in the United States; (2) the number and value of various types of payments that are facilitated by payment networks, payment processors, and payment instrument issuers within the United States; (3) inter- and intra-bank volumes; (4) the usage of different types of prepaid cards; (5) transaction volumes of emerging payment methods; and (6) relevant non-transactional volumes, such as the number of accounts, number of payment

⁶ To obtain comprehensive coverage of total national volumes the survey may also include non-depository financial institutions.

cards outstanding, volumes of returned checks, and volumes of third-party payment fraud. Data from these two surveys is also used to estimate volumes and trends in cash usage, which are connected to noncash payment trends, the cash issuance responsibilities of the Board, and the cash distribution responsibilities of the Reserve Banks. The information about checks collected from the FR 3066c is currently used to estimate the distribution of checks among broad categories of payers, payees, and purposes. These data help identify what types of check payments are declining as well as remaining opportunities for the replacement of checks with other payment instruments.

Proposed Revisions

FR 3066a. The Federal Reserve proposes changing the survey reference period. Flows such as payment volumes would be reported for the entire year. Stocks, such as the number or value of accounts would be reported as the average of end-of-month totals for the calendar year. The current survey collects the flows for the month of March and stocks for March 31. In general, proposed questions have been added requesting the total payment transactions of each major payment type to be allocated to consumer and business categories. The current survey includes such questions for cards only. Most proposed changes are specific to the section or type of payment as described below.

1. Institution Profile:

In the current version, respondents verify which affiliates are associated with their survey responses and provide corrections. The Federal Reserve proposes to remove the verification step, reducing the amount of up-front analysis required of the respondent. Some relatively simple qualitative questions would be included that are expected to help tailor the survey to the institution, reducing overall response time.

The Federal Reserve proposes to change the language describing customer deposit accounts to better reflect the types of accounts from which payments are made. The Federal Reserve also proposes adding questions on sweep balances that would be reported separately to aid in understanding related payment volumes.

The proposed revision would reduce the number of verifications required which is proportional to the complexity of the participating institution.

2. Checks:

- a. **Check Payments:** The proposed check payments section would include 8 questions compared with 5 questions in the current survey, for a net increase of 3 questions.
- b. **Check Deposits:** The Federal Reserve proposes adding questions regarding ATM imaging of paper check deposits both at the institution's own ATMs and at "foreign" institution ATMs through deposit-sharing agreements. Respondents would report remotely created checks they collect, including those created by the bank of first deposit and by client customers. The proposed check deposits

section would include 23 questions compared with 11 in the current survey, for a net increase of 12 questions.

- c. **Outgoing and On-Us Check Returns:** The Federal Reserve proposes adding questions to obtain detail about the reasons for returned checks, particularly unauthorized fraud-related returns. The proposed section would include 12 questions compared with 5 questions in the current survey, for a net increase of 7 questions.
3. **ACH Credits and ACH Debits:** The Federal Reserve proposes adding questions that sum network and in-house on-us volume of payments.⁷ Credits and debits would continue to be reported separately. Directly exchanged ACH entries are reported separately in the current survey and the Federal Reserve proposes they be consolidated with network ACH entries. The Federal Reserve proposes to add questions on ACH payments settled same-day and otherwise. The proposed section includes 28 questions compared with 14 questions in the current survey, for a net increase of 14 questions.
4. **ACH returns:** The Federal Reserve proposes adding this section. Respondents would report the number and value of returned ACH transactions drawn on customer accounts, which are outgoing for ACH debit transactions and incoming for returned ACH credit transactions. Respondents would report reasons for returned ACH transactions, particularly unauthorized fraud-related reasons. The proposed new section includes 10 new questions.
5. **Wire transfer originations:** The Federal Reserve proposes adding questions regarding wire originations allocated to interbank (over a network or directly exchanged) and book transfers. The proposed section includes 13 questions compared with 10 questions in the current survey, a net increase of 3 questions.
6. **Wire transfer receipts:** The Federal Reserve proposes adding this new section with questions on wire transfers received by beneficiaries allocated to categories as with originations. Respondents would also report wire receipts allocated to interbank (over a network or directly exchanged) and book transfers. The proposed new section includes 13 new questions.
7. **General-Purpose Debit and Prepaid Cards:** The Federal Reserve proposes restructuring this section to better match developments in technology and established categories by which depository institutions track transactions. Proposed revisions include adding questions on the number of debit and prepaid cards provisioned to mobile devices and digital wallets, and questions to allocate volumes into person-present/merchant point-of-sale volumes and remote volumes. Person-present volumes would be further allocated into signature, PIN, or other/no signature required. Questions in the current survey allocating prepaid accounts and cards to those managed by the responding institution and

⁷ In-house on-us is a term of art meant to cover only those on-us payments (where the account transfer takes place between two accounts at the same depository institution) that are processed in-house (meaning not sent over an ACH network). This distinction is unique to ACH because some depository institutions send on-us ACH payments to network operators, and the distinction is necessary to properly measure the activity.

those managed by a third-party are proposed to be replaced with allocations between reloadable and non-reloadable/gift accounts and cards. The proposed section includes 33 questions compared with 20 questions in the current survey, a net increase of 13 questions.

- 8. General-Purpose Credit Cards:** The Federal Reserve proposes a restructuring of questions so that network transactions would be separated from non-network transactions. The Federal Reserve proposes adding questions to collect information on consumer accounts allocated by revolving balances and current balances. As with debit and prepaid cards, the Federal Reserve proposes restructuring this section to better match developments in technology and established categories by which depository institutions track transactions, and to add questions on the number of credit cards provisioned to mobile devices and digital wallets. The proposed section includes 29 questions compared with 16 in the current survey, for a net increase of 13 questions.
- 9. Cash Withdrawals and Deposits:** The Federal Reserve proposes adding questions on ATM cards in force, and additional clarifying questions on ATM terminals at branch locations. The proposed section includes 34 questions compared with 23 questions in the current survey, for a net increase of 11 questions.
- 10. Alternative Payment Initiation Methods:** The Federal Reserve proposes adding questions on business-to-person and business-to-business payments, in parallel with questions on person-to-person payments in the current survey. The proposed section includes 12 questions compared with 7 questions in the current survey, for a net increase of 5 questions.
- 11. Unauthorized Third-Party Payment Fraud:** The Federal Reserve proposes restructuring the section for debit, prepaid, and credit cards as described above. The Federal Reserve also proposes to add questions on fraudulent wire transfers originated. The proposed section includes 23 questions compared with 12 questions in the current survey, for a net increase of 11 questions.

FR 3066b. Proposed changes include the introduction of four new surveys and broad changes to the existing surveys to account for the greater need for payments fraud-prevention, and security information, new developments in payment technology, and adjustments that reflect lessons learned from the previous information collection.

The Federal Reserve proposes to add new surveys to cover ATM networks and ATM processors, in response to demand for richer information about developments in the ATM industry. In addition, the Federal Reserve added a new transit system operator survey that would be sent to such participants in place of the private-label prepaid card processor and issuer survey. This survey is designed to be easier to understand and more consistent with standard reports of organizations that operate transit systems. Similarly, the Federal Reserve added an electronic benefits transfer (EBT) processor survey which would be sent to organizations that contract with the government to administer such programs in place of the private-label prepaid card issuer and processor survey.

The Federal Reserve proposes including new questions in each of the new and existing surveys on the number and value of fraudulent transactions. The new questions would request fraud transactions by type of fraud using established issuer-reported categories, such as lost card, stolen card, counterfeit card, and stolen card data. Fraud transactions would also be allocated by card entry mode and card verification methods in parallel to the allocations requested for transactions. Where appropriate, the Federal Reserve proposes to request information on issued cards and payment device acceptance terminals associated with reported payment volumes.

Transaction value distributions in the current surveys contained only one value category above \$50, overlooking a significant portion of transactions in some cases. The Federal Reserve proposes to revise distributions in the surveys to include breakouts above \$50 to better reflect higher-value transactions. For the credit card surveys, the new higher-value transaction categories would include two new categories to obtain \$50-\$99.99, \$100-\$499.99, and \$500 and above. Transaction value distributions in other surveys would be tailored to what is known from previously collected value-distribution information. For example, the bill payment surveys, which have much smaller proportions of lower-value transactions, would involve the introduction of a richer set of higher-value categories and the removal of lower-value categories.

The Federal Reserve also proposes that various stock variables, such as the number of cards, be reported as the average of monthly totals over the calendar year, replacing the reporting of stocks as of December 31 as requested in the current surveys.

Additional proposed revisions to the surveys contained in the FR 3066b are as follows:

- 1. General-Purpose Card Network Surveys, (credit card, debit card, and prepaid card):** The Federal Reserve proposes restructuring all the card network surveys to better match established categories by which card networks track transactions. In particular, person-present card transactions will be tracked by entry mode (e.g. whether a contact or contactless chip card, card with no chip, or a mobile device was used) and card verification method categories (e.g. signature, PIN, or remote authentication method). Remote transactions would be allocated into several categories, including mail-order/telephone-order purchase (MOTO), internet purchase, recurring, installment, and other categories. Internet purchase transactions would be further allocated into “authenticated (two-factor authentication via 3-D Secure)” and “other” categories. Card transactions by payee location would include an additional category of transactions made to U.S. payees with foreign cards. Respondents would also be asked to report the number of cards provisioned to a mobile wallet or token vault. The proposed credit card survey would include 118 questions compared with 54 in the current survey for a net increase of 64 questions. The proposed debit card survey would include 117 questions compared with 43 in the current survey for a net increase of 74 questions. The proposed prepaid card survey would include 117 questions compared with 40 in the current survey for a net increase of 77 questions.
- 2. Private-Label Credit Card Merchant Issuer Survey, Private-Label Credit Card Processor Survey, General-Purpose Prepaid Card Processor Survey, and Private-Label Prepaid Card Issuer and Processor Survey:** Similar to card network surveys, the Federal Reserve proposes restructuring the transaction entry mode and card

verification method categories to better reflect standard industry reports, but in less detail compared with the general purpose card networks. Proposed questions on fraud allocations would be similar, but simpler, as well. The proposed private-label credit card merchant issuer survey includes 69 questions compared with 36 in the current survey for a net increase of 33 questions. The proposed private-label credit card processor survey includes 69 questions compared with 35 in the current survey for a net increase of 34 questions. The proposed general-purpose prepaid card processor survey includes 94 questions compared with 59 in the current survey for a net increase of 35 questions. The proposed private-label prepaid card issuer and processor survey includes 76 questions compared with 48 in the current survey for a net increase of 28 questions.

3. **Electronic Benefits Transfer (EBT) Card Processor Survey:** EBT processors reported their volumes in the current private-label prepaid card issuer and processor survey. Transaction types in the proposed EBT survey would be broken down into the main types of EBT card programs and questions about types of credits and loads would not be included, making the reporting form more relevant for this group of processors. The proposed EBT card processor survey includes 74 questions compared with 48 in the current private-label prepaid card issuer and processor survey for a net increase of 26 questions.
4. **Automated Teller Machine (ATM) Network and ATM Processor Surveys:** The Federal Reserve proposes adding surveys regarding ATM transaction volumes, including cash withdrawals by debit, prepaid, and credit cards, deposits of cash or checks, and other general types of ATM transactions. Respondents would report the number of active and total ATMs and allocate them between those that accept chip cards and those that do not. Chip card acceptance terminals would be allocated between those that use contact and contactless chip-acceptance technology.
 - a. **Automated Teller Machine Card Network Survey:** Respondents would consist of the domestic ATM networks in the United States. Most respondents also operate general-purpose debit card networks. The proposed number of questions would be 24.
 - b. **Automated Teller Machine Card Processor:** Respondents would consist of independent service operators and ATM transaction processors. The proposed number of questions would be 24.
5. **Alternative Payment Initiation Method Processor Surveys:** The Federal Reserve proposes adding questions regarding fraudulent transactions and, where relevant, doing so by transaction type.
 - a. **Person-to-Person (P2P) and Money Transfer Payment Survey:** The Federal Reserve proposes adding new questions on fraud broken down by origination channel. The proposed number of questions would be 33 compared with 22 in the current survey, for a net increase of 11 questions.
 - b. **Online Bill Payment Processor Survey:** The Federal Reserve proposes adding

new questions on the bill payment funding method broken down by type. Fraudulent transactions would be broken down by origination channel. The proposed number of questions would be 27 compared with 20 in the current survey, for a net increase of 7 questions.

- c. **Walk-In Bill Payment Processor Survey:** The proposed number of questions would be 20 compared with 20 in the current survey, for a net increase of 0 questions.
- d. **Deferred Payment Processor Survey:** The proposed number of questions would be 20 compared with 19 in the current survey, for a net increase of 1 question.
- e. **Private-Label ACH Debit Card Processor Survey:** The Federal Reserve proposes adding a new question regarding the number of active cards. The proposed number of questions would be 18 compared with 21 in the current survey, for a net *decrease* of 3 questions.
- f. **Far-field RFID Payment Processor Survey:** The proposed number of questions would be 15 compared with 16 in the current survey, for a net *decrease* of 1 question.
- g. **Secure Online Payment Processor Survey:** Processors would report secure online payment transactions in 2015, broken down into types. The proposed number of questions would be 16 compared with 13 in the current survey, for a net increase of 3 questions.
- h. **Mobile Wallet Processor Survey:** The Federal Reserve proposes adding new questions regarding the number of active and total cards provisioned to the mobile wallet. The proposed number of questions would be 17 compared with 8 in the current survey, for a net increase of 9 questions.

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 and requesting data from each. The survey would be broken up into parts and respondents would 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.

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 four out of five 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 2013. More importantly, the data collection method may be revised based on proposals received through a competitive bidding process. As noted above, check samples from Reserve Bank processing may be included. The Federal Reserve has developed a low-cost

random sampling process. The Federal Reserve proposes that the decision on what approach to use for this survey would be based on an evaluation of the proposals received.

FR 3066d. The Federal Reserve may conduct the ad-hoc Retail Payments Survey Supplement up to one time per year to collect information on specific issues that affect its decision making. The survey topics discussed with the respondents are often time sensitive and the questions of interest may vary with the focus of the survey. Because the relevant questions change with each survey, there is no fixed reporting form. For each survey, the Federal Reserve prepares questions of specific topical interest and then determines the relevant target group to contact. The principal value of the FR 3066d is the flexibility it provides the Federal Reserve to respond quickly to the need for data as new developments occur in the retail payment area. One area of interest pertains to new methods of collecting and aggregating fraud data that help to identify important trends as they emerge. Other topics covered by the FR 3066d may include payments security, speed, efficiency, and other topics that help to explain payment trends and support the Federal Reserve's role in the payments system.

Frequency

The Federal Reserve proposes to collect the FR 3066a, FR 3066b, and FR 3066c data triennially. FR 3066a and FR 3066b would be repeated annually for a subset of items reported by a relatively small number of key participants. To provide the Federal Reserve flexibility to collect supplemental data, the FR 3066d may collect data on a triennial basis (to coincide with the FR 3066a and FR 3066b) and, if needed, can be collected up to one time per year depending upon data needs, timeliness, cost, and burden on respondents.

Time Schedule for Information Collection and Publication

The FR 3066a, FR 3066b, and FR 3066c surveys would be distributed by the end of the first quarter of each year, due by the end of the second quarter, and follow-up for nonresponse, missing items, and validation completed by the end of the third quarter. The summary report would be released to the public in the fourth quarter of the same year and a detailed data supplement would be released in the second quarter of the following year. Aggregate estimates may be cited in published material such as Federal Reserve Financial Services press releases or reports posted on the frbservices.org website, industry conference presentations, staff studies or working papers, professional journals, the *Federal Reserve Bulletin*, testimony and reports to the Congress, or other vehicles.

Legal Status

The Board's Legal Division has determined that the FR 3066 series is broadly authorized under sections 2A and 12A of the Federal Reserve Act. Section 2A requires that the Board of Governors of the Federal Reserve System and the Federal Open Market Committee (FOMC) maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates (12 U.S.C. § 225a). In addition, under section 12A of the Federal Reserve Act, the FOMC is required to implement

regulations relating to the open market operations conducted by Federal Reserve Banks with a view to accommodating commerce and business and with regard to the regulations' bearing upon the general credit situation of the country (12 U.S.C. § 263). The authority of the Federal Reserve to collect economic data to carry out the requirements of these provisions is implicit. Accordingly, the Federal Reserve is generally authorized to collect the information called for by the FR 3066 series by sections 2A and 12A of the Federal Reserve Act.

In addition, the Board is responsible for implementing and drafting regulations, interpretations, and other guidance for various payments, consumer protection, and other laws (including provisions of the Federal Reserve Act other than those cited above). The information obtained from the Federal Reserve Payments Study may be used in support of the Board's development and implementation of regulations, interpretations, and supervisory guidance for these laws. Therefore, the survey questions in the FR 3066 are authorized pursuant to the Board's authority under one or more of the following statutes:

- Expedited Funds Availability Act § 609 (12 U.S.C. § 4008)
- Electronic Fund Transfer Act § 904 (15 U.S.C. § 1693b) and § 920 (15 U.S.C. § 1693o-2)
- Truth In Lending Act § 105 (15 U.S.C. § 1604)
- The Check Clearing for the 21st Century Act § 15 (12 U.S.C. § 5014)
- Federal Reserve Act § 11 (Examinations and reports, Supervision over Reserve Banks, and Federal Reserve Note provisions, 12 U.S.C. § 248); § 11A (Pricing of Services, 12 U.S.C. § 248a); § 13 (FRB deposits and collections, 12 U.S.C. § 342); and §16 (Issuance of Federal Reserve Notes, par clearance, and FRB clearinghouse, 12 U.S.C. §§ 248-1, 360, and 411)

Additionally, depending upon the survey respondent, the information collection may be authorized under a more specific statute. Specifically, the Board is authorized to collect information from state member banks under section 9 of the Federal Reserve Act (12 U.S.C. § 324); from bank holding companies (and their subsidiaries) under section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)); from savings and loan holding companies (12 U.S.C. §§ 1467a(b) and 5412), from Edge and agreement corporations under sections 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 602 and 625); and from U.S. branches and agencies of foreign banks under section 7(c)(2) of the International Banking Act of 1978 (12 U.S.C. § 3105(c)(2)), and under section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(a)).

Participation in the survey is voluntary. Although the Board has the authority to require participation by state member banks, bank holding companies (and their subsidiaries), savings and loan holding companies, Edge and agreement corporations, and U.S. branches and agencies of foreign banks supervised by the Federal Reserve, it has not done so.

Respondents to the various surveys are requested to report confidential business information, such as information requested in the FR 3066a (for depository and financial institutions) about the number and value of deposits in various customer accounts, broken out by type; image check deposits vs. paper check deposits, ACH entries, wire transfers, debit and prepaid card transactions, credit card transactions, mobile payments, and third-party fraud. The other surveys request similar types of confidential "number and value" information appropriate

to the surveyed entities: *e.g.*, for the Network, Processor and Issuer Payments Survey (FR 3066b), the number, value and type of transactions involving credit cards (both general purpose and private label), debit cards, and prepaid cards from each of the respondents (card networks, retail merchants, and processors). Only aggregate data from the surveys, such as estimated volumes and trends in cash usage, noncash payments, check distribution, and established and emerging payment instruments, are proposed to be publicly released.

Under exemption 4 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(4)), “trade secrets and commercial or financial information obtained from a person and privileged or confidential” may be excluded from disclosure. The confidential business information collected voluntarily from individual respondents may be withheld, as release of such information would impair the Board’s ability to collect such information in the future. Moreover, disclosure of such confidential business information could cause substantial competitive harm to the survey respondents. *See National Parks & Conservation Association v. Morton*, 498 F.2d 765, 770 (D.C. Cir. 1974).

Consultation Outside of the Agency

As part of the survey instrument development process the Federal Reserve conducted a request for information through FRB Atlanta procurement, which resulted in several conference calls about the surveys with potential contractors. The team also consulted with several experts in the private sector, including universities, trade associations, and key participants. These conversations helped to develop proposed questions that are as relevant to and substantively consistent with industry practices as possible.

On November 25, 2015 the Federal Reserve published a notice in the *Federal Register* (80 FR 73760) requesting public comment for 60 days on the extension, with revision, of the FR 3066a, FR 3066b, FR 3066c, and FR 3066d. The comment period for this notice expired on January 25, 2016. The Federal Reserve received four comment letters addressing this information collection, which are summarized and addressed below. On March 3, 2016, the Federal Reserve published a final notice in the *Federal Register* (81 FR 11270) for the FR 3066.

Summary Discussion of Public Comments and Responses

The Federal Reserve received written comments from one payment industry association, one merchant trade association, one payment card network, and one private citizen. All commenters supported the data collection effort, and noted that the information is widely used by payment system participants as a benchmark and to gain insights into payment system trends. Commenters believed that providing the data requested in the surveys would generally not be burdensome to respondents.

At the Federal Reserve’s request, contractors assisting with the survey design conducted industry outreach calls to obtain comments on the clarity of the survey forms and the feasibility of providing the requested data items. Institutions represented in the calls included financial institutions, networks, and processors of several types and sizes. Specific questions were not included in the initial request for public comment.

A variety of revisions to the surveys resulted from outreach discussions with participants as well, and generally involved clarifications or restatements of questions in order to address issues brought up in these discussions. The detailed discussion below addresses the specific substantive issues that arose from the written comments and outreach efforts, and the Federal Reserve's modifications to the surveys in response to the comments. In addition to these modifications, minor clarifications would be made to the surveys in response to the comments.

Detailed Discussion of Public Comments and Responses

Depository and Financial Institution Payments Survey (FR 3066a)

The Federal Reserve proposed to collect annual 2015 data instead of one month as in the 2013 version, as the resulting data can be more easily compared with data collected in the FR 3066b, and avoid concerns about seasonal effects. While some institutions noted an inability to report a full calendar year of information for some items, others reported no difficulty or even a reduction in burden. The survey will provide instructions on how to respond when annual data is difficult to report, and will accommodate the reporting of best available information from institutions experiencing difficulty reporting the full year. For example, the survey will accommodate the reporting of an alternative time period, indicated via a notes field provided at the end of each section.

Substantial clarifications have been added throughout the surveys, based on discussions with outreach participants. These discussions led to a comprehensive set of revisions specifically made to clarify the surveys, and thereby reduce the burden of response. A glossary of terms, frequently asked questions document, user-friendly web tools, and an 800-number help line will be provided to ease response. Materials will continue to be developed and clarified as necessary to help facilitate response.

Written comments directed at the FR 3066a primarily discussed the ACH and the Unauthorized Third-Party Payment Fraud sections. In particular, one comment argued that the institution originating the payment is "in the best position to monitor and report on transaction volume, value, and returns." This argument suggested that questions about ACH debit payments should be collected from the perspective of the originating depository financial institution (ODFI), or the payee's depository institution. In order to be responsive to this concern, questions were added to collect ACH debits from this perspective. In addition, to address concerns with the reporting of unauthorized third-party fraud payments, questions on the number of returned ACH debits, along with a breakdown of various categories of returns were also added from the ODFI perspective.

Consistent with the design of the sampling and estimation methods, past surveys collected ACH debit payments and related information from the perspective of the receiving depository financial institution (RDFI). In order to preserve comparability with past surveys and compatibility with the sampling and estimation methods, these questions were retained. One comment suggested that surveying RDFIs would not generate reliable data. Collecting information from both parties to the transaction should shed light on these concerns and help to improve understanding of the ACH data overall.

One comment requested that a “near real-time” line item be added to the ACH section. Meanwhile, as discussed above, concerns about the ability of depository institutions to respond to ACH questions resulted in additional questions in the ACH section. Also, the related “same-day” settlement question was removed given the *de minimus* amount of such activity known to have occurred through ACH operators in 2015. The Federal Reserve believes that, for the 2015 version of the survey, questions regarding new payment initiation methods remain in other parts of the surveys. While settlement speed is not currently addressed in the surveys, some alternative payment initiation methods, such as account-to-account products that may post relatively quickly and often settle through the ACH, are measured in other sections in FR 3066a and FR 3066b.

Additional comments expressed concerns with some ACH definitions in the survey that may appear confusing. These definitions have been used in past surveys, however, and participants have generally found them clear. In part, confusion about these questions may have stemmed from the omission of some descriptive information from the posted surveys. A glossary and fuller descriptive information on these terms are published in the detailed report and surveys from 2013. As in past surveys, the glossary and fuller descriptions of the questions, revised appropriately, will be provided in the complete survey distributed to participants.

One comment suggested adding questions about mobile debit card routing options provided on debit cards. These questions were not added in the present survey, in part because the materiality of the question has not been established. Questions about the provisioning of mobile wallets are new to the survey, and additional questions may be added in the future if a baseline can be established.

Networks, Processors, & Issuers Payments Surveys (FR 3066b)

Substantial clarifications have been added to the surveys, based on discussions with outreach participants. In addition, some questions were deleted and some added based on feedback received.

In a sweeping change affecting most surveys, a new question allowing the option to select the preferred basis to use for allocations of detailed payments data and, separately, fraud data was added. In the previous version of the survey, participants were asked to allocate details on the basis of Net, Authorized and Settled transactions (NAST). NAST will remain the default selection, but participants may choose Total authorized transactions, or Net Purchase Transactions as the basis instead. This change is expected to substantially reduce the burden of providing details for some respondents.

Allocations between contact and contactless payments were dropped, based on comments suggesting such allocations would be difficult or impossible to provide.

Revisions to the general-purpose prepaid card surveys were made to make the data and terminology more consistent with the FR 3063a Government-Administered, General Use Prepaid Card Survey.

Some comments addressed specific concerns with the ability to distinguish or report certain requested items in the survey. Our survey process is designed to accommodate such concerns, and we will work with participants to collect those data participants can report.

The deferred payment processor survey was discontinued.

General-purpose cards

One comment requested that a question be designed to capture net chargebacks from the general-purpose card networks. The Federal Reserve believes that the current question “chargebacks (issuer-initiated)” is equivalent to the requested item, and could be contrasted with the question “adjustments and returns (acquirer-initiated).” A more detailed examination of chargebacks is beyond the scope of the current surveys.

Another comment suggested the omission of the question to identify the volumes of “3-D secure” authentication, which is typically provided by the card networks. As an alternative, the comment suggested including a variety of other types of authentication that might not be tracked by or reported to the networks. Discussions with card networks suggested that the ability to report the use of alternative authentication methods was not possible. The Federal Reserve will retain this question, but notes that the “Online Payment Authentication Methods Processor” survey (formerly the “Secure Online Payment Processor survey) is designed to collect information on such other authentication methods.

Another comment addressed concerns about the collection of information on the “tokenization” of payments from card networks. Such solutions can be implemented in various ways by parties to the transaction. It would be difficult to comprehensively measure the variety of tokenization schemes being used. The Federal Reserve believes it is important to collect information from survey respondents that is feasible, even when the universe of competing methods cannot be measured in the survey. Given that the surveys sometimes collect partial information, it is important to recognize any limitations on new and emerging trends, especially at the analysis and reporting stages.

A comment suggested collecting “counterfeit” fraud for remote payments. The survey collects counterfeit card fraud, which, according to card network definitions, means that a fake version of the card is created and used at a merchant’s point-of-sale card terminal, an in-person situation. Remote payment fraud is classified by the card networks as an “unauthorized use of account number.” The Federal Reserve believes this definition will capture the type of fraud requested in the comment.

A comment requested some detail on mobile wallet provisioning. As mobile wallet questions are new for this survey, the Federal Reserve will not expand mobile wallet questions until a baseline can be established.

Private-label cards

One comment requested the addition of questions on the number of cards in force with multi-factor authentication mechanisms. The revised survey includes a question on the use of chips for private-label cards for the first time. Additional questions may be considered once a baseline is established.

EBT

A comment suggested collecting additional detail on authentication methods used for EBT payments. The Federal Reserve believes that EBT payments are almost exclusively PIN authenticated. Past survey efforts have not been successful in obtaining much detail underlying EBT payments, and the survey detail already requested may be difficult to obtain. No additional questions concerning authentication methods will be added at this time. If the situation improves, the Federal Reserve will seek to collect additional relevant detail in the future.

Mobile Wallet

A comment requested clarity with respect to the definition of a remote mobile transaction. Across all surveys, a remote payment is one in which the payment transaction is performed remotely, regardless of where or how the good or service is obtained. In an example with a remote card preauthorization, but with a payment made in person, the survey definition is that the payment is an in-person payment.

A comment suggested breaking out fraudulent mobile wallet transactions into person-present and remote categories. This requested breakout was added to the final proposed survey.

A comment suggested tracking the number of fraudulently provisioned cards to mobile wallets. The Federal Reserve does not know how such a question should fit into the present survey framework at this time, but believes that information on the number of fraudulent mobile wallet transactions may serve as a useful alternative measure.

Estimate of Respondent Burden

As presented in the table below, the current annual burden for the FR 3066 surveys is estimated to be 49,100 hours. The annual reporting burden for the proposed FR 3066 surveys would be 48,300 hours, a decrease of 800 hours. The Federal Reserve assumes response rates that are lower than were assumed for the current FR 3066 surveys. While current estimates of burden assumed that all responses would be complete, the level of completeness of surveys varied considerably. Proposed estimates of average burden hours also account for the varying levels of completeness that are expected to arise from the adaptive design. While the number of response items has grown since the 2013 surveys, some institutions would be asked and some would independently choose to submit partial responses.

FR 3066	<i>Number of respondents⁸</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FR 3066a	1,350	1	35	47,250
FR 3066b	125	1	8	1,000
FR 3066c	150	1	3	450
FR 3066d	50	1	8	<u>400</u>
	<i>Total</i>			49,100
Proposed				
<i>For surveys in 2016</i>				
FR 3066a	1,350	1	32	43,200
FR 3066b	125	1	8	1,000
FR 3066c	150	1	3	450
FR 3066d	50	1	12	<u>600</u>
				45,250
<i>For surveys in 2017 and 2018</i>				
FR 3066a	85	2	10	1,700
FR 3066b	15	2	5	150
FR 3066d	50	2	12	<u>1,200</u>
				3,050
	<i>Total</i>			48,300
	<i>Change</i>			(800)

The total cost to the public is estimated to decrease from the current level of \$2,540,925 to \$2,499,525 for the revised FR 3066 surveys.⁹

⁸ Of these respondents 700 for the FR 3066a, 30 for the FR 3066b, 0 for the FR 3066c, and 0 for the FR 3066d are estimated to be small entities as defined by the Small Business Administration (i.e., entities with \$550 million or less in total assets) www.sba.gov/content/small-business-size-standards.

⁹ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2014*, published March 25, 2015, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Sensitive Questions

These collections of information would contain no questions of a sensitive nature, as defined by OMB guidelines.¹⁰

Estimated Cost to the Federal Reserve System

The cost of the surveys to the Federal Reserve System depends mostly on the cost of the contractors engaged by the RPO to assist with the surveys. The estimated cost is \$2.8 million with the actual cost to be determined through completion of the best and final offer process and costs contingent on outcomes in the field. The Federal Reserve anticipates that the RPO would manage and conduct the survey process at no incremental FRS staffing cost compared with previous efforts. No other Reserve Bank or Board staff is anticipated to be required.

¹⁰ Guidance on Agency Survey and Statistical Information Collections, January 20, 2006.