

**Supporting Statement for the
Payments Research Survey
(FR 3067; OMB No. 7100-0355)**

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with minor revision, the Payments Research Survey (FR 3067; OMB No. 7100-0355). This survey collects information, as needed, on specific and time sensitive issues, which may affect the Federal Reserve's decision making. Respondents may comprise depository institutions, financial and nonfinancial businesses and related entities, individual consumers, or households. This survey may be mandatory for a certain subset of entities and voluntary for all other respondents. The Board uses this event-driven survey to obtain information specifically tailored to the Federal Reserve System's supervisory, regulatory, fiscal, and operational responsibilities. The Board may conduct various versions of the survey, as needed, and may survey respondents up to four times per year. The frequency and content of the questions depends on changing economic, regulatory, supervisory, or legislative developments.

The Board proposes to add federal, state, and local government agencies as potential respondents to a survey. The Board also recommends adjusting the burden by decreasing the estimated number of responses per year from four to two, decreasing the hours per response from 3.0 to 1.5, and by increasing the estimated number of respondents from 5,000 to 10,000. The annual burden for the proposed FR 3067 is estimated to decrease from 60,000 hours to 30,000 hours.

Background and Justification

The Board oversees the Federal Reserve Banks' provision of financial services to depository institutions, and fiscal agency services to the Treasury and other government agencies; 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 to collect information on and improve the payment, clearing, and settlement system more broadly; and conducts research on payments issues.

The Federal Reserve System has a long history of conducting surveys, including surveys of depository institutions; financial and nonfinancial businesses and related entities; individual consumers; and households. Often the surveys have provided the only reliable source of data for the subject covered by the surveys. Although these surveys have been driven by specific needs of the Federal Reserve, when published, their aggregated findings have also been used extensively by researchers outside the Federal Reserve and have been widely cited by the media.

Several functional areas of the Board have occasional need to gather data on a timely basis from the public on their payment habits, economic condition, and financial relationships, as well as their attitudes, perceptions, and expectations. The Board may have a particular need for

data during times of critical economic or regulatory change or when issues of immediate concern arise from Federal Reserve System committee initiatives and working groups or requests from the Congress. Completion of the information collection approval process for a new survey under such circumstances can pose a serious obstacle to collecting and processing data that are both accurate and timely.¹ Therefore, the Board proposes to continue the Payments Research Survey to allow for the timely collection of ad hoc data in such situations without the delay associated with the regular approval process.

In March 2011, the Board implemented the Payments Systems Survey (FR 3054 OMB No. 7100-0332). Although the FR 3054 contains an ad hoc component (FR 3054a), it is limited in its scope to cover only currency related issues. The scope of the FR 3067 is much broader than the scope of the FR 3054 and is intended to provide the Board the ability to respond timely to the need to collect data relating to any of its supervisory, regulatory, fiscal, and operational responsibilities.

During 2014, the Board, in conjunction with a public relations firm, conducted research to (1) evaluate awareness, knowledge, attitudes, and use of the new \$100 note, (2) determine familiarity and understanding of U.S. currency security features, specifically the new \$100 note, (3) assess authentication practices when using old and new U.S. notes, (4) understand perceptions of counterfeiting in general, of local currency and U.S. currency, and (5) gauge impact of counterfeiting experience on perceptions of U.S. currency. The Board collected data from over 10,000 respondents and utilized approximately 2,500 burden hours under the FR 3067.

Description of Information Collection

The Board may conduct various versions of the Payments Research Survey during the year, and as needed, survey respondents up to four times a year, to collect information on specific issues that affect its decision making. The principal value of the FR 3067 is the flexibility it provides the Federal Reserve to respond quickly to the need for data due to unanticipated economic, financial, or regulatory developments and unforeseen requests for information from Congress or others. The Board cannot predict what specific information would be needed but, because such needs are often time sensitive, staff request approval to continue to conduct the Payments Research Survey as needed.

The survey topics are time sensitive and the questions of interest vary with the focus of the survey. Because the relevant questions may change with each survey, there is no fixed reporting form. For each survey, the Board, in consultation with any partners, prepares questions of specific topical interest and then determines the relevant target group to contact.

Although the exact topics to be covered by the FR 3067 are not known at this time, the Board believes that potential topics may include, but are not limited to the following:

¹ For example, in September 2010 Board staff were required to conduct a survey, the Interchange Transaction Fees Surveys (FR 3062; OMB No. 7100-0329), under the emergency clearance provisions of Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. § 3506; 5 CFR Part 1320.13). This survey was necessary in order to meet the statutory deadline for issuing Debit Card Interchange Fees and Routing (Regulation II). Regulation II implemented section 920 of the Electronic Fund Transfer Act (EFTA), as added by section 1075 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

- general payments research,
- wholesale payments research,
- research related to clearing and settling transactions,
- retail payments research,
- payment card networks research, and
- currency and coin research.

The FR 3067 could take the form of interviewer-mediated, face-to-face, or telephone interviews; self-administered interviews using paper questionnaires, the telephone, or the Internet; focus group discussions; cognitive interviews; or other formal or less formal formats. The size of the samples and the length of the data collection period would vary depending on the particular informational needs.

Written qualitative questions or questionnaires may include categorical questions, yes-no questions, ordinal questions, and open-ended questions. Written quantitative surveys may include dollar amounts, percentages, numbers of items, interest rates, and other such information. These data will only be collected if the request is time-sensitive or adequate data of this sort is not available from any other source. These quantitative surveys enable the Board to collect a limited amount of data from a defined set of depository institutions; financial and nonfinancial businesses and related entities; individual consumers; and households in the event of an immediate and critical need for specific information. These data are not collected on any other reporting form or on the same frequency as other substantively similar data. Less formal information collection studies, such as focus groups or cognitive interviews, may use a set of structured qualitative and quantitative questions as a guide in a more extended discussion of the questions and answers.

In its assessment of the need to perform a survey under FR 3067, the Board determines if the information to be collected is available by other means or sources within the Federal Reserve System.

The survey may be coordinated and conducted by the Board with assistance from Reserve Bank staff as part of other ongoing research or regulatory activities or through a private firm, which would be chosen in a competitive bidding process.² The research instruments could be developed by the Federal Reserve System alone or jointly with a firm selected by the Federal Reserve System. As necessary, the firm would be responsible for testing the survey procedures, following the sampling protocol established by the Federal Reserve System alone or jointly with the firm, conducting the survey as specified by the Federal Reserve System, preparing data files containing the responses, computing analysis weights, and documenting all survey procedures. Data editing and analysis of the results would be conducted either solely by the Federal Reserve System or jointly with the selected firm. In determining how to conduct a particular survey, the Federal Reserve System considers the resources required. In some cases, Reserve Bank staff may assist the Board to conduct the surveys, leveraging their relationships and contacts with institutions and current work assignments.

² Board staff believe it would generally ask for assistance from Reserve Bank staff with expertise in data collection applications and processes, or with knowledge of the topic to be researched.

Proposed Revisions

The Board proposes to add federal, state, and local government agencies as potential respondents to a survey. Including these types of respondents in the panel increases the flexibility of this information collection. The Board also proposes adjusting the burden by decreasing the estimated number of responses per year from four to two, decreasing the estimated hours per response from 3.0 to 1.5, and increasing the estimated number of respondents from 5,000 to 10,000. By making these adjustments the burden estimates more accurately reflect how the collection has been used recently.

Time Schedule for Information Collection and Publication

The time schedule for the distribution of, response to, and collection of data for each survey is determined during the planning phase prior to the distribution of the survey instrument. The time schedule for the collection of data through surveys conducted by private firms is detailed in the contract between the Federal Reserve System and the firm.

Before data collection begins, staff from the Federal Reserve System will explain to respondents the purpose of the survey and how the data would be used. The Federal Reserve System may choose to keep survey data confidential, depending upon the nature of the data collection. The Federal Reserve System decides whether to publish survey data that it obtained from respondents and informs them, before publication, if the data would be confidential or published on an individual or aggregate basis. Aggregate survey information may be cited in published material such as 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 3067 is generally authorized by sections 2A and 12A of the Federal Reserve Act (FRA). Section 2A of the FRA requires that the Board 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 the maximum employment, stable prices, and moderate long-term interest rates (12 U.S.C. § 225a). In addition, under section 12A of the FRA, 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 System to collect economic data to carry out the requirements of these provisions is implicit. Accordingly, the Federal Reserve System is authorized to use the FR 3067 by sections 2A and 12A of the FRA.

Additionally, depending on the survey respondent, the information collection may be authorized under a more specific statute. These statutes are:

- Expedited Funds Availability Act section 609 (12 U.S.C. § 4008),
- Electronic Fund Transfer Act section 920 (15 U.S.C. § 1693o-2),

- Check Clearing for the 21st Century Act section 15 (12 U.S.C. § 5014), and
- Federal Reserve Act section 11 (Examinations and reports, Supervision over Reserve Banks, and Federal Reserve Note provisions (12 U.S.C. § 248)), section 11A (Pricing of Services (12 U.S.C. § 248a)), section 13 (FRB deposits and collections (12 U.S.C. § 342)), and section 16 (Issuance of Federal Reserve notes, par clearance, and FRB clearinghouse (12 U.S.C. §§ 248-1, 360, and 411)).

Under the appropriate authority, the Federal Reserve System may make submission of survey information mandatory for entities such as financial institutions or payment card networks; submissions would otherwise be voluntary.

The ability of the Federal Reserve System to maintain the confidentiality of information provided by respondents to the FR 3067 surveys will have to be determined on a case-by-case basis depending on the type of information provided for a particular survey. For instance, in some circumstances, no issue of confidentiality will arise as the surveys may be conducted by private firms under contract with the Federal Reserve System and names or other directly identifying information would not be provided to the Federal Reserve System. In circumstances where identifying information is provided to the Federal Reserve System, such information could possibly be protected under the Freedom of Information Act (FOIA), exemptions 4 and 6. Exemption 4 protects from disclosure trade secrets and commercial or financial information, while exemption 6 protects information “the disclosure of which would constitute a clearly unwarranted invasion of personal privacy” (5 U.S.C. § 552(b)(4) and (6)). If the survey is mandatory and is undertaken as part of the supervisory process, information could be protected under FOIA exemption 8, which protects information relating to the examination reports (5 U.S.C. §552(b)(8)).

Consultation Outside the Agency

On May 19, 2016, the Board published a notice in the *Federal Register* (81 FR 31635) requesting public comment for 60 days on the extension, with revision, of the FR 3067. The comment period for this notice expired on July 18, 2016. The Board did not receive any comments. On August 4, 2016, the Board published a final notice in the *Federal Register* (81 FR 51447).

Estimate of Respondent Burden

The annual burden for the proposed FR 3067 is estimated to be on average 30,000 hours as shown in the following table.³ The number of respondents is based on the average number of responses anticipated per survey conducted. Because the surveys are event-generated, it is not possible to predict exactly how many surveys would be conducted in a given year. For purposes of this estimate, it is assumed that surveys would be conducted no more than two times per year.

The average burden per response associated with the FR 3067 is estimated to vary from one to three hours per response, depending on the number and complexity of the survey questions. The Board estimates respondents would take, on average, 1.5 hours to complete each

³ Per the PRA, burden estimates for any Federal agencies that may be surveyed are not included.

survey. These reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

FR 3067	<i>Number of respondents⁴</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	5,000	4	3.0	60,000
Proposed				
Private Sector	4,300	2	1.5	12,900
Individual Consumers or Households	5,500	2	1.5	16,500
State and Local Government Agencies	200	2	1.5	<u>600</u>
	<i>Total</i>			30,000
	<i>Change</i>			(30,000)

The total annual cost to the public for this information collection is estimated to decrease from \$2,897,500 to \$1,113,525.⁵

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

⁴ Of the non-individual/household respondents that may comply with this information collection, the Board estimates at least 4,081 respondents are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards.

⁵ Total proposed cost to the public was estimated based on an assumption of 16,500 hours for individuals and households and 13,500 hours for all others, and for the current cost the estimate is based on an assumption of 10,000 hours for individuals and households and 50,000 hours for all others. Both estimates use the following formulas: (1) for individuals and households: the average consumer cost of \$24 is estimated using data from the BLS Economic News Release (USDLE-16-0462) www.bls.gov/news.release/cewqtr.nr0.htm and (2) for businesses and government: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$17, 45% Financial Managers at \$65, 15% Lawyers at \$66, and 10% Chief Executives at \$89). 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 2015*, published March 30, 2016 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Estimate of Cost to the Federal Reserve System

The cost of the surveys depends on the size of the sample, the number of questions asked, the type and complexity of the questions asked, the frequency of the surveys, and whether staff from the Federal Reserve System or a private firm conducted the surveys. The Board anticipates that in many cases internal staff would conduct the surveys as part of their normal research activities, and would therefore not result in additional staffing costs. If however, the Board determined that a private firm was needed to conduct the surveys, the Board estimates that associated costs may range from \$25 to \$100 per respondent, depending on the level of involvement of the private firm.