

**Supporting Statement Part B for the
Payment Systems Surveys
(FR 3054; OMB No. 7100-0332)**

Summary

For all information collections that involve surveys or require a statistical methodology, the Board of Governors of the Federal Reserve System (Board) is required to provide a complete justification and explanation of the use of such a methodology. For collections that employ surveys without such a methodology, the Board should be prepared to justify its decision not to use statistical methods in any case where such methods might reduce burden or improve accuracy of results.

Background

The Board oversees the Federal Reserve Banks' provision of financial services to depository institutions; develops policies and regulations to foster the efficiency and integrity of the U.S. payment system; works with other central banks and international organizations to improve the payment system more broadly; conducts research on payments issues; and works closely with the Bureau of Engraving and Printing (BEP) and U.S. Secret Service (USSS) on currency design, quality issues, and to educate the global public on the security features of Federal Reserve notes. Board officials serve on the Advanced Counterfeiting Deterrence group (ACD), an interagency working group that is responsible for maintaining the security of U.S. currency. As a member of the ACD, the Board supports the BEP in the design of next family of U.S. currency by providing critical data on the use and circulation of Federal Reserve notes.

The Board periodically gathers data from various groups (including financial and nonfinancial institutions, banknote equipment manufacturers (BEMs), and global wholesale banknote dealers) regarding demand for currency and coin, the quality and functionality of banknotes, the public's perceptions of security features, and how individuals use currency. These data are considered particularly essential when (1) critical economic changes occur, (2) the BEP encounters production problems and banknotes do not meet quality standards, (3) new banknote designs are under consideration, (4) issues of immediate concern arise from Federal Reserve System committee initiatives working on banknote security and issuance, or (5) Congress enacts new or revised legislation that impacts currency production, currency issuance or coin distribution.

In support of the Board's currency recirculation policy, the Federal Reserve Bank of San Francisco's Cash Product Office (CPO) and the Federal Reserve Bank of Richmond's Currency Technology Office (CTO) monitor the quality of currency by analyzing data on banknotes processed at Federal Reserve Banks each month. Once a year, the CPO randomly selects depository institutions that have deposit accounts with Federal Reserve Banks to voluntarily submit, as part of their normal deposits, currency that is unsorted from their commercial customers, in order to assess the validity of the monthly monitoring and the quality of currency in circulation.

Universe and Respondent Selection

Ad Hoc Payments Systems Survey (FR 3054a)

The sample selection for the FR 3054a will vary with each iteration of the survey. The proposed approach for the FR 3054a would be to conduct the survey up to five times per year, reaching out to up to 4,000 respondents. Target respondents for the FR 3054a are primarily individuals, but surveys may be deployed to financial institutions, retailers, or law enforcement entities. Respondents will be selected based either on their business relationship with the Federal Reserve System, or as identified by a market research firm. The Federal Reserve System cannot predict what specific information would be needed because such needs are generally non-recurring and time sensitive. Private firms may be utilized for the FR 3054a, in which case the firm would be responsible for developing and testing proposed survey procedures, following a sampling protocol which would be established by the Federal Reserve System before the survey is administered, conducting the survey as specified by the Federal Reserve System, preparing data files containing the responses, computing analysis weights, and documenting all survey procedures.

Currency Quality Sampling Survey (FR 3054b)

The FR 3054b is conducted on an annual basis. The Board analyzes the quality of currency processed at all Federal Reserve Banks and randomly selects 500 respondents whose deposits reflect the average quality of processed currency.

Currency Quality Survey (FR 3054c)

The FR 3054c would be conducted twice per year, once with depository institutions and once with banknote equipment manufacturers. Fewer than 20 depository institutions may be selected from the Federal Reserve's cash customer advisory council, a universe of 20 entities. Fewer than ten BEMs may be selected from the Federal Reserve's central bank cash machine group, a universe of less than 80 entities.

Currency Functionality and Perception Survey (FR 3054d)

The FR 3054d would be conducted five times a year with BEMs to prepare for and participate in discussions with the Board, BEP, CTO, or USSS. BEMs may be selected from the Federal Reserve's central bank cash machine group, a universe of less than 80 entities.

Currency Education Usability Survey (FR 3054e)

The FR 3054e would be conducted approximately ten times per year with a respondent pool of no more than 250 respondents. Respondents will primarily be individuals, but the Currency Education Usability Survey may request responses from educators or cash handling entities (e.g. depository institutions or retailers) to support the development of new education materials and resources for these stakeholder groups.

Procedures for Collecting Information

Surveys could be administered online or in person, through in-depth interviews, and through observations of focus groups.

Methods to Maximize Response

Ad Hoc Payments Systems Survey (FR 3054a)

Methods to maximize response rates will vary with each survey, but generally it is expected that each survey will receive about a 60 percent response rate, which is adequate to the purposes of the collection.

Currency Quality Sampling Survey (FR 3054b)

The Board anticipates a 60 percent response rate, which is adequate to the purposes of the collection. Should response rate not yield statistically reliable data, additional responses may be solicited from the initial inquiry.

Currency Quality Survey (FR 3054c)

The Board selects depository institutions from the Federal Reserve System's cash advisory council and banknote manufacturers from the Federal Reserve's central bank cash machine group. Because their businesses are directly affected by currency designs and currency quality, the Federal Reserve anticipates a 100 percent response rate.

Currency Functionality and Perception Survey (FR 3054d)

Participants in the FR 3054d are banknote equipment manufacturers selected from the Federal Reserve's central bank cash machine group (the same audience as described in FR 3054c). Because their businesses are directly affected by currency designs, the Board anticipates a 100 percent response rate.

Currency Education Usability Survey (FR 3054e)

The Board anticipates a 60 percent response rate, which is adequate to the purposes of the collection.

Testing of Procedures

There has been no pretesting of procedures for these surveys. Methods for previous surveys have varied depending on the collection goals.