

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

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the Payments Systems Surveys (FR 3054; OMB No. 7100-0332). The Payments Systems Surveys are used to obtain information specifically tailored to the Federal Reserve's operational and fiscal agency responsibilities. The Payments Systems Surveys family of surveys is currently comprised of the following:

- Ad Hoc Payments Systems Survey (FR 3054a)
- Currency Quality Sampling Survey (FR 3054b)
- Currency Quality Survey (FR 3054c)
- Currency Functionality and Perception Survey (FR 3054d)

The Board proposes to revise the Ad Hoc Payments Systems Survey (FR 3054a) to increase the frequency of surveys from once per year to five times annually, and reduce the number of respondents from 20,000 to 4,000. The increase in frequency of surveys will allow the Federal Reserve System flexibility to respond to diverse needs for data by surveying smaller groups of respondents multiple times throughout a year. Under the Ad Hoc Payments Systems Survey, the Board plans to administer online or in person surveys, in-depth interviews, and observations of focus groups in order to answer critical programmatic questions from U.S. currency stakeholders. In addition, the Board proposes to implement one new survey, the Currency Education Usability Survey (FR 3054e). The Currency Education Usability Survey would be conducted approximately five times per year to assess the usability of digital or online education materials on U.S. currency. The Currency Education Usability Survey may be conducted by the Board or a private firm. The Currency Quality Sampling Survey (FR 3054b), Currency Quality Survey (FR 3054c), and Currency Functionality and Perception Survey (FR 3054d) are not being revised. The estimated total annual burden for the FR 3054 is 19,150 hours. The proposed revisions would result in a net increase in burden of 1,250 hours.

Background and Justification

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, 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.¹ 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.

The Board works closely with the BEP and USSS on banknote design to ensure that banknotes consistently meet the needs of the public, are usable in all types of transactions (including those involving automated equipment), and can be easily authenticated. To maintain a sound money supply, it is important that currency functions properly in all types of transactions and can be easily authenticated and denominated by all users. To assess how banknote equipment manufacturers determine the authenticity and denomination of a banknote, the Federal Reserve System conducts meetings and interviews with these stakeholders regarding currency security features and key banknote design elements.

Description of Information Collection

Ad Hoc Payments Systems Survey (FR 3054a)²

¹ Currency Recirculation Policy, Federal Reserve Bank Services <https://www.frb services.org/resources/financial-services/cash/currency-recirculation-policy/index.html>

² Certain criteria apply to information collections conducted via the Board's ad hoc clearance process. Such information collections shall (1) be vetted by the Board's clearance officer, as well as the Division director responsible for the information collection; (2) display the OMB control number; (3) inform respondents that the information collection has been approved; (4) be used only in such cases where response is voluntary; (5) not be used to substantially inform regulatory actions or policy decisions; (6) be conducted only and exactly as described in the OMB submission; (7) involve only noncontroversial subject matter that will not raise concerns for other Federal agencies; (8) include information collection instruments that are each conducted only one time; (9) include a detailed justification of the effective and efficient statistical survey methodology (if applicable); and (10) collect personally identifiable information (PII) only to the extent necessary (if collecting PII, the form must display current Privacy Act notice). In addition, for each information collection instrument, respondent burden will be tracked and submitted to OMB.

The Federal Reserve System currently conducts the Ad Hoc Payments Systems Survey once per year to collect information on specific issues that affect its decision making. The principal value of the Ad Hoc Payments Systems Survey is the flexibility it provides the Federal Reserve System to respond efficiently to the need for data. The Federal Reserve System cannot predict what specific information would be needed because such needs are generally non-recurring and time sensitive.

The survey topics and questions of interest 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 System prepares questions of specific topical interest. The Federal Reserve System, in consultation with any partners, then determines the relevant target group to contact. Target respondents for the Ad Hoc Payments Systems Survey are primarily individuals, but surveys may be deployed to financial institutions, retailers, or law enforcement entities.

The Ad Hoc Payments Systems Survey may cover the following information or closely related topics:

- demand for currency;
- demand for \$1 coins;
- demand for transactional coin;
- market preferences regarding the quality of currency (new versus fit currency);
- public awareness of, preference for, and reaction to banknote designs and security features;
- currency usage patterns and behaviors; or
- effectiveness and demand for educational information about banknotes.

These data are not collected on any other reporting form or on the same frequency as other substantively similar data. The Ad Hoc Payments Systems Survey enables the Federal Reserve System to collect a limited amount of data from a defined set of consumers, financial institutions, stakeholders, or related entities in the event of an immediate and critical need for specific information.

The Ad Hoc Payments Systems Survey may be conducted through a private firm, which would be chosen in a competitive bidding process or other acceptably negotiated process.³ The research instruments may be developed by the Federal Reserve System alone or jointly with the firm selected by the Federal Reserve System. If a private firm is selected, 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.⁴ Data editing and analysis of the results may be conducted either solely by the Federal Reserve System or jointly with the firm.

³ Firms used by the Federal Reserve to conduct past surveys include the University of Michigan's Survey Research Center (SRC); NORC (a social science and survey research organization at the University of Chicago); ICF International Inc. in Calverton, MD; Rockbridge and Associates in Great Falls, VA; Research Triangle Institute in Research Triangle Park, NC; and Ogilvy in Washington, DC.

⁴ As necessary, all documents and procedures would be reviewed by the Board.

Currency Quality Sampling Survey (FR 3054b)

The Board works jointly with the CPO, the CTO, and each Federal Reserve Bank's cash department to conduct the Currency Quality Sampling Survey once per year to collect information on the quality of currency in circulation. The respondents to the Currency Quality Sampling Survey are depository institutions that have deposit accounts with a Federal Reserve Bank.

The Currency Quality Sampling Survey may cover the following information or closely related topics:

- samples of currency;
- quality of banknotes received from commercial customers of depository institutions; or
- a comparison of the quality of banknotes processed at Federal Reserve Banks with banknotes received from commercial customers of depository institutions.

Currency Quality Survey (FR 3054c)

The Board works jointly with the CPO and the CTO to conduct the Currency Quality Survey twice per year to collect information on the quality of currency in circulation. The respondents to the Currency Quality Survey are depository institutions that have deposit accounts with a Federal Reserve Bank (once per year) and banknote equipment manufacturers (once per year). The information collected is used to determine their opinions of currency quality and assess the needs for currency quality in the marketplace.

The Currency Quality Survey may cover the following information or closely related topics:

- opinions on currency quality;
- cash handling practices; or
- uses of currency sorting equipment.

Currency Functionality and Perception Survey (FR 3054d)

The Board may work jointly with the BEP and CTO to conduct the Currency Functionality and Perception Survey up to four times per year to assess the functionality of banknotes currently in circulation and to gain information from banknote equipment manufacturers that would be used as input in future designs of Federal Reserve notes. The frequency of the survey is determined by the number of banknote equipment manufacturers that solicit bilateral meetings or by the Board, CTO, and BEP choosing to solicit bilateral meetings with specific banknote equipment manufacturers based on business needs. The respondents to the Currency Functionality and Perception Survey are banknote equipment manufacturers, and the information collected is used to determine how their equipment authenticates currency and how future banknote designs can incorporate more or better machine-readable features.

The Currency Functionality and Perception Survey may cover the following information or closely related topics:

- opinions on currency quality;
- uses of sensor technology; or
- the effectiveness of machine-readable features of banknotes.

Proposed Revisions to the FR 3054

Ad Hoc Payments Systems Survey (FR 3054a)

The Board proposes to increase the frequency of Ad Hoc Payment Systems Survey up to five times per year in order to meet the changing needs of the U.S. currency program. This amendment reflects an increased frequency of data collection on a temporary basis. The frequency of surveys is determined by the number of events that require an immediate and critical need for specific information. Additionally, Board staff intends to revise the number of respondents from 20,000 to 4,000. The increase in frequency of surveys will allow the Federal Reserve System flexibility to respond to diverse needs for data by surveying smaller groups of respondents multiple times throughout a year. Under the FR 3054a, surveys could be administered online or in person, through in-depth interviews, and through observations of focus groups. Board staff estimates that each respondent would spend anywhere between 0.25 hours to 1.5 hours (with a weighted average of approximately 0.75 hours for each respondent. Most surveys under the Ad Hoc Payments Systems Survey will be short, and aimed at gathering data to inform programmatic decisions.

The Federal Reserve System intends to use the Ad Hoc Payments Systems Survey to administer surveys, interviews, and conduct focus groups to gather data about the perception and needs that users of U.S. currency have.

Currency Education Usability Survey (FR 3054e)

The Board proposes to implement a Currency Education Usability Survey (FR 3054e) to be conducted through the Board or a private firm up to five times per year to collect information on the effectiveness and usability of digital currency education tools. The frequency of the survey is determined by the number of new web resources, website pages requiring feedback, and instances of website architecture restructuring. The respondents to the Currency Education Usability Survey would be primarily individuals, but the Currency Education Usability Survey may request responses from depository institutions or retailers to support the development of new digital education materials for these stakeholder groups.

The Currency Education Usability Survey may cover the following information or closely related topics:

- website usability;
- mobile app usability; or
- the effectiveness of other education-related digital activities and projects.

Respondent Panel

As noted above, the Payments Systems Surveys include surveys of respondents including financial institutions, including depository institutions, individuals, law enforcement, and nonfinancial businesses (banknote equipment manufacturers, or global wholesale bank note dealers).

Time Schedule for Information Collection and Publication

The time schedules for the distribution of, response to, and collection of data for each survey are determined during the planning phase prior to the distribution of the survey instrument. 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. Before publication, the Federal Reserve System decides whether to publish survey data and informs respondents whether 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 information obtained from the FR 3054 may be used in support of the Board's role in overseeing the Federal Reserve Banks' provision of financial services to depository institutions; developing policies and regulations to foster the efficiency and integrity of the U.S. payment system; working with other central banks and international organizations to improve the payment system more broadly; conducting research on payments issues; and working with other federal agencies on currency design, quality issues, and to educate the global public on the security features of Federal Reserve notes. Therefore, the FR 3054 is authorized pursuant to the Board's authority under Sections 11(d),⁵ 11A,⁶ 13,⁷ and 16⁸ of the Federal Reserve Act. The FR 3054 is voluntary.

The questions asked on each survey would vary, so the ability of the Board to maintain the confidentiality of information collected would be determined on a case by case basis. It is possible that the information collected would constitute confidential commercial or financial information, which may be kept confidential under exemption 4 to the Freedom of Information Act ("FOIA").⁹ In circumstances where the Board collects information related to individuals, exemption 6 to FOIA would protect information "the disclosure of which would constitute a clearly unwarranted invasion of personal privacy."¹⁰ To the extent the information collected

⁵ 12 U.S.C. 248(d).

⁶ 12 U.S.C. 248a.

⁷ 12 U.S.C. 342.

⁸ 12 U.S.C. 411, 412, 413, 414, 415, 416, 417, 421.

⁹ 5 U.S.C. 552(b)(4).

¹⁰ 5 U.S.C. 552(b)(6).

relates to examination, operating, or condition reports prepared for the use of an agency supervising financial institutions, such information may be kept confidential under exemption 8 to FOIA.¹¹

Consultation Outside the Agency

There has been no other consultation outside the agency; however, surveys and studies may be conducted jointly with other agencies. If this were to occur, the Federal Reserve would consult with other agencies' staff, to the extent practicable, to create a consistent set of questions or a substantively similar information collection.

Public Comments

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 3054 is 19,150 hours. The proposed revisions would result in a net increase in burden of 1,250 hours. This information collection represents less than 1 percent of the Board's total paperwork burden.

The Board estimates that the Ad Hoc Payments Systems Survey may be conducted up to five times per year with up to 4,000 individuals, law enforcement agencies, financial institutions, or businesses. Respondents will be selected based either on their business relationship with the Federal Reserve System, or as identified by a market research firm. It is also estimated that each respondent would spend anywhere between 0.25 hours to 1.5 hours (with a weighted average of approximately 0.75 hours) preparing for and participating in each survey, which will either be administered as online surveys or face-to-face guided discussions. The Federal Reserve anticipates a 60 percent response rate.

The Currency Quality Sampling Survey would be conducted on an annual basis. The Board estimates that each respondent would spend approximately 0.50 hours completing the banknote collection associated with this survey. The Board analyzes the quality of currency processed at all Federal Reserve Banks and it randomly selects 300 respondents whose deposits reflect the average quality of processed currency. The Federal Reserve anticipates a 60 percent response rate.

The Currency Quality Survey would be conducted twice per year, once with approximately 25 depository institutions and once with approximately 25 banknote equipment manufacturers. Depository institutions may be selected from the Federal Reserve System's cash customer advisory council and banknote equipment manufacturers may be selected from the Federal Reserve's central bank cash machine group. It is estimated that respondents would spend approximately 30 hours preparing for and completing the Currency Quality Survey and participating in either face-to-face guided discussions or telephone interviews. Because their businesses are directly affected by currency designs and currency quality, the Federal Reserve anticipates a 100 percent response rate.

¹¹ 5 U.S.C. 552(b)(8).

The Federal Reserve anticipates conducting the Currency Functionality and Perception Survey four times a year with approximately 250 respondents and estimates that each respondent would spend approximately 2.5 hours preparing for and participating in discussions with the Board, the BEP, the CTO, or the USSS. Banknote equipment manufacturers may be selected from the Federal Reserve's central bank cash machine group. Because their businesses are directly affected by currency designs, the Federal Reserve anticipates a 100 percent response rate.

The Currency Education Usability Survey would be conducted up to five times per year with a total of 500 respondents. Each respondent would spend approximately 0.5 hours preparing for and participating in either face-to-face guided discussions, or online surveys to assess the usability of digital education tools. The Federal Reserve anticipates a 60 percent response rate.

	<i>Number of respondents¹²</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FR 3054a	20,000	1	0.75	15,000
FR 3054b	300	1	0.50	150
FR 3054c	25	2	30.0	1,500
FR 3054d	250	4	2.50	<u>2,500</u>
<i>Total</i>				19,150
Proposed				
FR 3054a	4,000	5	0.75	15,000
FR 3054b	300	1	0.50	150
FR 3054c	25	2	30.00	1,500
FR 3054d	250	4	2.50	2,500
FR 3054e	500	5	0.50	<u>1,250</u>
<i>Total</i>				20,400
<i>Change</i>				1,250

The estimated total annual cost to the public for these surveys is currently \$771,240 and with proposed revisions would increase to \$807,690.¹³

¹² Of these respondents, it is anticipated that 1,170 FR 3054a respondents, 15 FR 3054b respondents, 150 FR 3054c respondents, 250 FR 3054d respondents, and 13 FR 3054e respondents would be small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets).

¹³ Under the current FR 3054, the total cost to the public for FR 3054a was estimated based on an assumption of 10,500 hours for individuals and 4,500 hours for all others. For FR 3054b, FR 3054c, and FR 3054d, the total cost to the public was estimated based on the assumption that all respondents were businesses or government.

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System is \$36,032; however the Board notes that the actual cost of the surveys would depend 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 the survey is conducted by a private firm or Federal Reserve System staff. The Board anticipates that in most cases, staff from the Board, the CPO, or the CTO will conduct the FR 3054b and FR 3054c. The majority of the work for the FR 3054a, FR 3054d, and FR 3054e will be conducted using a private firm, working on behalf of the Board. The Board estimates that Board staff may spend up to 2,500 hours per year working on these collections. For the FR 3054a, the Board may spend between \$1 million and \$2 million for the private firm to develop, administer, and analyze the results of these surveys, depending on the scope and complexity of the survey design. For the FR 3054e the Board will use internal staff time to design, develop, and analyze surveys, so the Board anticipates spending no more than \$5,000 each year for a private firm to administer these surveys.

Under the proposed FR 3054, the estimated cost to the public for the FR 3054a is based on 10,500 hours for individuals and 4,500 hours for all others. For the FR 3054e, the total cost to the public was estimated based on the assumption that 1,125 hours will be used for individuals, and 125 hours will be used for all others. For FR 3054b, FR 3054c, and FR 3054d the total cost to the public was estimated based on the assumption that all respondents are businesses or government.

Cost estimates are created based on the following formulas and data sources—for individuals: the average consumer cost of \$26 is estimated using data from the Bureau of Labor Statistics (BLS) Economic News Release (USDLE-19-0307) <http://www.bls.gov/news.release/cewqtr.nr0.htm>; for businesses and government: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$19, 45% Financial Managers at \$71, 15% Lawyers at \$69, and 10% Chief Executives at \$96). 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 2018, published March 29, 2019 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, <http://www.bls.gov/soc/>