

**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 Payment Systems Surveys (FR 3054; OMB No. 7100-0332).¹ The Payment Systems Surveys are used to obtain information specifically tailored to the Federal Reserve's operational and fiscal agency responsibilities. The Payment 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), and
- Currency Education Usability Survey (FR 3045e).

The Board proposes to revise the FR 3054 by modifying each of the following collections by:

- Increasing the expected number of respondents of the FR 3054b,
- Increasing the response frequency of the FR 3054d,
- Decreasing the expected number of respondents and increasing the response frequency of the FR 3054e, and
- Transitioning the Currency Quality Survey (FR 3054c) from an ad hoc to an established collection.

These increases in expected respondents and the frequency of surveys will allow the Federal Reserve System the needed flexibility to respond to diverse needs for data. Additionally, the FR 3054c has not changed since 2018 and no changes are anticipated during the current clearance cycle, so this survey is being transitioned to an established collection.

The current estimated total annual burden for the FR 3054 is 20,400 hours and would increase to 21,125 hours. The proposed revisions would result in an increase of 725 hours.

¹ 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 sensitive 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.

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 systems; works with other central banks and international organizations to improve the payment systems 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 the 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.² 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.

The Board is responsible for ensuring that users of U.S. currency around the world have access to education, training, and information about Federal Reserve notes. The Board works

² Currency Recirculation Policy, Federal Reserve Bank Services <https://www.frb services.org/resources/financial-services/cash/currency-recirculation-policy/index.html>.

closely with our government partners at the USSS and the BEP to raise awareness about how to use the design and security features of U.S. currency. To ensure that educational materials are effective, surveys and focus groups would be instrumental in assessing the usability of resources provided in support of U.S. currency education.

This information is not available from other sources. These surveys are specific to the work of the Board, in close collaboration with partner agencies, where applicable, and data collection is often conducted as a joint effort to reduce overlap and mitigate duplication. Because of the unique and timely nature of these collections and the questions asked, this data collection helps with decision making within the U.S. currency program.

Description of Information Collection

Ad Hoc Payments Systems Survey (FR 3054a)

The Federal Reserve System currently conducts the Ad Hoc Payments Systems Survey (FR 3054a) up to five times per year to gather data about the perception and needs of users of U.S. currency and 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. Surveys could be administered online or in person, through in-depth interviews, and through observations of focus groups.

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 that 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.

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 (FR 3054b) 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 (FR 3054c) 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 covers the following topics:

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

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 Functionality and Perception Survey (FR 3054d)

The Board may work jointly with the BEP and CTO to conduct the Currency Functionality and Perception Survey (FR 3054d) 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.

Currency Education Usability Survey (FR 3054e)

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

Respondent Panel

The FR 3054 panel comprises financial institutions (including depository institutions), law enforcement, nonfinancial businesses (retailers, banknote equipment manufacturers, or global wholesale bank note dealers), and individuals within the general public.

Proposed Revisions to the FR 3054

The Board proposes to increase the estimated respondents for the FR 3054b from 300 to 500, increase the estimated frequency for the FR 3054d from four times a year to five times a year, and increase the estimated frequency from five times a year to ten times a year and decrease the estimated number of respondents from 500 to 250 for the FR 3054e. The increase in the frequency of surveys allows the Federal Reserve System flexibility to respond to diverse needs for data by surveying groups of respondents multiple times throughout a year. Increasing the number of estimated respondents of the FR 3054b will help ensure statistical significance of the sample pool and decreasing the estimated number of respondents while increasing the frequency of the FR 3054e will facilitate more survey agility. Additionally, the FR 3054c has not changed since 2018 and no changes are anticipated during the current clearance cycle. The FR 3054c is therefore being transitioned from an ad hoc to an established collection.

Time Schedule for Information Collection

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. The Board estimates that the Ad Hoc Payments Systems Survey (FR 3054a) may be conducted up to five times per year. The Currency Quality Sampling Survey (FR 3054b) is conducted on an annual basis. The Currency Quality Survey (FR 3054c) is conducted twice per year. The Currency Functionality and Perception Survey is currently conducted up to four times a year, and would increase to up to five times a year with the proposed revisions. The Currency Education Usability Survey (FR 3054e) is currently conducted up to five times per year, and would increase to up to ten times per year with the proposed revisions.

Public Availability of Data

Before data collection begins, staff from the Federal Reserve System 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. 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

Section 11(d)⁵ of the Federal Reserve Act (“FRA”) authorizes the Board to “supervise and regulate through the Secretary of the Treasury the issue and retirement of Federal reserve notes, except for the cancellation and destruction, and accounting with respect to such cancellation and destruction, of notes unfit for circulation, and to prescribe rules and regulations under which such notes may be delivered by the Secretary of the Treasury to the Federal reserve agents applying therefor.” Section 11A⁶ of the FRA requires the Board to put into effect a schedule of fees for Federal Reserve bank services to depository institutions based on specified principles, including that such fees be based on the direct and indirect costs actually incurred in providing these services. Section 13⁷ of the FRA authorizes, among other things, Federal

⁵ 12 U.S.C. § 248(d).

⁶ 12 U.S.C. § 248a.

⁷ 12 U.S.C. § 342.

Reserve Banks to provide a variety of payments services. Section 16⁸ of the FRA authorizes the Board to take a variety of actions related to the issuance and management of Federal Reserve notes. 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), 11A, 13, and 16 of the FRA. 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. To the extent a respondent submits nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent, the respondent may request confidential treatment pursuant to exemption 4 of the Freedom of Information Act (FOIA).⁹ In circumstances where the Board collects information related to individuals, exemption 6 to the FOIA would protect information "the disclosure of which would constitute a clearly unwarranted invasion of personal privacy."¹⁰ To the extent the information collected 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 the FOIA.¹¹

Consultation Outside the Agency

The Board may consult with, collaborate with, or jointly conduct surveys with other agencies within the U.S. Currency Program to include the System banks, the USSS, Department of Treasury, and Treasury's BEP.

Public Comments

On September 13, 2022, the Board published an initial notice in the *Federal Register* (87 FR 56053) requesting public comment for 60 days on the extension, with revision, of the FR 3054. The comment period for this notice expires on November 14, 2022.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 3054 is 20,400 hours, and would increase to 21,125 hours with the proposed revisions.

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

⁸ 12 U.S.C. §§ 411, 412, 413, 414, 415, 416, 417, 420, 422.

⁹ 5 U.S.C. § 552(b)(4).

¹⁰ 5 U.S.C. § 552(b)(6).

¹¹ 5 U.S.C. § 552(b)(8).

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 is 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 randomly selects 500 respondents (with the proposed revisions) whose deposits reflect the average quality of processed currency. The Federal Reserve anticipates a 60 percent response rate.

The Currency Quality Survey is 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.

The Federal Reserve anticipates conducting the Currency Functionality and Perception Survey five times a year (with the proposed revisions) 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 ten times per year with a total of 250 respondents per survey (with the proposed revisions). Each respondent would spend an average of 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.

These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

	<i>Estimated number of respondents</i> 12	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 3054				

¹² Of these respondents, 480 of the FR 3054a, 25 of the FR 3054b, 15 of the FR 3054c, 250 of the FR 3054d, and 30 of the FR 3054e are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets) <https://www.sba.gov/document/support-table-size-standards>. There are no special accommodations given to mitigate the burden on small institutions.

Current				
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>Current Total</i>				20,400
Proposed				
FR 3054a	4,000	5	0.75	15,000
FR 3054b	500	1	0.50	250
FR 3054c	25	2	30.00	1,500
FR 3054d	250	5	2.50	3,125
FR 3054e	250	10	0.50	<u>1,250</u>
<i>Proposed Total</i>				21,125
<i>Change</i>				725

The estimated total annual cost to the public for these surveys is \$883,388.¹³

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

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 may use internal staff time in conjunction with a private firm to design, develop, and analyze surveys, so the Board

¹³ 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 \$20, 45% Financial Managers at \$73, 15% Lawyers at \$72, and 10% Chief Executives at \$95). 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 2020, published March 31, 2021, <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>. AND/OR The average consumer cost of \$27 is estimated using data from the Bureau of Labor Statistics (BLS), Occupational Employment and Wages, May 2020, published March 31, 2021, <https://www.bls.gov/news.release/ocwage.t01.htm#>.

anticipates spending approximately \$10,000 each year for a private firm to support and administer these surveys.