

**Supporting Statement for the
Interchange Transaction Fees Survey
(FR 3064; OMB No. 7100-0344)**

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 the Interchange Transaction Fees Survey (FR 3064; OMB No. 7100-0344) for three years, with clarifying revisions to certain instructions that do not substantively change the information reported by respondents. This information collection comprises the following reports:

- The Debit Card Issuer Survey (FR 3064a) collects data from issuers of debit cards (including general-use prepaid cards) that, together with their affiliates, have assets of \$10 billion or more, including information regarding the volume and value of debit card transactions; chargebacks and returns; costs of authorization, clearance, and settlement of debit card transactions; other costs incurred in connection with particular debit card transactions; fraud prevention costs and fraud losses; and interchange fee revenue.¹
- The Payment Card Network Survey (FR 3064b) collects data from payment card networks, including the volume and value of debit card transactions; interchange fees; network fees; and payments and incentives paid by networks to acquirers, merchants, and issuers.²

The data from the FR 3064a and FR 3064b are used to fulfill a statutory requirement that the Board disclose certain information regarding debit card transactions on a biennial basis.³ In addition, the Board uses data from the Payment Card Network Survey (FR 3064b) to publicly report on an annual basis the extent to which networks have established separate interchange fees for exempt and covered issuers.⁴

The Board proposes to modify the instructions for the FR 3064b to clarify responses for debit card transactions when multiple networks are involved in the processing of the transactions. The Board is also proposing to modify the instructions for the FR 3064a and FR 3064b to include guidance that the Board has previously provided in response to questions from respondents.

The current estimated total annual burden for the FR 3064 is 85,445 hours and would remain unchanged with the proposed revisions.

Background and Justification

¹ See 12 CFR § 235.2(k) for the definition of “Issuer.”

² See 12 CFR § 235.2(m) for the definition of “Payment card network.”

³ See 12 U.S.C. § 1693o-2(a)(3)(B). The Board’s biennial reports are available at <https://www.federalreserve.gov/paymentsystems/regii-data-collections.htm>.

⁴ See Average Debit Card Interchange Fee by Payment Card Network <https://www.federalreserve.gov/paymentsystems/regii-average-interchange-fee.htm>.

Section 920(a)(3) of the Electronic Fund Transfer Act, as added by section 1075(a)(3) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), provides that the Board shall, on at least a biennial basis, disclose such aggregate or summary information concerning the costs incurred, and interchange transaction fees charged or received, by issuers or payment card networks in connection with debit card transactions as the Board considers appropriate and in the public interest.⁵ In addition, when the Board adopted Regulation II, the Board stated that, in order to monitor the effectiveness of the small-issuer exemption from the interchange fee standards, it planned to collect information from payment card networks annually and planned to publish annually a list of the average interchange fees each network provides to its covered and exempt issuers.⁶

This information is not available from other sources.

Description of Information Collection

The FR 3064 comprises two surveys: (1) the Debit Card Issuer Survey (FR 3064a) and (2) the Payment Card Network Survey (FR 3064b). A general description of these surveys is provided below.

Debit Card Issuer Survey (FR 3064a)

The Debit Card Issuer Survey is required for each debit card issuer that, together with its affiliates, has assets of \$10 billion or more. In general, the Debit Card Issuer Survey collects information on two types of debit card programs and transactions: dual-message and single-message.⁷ Both programs include general-use prepaid card transactions. The survey requests information on accounts and cards associated with accounts domiciled in the United States, the District of Columbia, and U.S. territories.⁸ The Debit Card Issuer Survey comprises five sections.

- I. Respondent Information:** Respondents provide the name of the debit card issuer covered in the response and the contact person(s)'s name, e-mail, and phone number.
- II. Information for all Debit Card Transactions (including general-use prepaid card transactions):** Respondents report summary information for debit card (including general-use prepaid card) transaction volume and value; chargebacks to and returns from acquirers; costs of authorization, clearance, and settlement; other costs incurred in connection with particular debit card transactions that are not authorization, clearance, and settlement costs; costs for fraud prevention and data security; fraudulent transactions

⁵ See 15 U.S.C. § 1693o-2(a)(3)(B).

⁶ See 76 FR 43394, 43436 (July 20, 2011).

⁷ In dual-message transactions, authorization information is carried in one message and clearing information is carried in a separate message. In single-message transactions, authorization and clearing information is carried in one message. General-use prepaid card transactions use either communication method (although dual-message transactions are more common). General-use prepaid cards can be reloadable or non-reloadable.

⁸ U.S. territories include American Samoa, Federal States of Micronesia, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, Republic of Palau, Republic of the Marshall Islands, and U.S. Virgin Islands.

and fraud losses; and interchange fee revenue.⁹

III. Information for Single-Message Debit Card Transactions (excluding general-use prepaid card transactions): Respondents submit data for the same set of questions asked in Section II, above, for single-message debit card programs, excluding general-use prepaid cards.

IV. Information for Dual-Message Debit Card Transactions (excluding general-use prepaid card transactions): Respondents submit data for the same set of questions asked in Section II, above, for dual-message debit card programs, excluding general-use prepaid cards.

V. Information for General-Use Prepaid Card Transactions: Respondents submit data for the same set of questions asked in Section II, above, for general-use prepaid card transactions.

Payment Card Network Survey (FR 3064b)

The Payment Card Network Survey is required for all entities that are considered “payment card networks” under Regulation II. The payment card network survey requests information on domestic debit card transactions (i.e., those in which both the merchant and account debited are located in the United States). Regulation II requires each payment card network to submit information about debit card (including general-use prepaid card) transactions in a form prescribed by the Board.¹⁰ The Payment Card Network Survey comprises two sections.¹¹

I. Respondent Information: Respondents provide the network covered in this response and the contact person(s)’s name, e-mail, and phone number. Respondents also report whether the payment card network is a single-message or dual-message network. In the event that a network processes both single-message and dual-message transactions, the network must complete a survey for each type of transaction.

II. Information on Debit Card Transactions (including general-use prepaid card transactions): Respondents report summary information for the volume and value of all debit card transactions; chargebacks to and returns from acquirers; the volume and value of transactions involving exempt and non-exempt issuers; the volume and value of transactions involving exempt and non-exempt general-use prepaid card transactions; the value of interchange fees for all transactions, exempt/non-exempt issuers, and exempt general-use prepaid card transactions; the value of network fees; and payments and incentives paid by networks to acquirers, merchants, and issuers.

⁹ The list of fraud prevention activities (such as transaction monitoring, merchant blocking, data security, PIN customization, and other) may be updated over time based on “other” activities reported.

¹⁰ See 12 CFR § 235.8.

¹¹ Entities that have both single-message and dual-message networks are asked to report data for each program separately.

Proposed Revisions

Debit Card Issuer Survey (FR 3064a)

The Board is proposing the following changes in the Debit Card Issuer Survey instructions to include guidance that the Board has previously provided in response to questions from respondents:

- Adding “Credit-push transactions (other than, where appropriate, returns), sometimes referred to as original credit transactions (OCTs)” to the General Instructions, Section II (All Debit Card Transactions), “Do Not Include” list to indicate that credit-push transactions should not be included in the response.
- Modifying the General Instructions, Frequently Asked Questions, Q9.A to read: “A debit card transaction is the use of a debit card (including a general-use prepaid card) by a person as a form of payment in the United States to initiate a debit to an account. Such transactions include those conducted with both business and consumer debit cards. Debit card transactions include charitable contributions, payments made to satisfy an obligation (e.g., tax liability), or payments made for other purposes, such as to fund another account (sometimes referred to as account funding transactions (AFTs)). Debit card transactions do not include credit card transactions, transactions initiated at an ATM, or credit-push transactions, sometimes referred to as original credit transactions (OCTs).”

The Board proposes to implement the revisions starting from the next iteration of the Debit Card Issuer Survey.

Payment Card Network Survey (FR 3064b)

The Board proposes to modify the instructions for the Payment Card Network Survey to clarify guidance for survey respondents. The proposed revisions provide instructions for reporting when multiple networks are involved in the processing of transactions. The Board is also proposing to modify the instructions for the Payment Card Network Survey to include guidance that the Board has previously provided in response to questions from respondents. The Board proposes to implement the revisions starting from the next iteration of the Payment Card Network Survey.

Through recent communications with survey respondents, the Board has become aware that for debit card transactions where multiple networks are involved in the processing of the transactions, the involved payment card networks may be interpreting the existing survey instructions differently from one another. Such differing interpretations could potentially lead to overcounting of transactions, if all involved networks report such transactions in their survey responses, or undercounting, if none of them do.¹² The changes to the survey instructions

¹² To illustrate, consider an example of two networks, A and B, that enter a reciprocal arrangement in which Network B provides services that allow Network A’s debit cards (i.e., debit cards that have been issued by depository institutions under agreement with Network A) to be used at a merchant that accepts Network B but does

outlined below clarify which network should report such transactions, looking to ensure consistent reporting across respondents and eliminate the possibility of under- or overcounting of transactions in the survey responses.

The Board is proposing to clarify the survey instructions to specify that a network should report values associated with debit card transactions for which that network establishes the interchange fee received by issuers, even if that network outsources some or all processing functions to another payment card network. Conversely, a network should not report values associated with debit card transactions for which another network establishes the interchange fee received by issuers, even if the former network performs some or all processing functions for these transactions on behalf of the other payment card network. The proposed clarification would be implemented through the following changes:

- Modifying the text under General Instructions, Section II (Debit Card Transactions) to read: “Please enter totals for transactions related to debit cards, including general-use prepaid cards, linked to U.S.-domiciled accounts involving a merchant located in the United States during the calendar year (CY) 20XX. Important: In some cases, transactions may be processed by multiple networks due to the outsourcing of some or all processing functions. Please note the special instructions below to ensure proper treatment of such transactions.”
- Removing “All debit card transactions (including general-use prepaid card transactions).” from General Instructions, Section II (Debit Card Transactions), “Include” list.
- Adding “Transactions for which your network establishes the interchange fee received by issuers, even if your network outsources some or all processing functions for these transactions to one or more payment card networks.” to General Instructions, Section II (Debit Card Transactions), “Include” list.
- Modifying the General Instructions, Section II (Debit Card Transactions), “Do Not Include” list to indicate that none of the following should be included in the response: (a) “Credit card transactions,” (b) “Transactions initiated at an ATM,” (c) “Credit-push transactions (other than, where appropriate, returns), sometimes referred to as original credit transactions (OCTs),” and (d) “Transactions for which another network establishes the interchange fee received by issuers, even if your network performs some or all processing functions for these transactions on behalf of the other payment card network.”

To ensure that the revised survey instructions clearly and adequately clarify responses for debit card transactions when multiple networks are involved in the processing of the transactions, the following questions are included in the *Federal Register* notice:

not directly accept Network A. Network B may perform some or all of the processing functions for transactions performed with Network A’s debit cards at such a merchant. For its part, Network A may perform certain processing functions for such transactions, particularly with respect to issuers of Network A’s debit cards. Network A may also establish fees for issuers, including network fees and the interchange fees that issuers pay and receive, respectively. In this situation, the current survey instructions do not specify whether Network A, Network B, or both should report transactions when both networks are involved in the processing of the transactions.

- Are the proposed revisions to the survey instructions clear on which network would be responsible for reporting transactions when multiple payment card networks are involved in the processing of the transactions?
- Are there potential challenges to reporting transactions based on the revised instructions? If so, are there further changes that the Board should consider to alleviate such challenges?
- Are there other situations, similar to those described but involving different facts and circumstances, for which reporting would not be clarified by the proposed revisions? If so, are there further changes that the Board should consider to provide clarity in these situations?

In addition, the Board is proposing to further clarify the survey instructions by including guidance that the Board has previously provided in response to questions from respondents and removing glossary items no longer relevant to the survey:

- Modifying the General Instructions, Glossary of Terms, “Debit card transaction” definition to read: “Debit card transaction: Use of a debit card (including a general-use prepaid card) by a person as a form of payment in the United States to initiate a debit to an account. It does not include transactions initiated at an ATM, including cash withdrawals and balance transfers initiated at an ATM. For more details, see General Instructions, Frequently Asked Questions, Q8,” to (a) harmonize definitions across FR 3064a and FR 3064b and (b) align the definition to the language in 12 CFR § 235.2(h).
- Modifying the General Instructions, Frequently Asked Questions, Q8.A to read: “A debit card transaction is the use of a debit card (including a general-use prepaid card) by a person as a form of payment in the United States to initiate a debit to an account. Such transactions include those conducted with both business and consumer debit cards. Debit card transactions include charitable contributions, payments made to satisfy an obligation (e.g., tax liability), or payments made for other purposes, such as to fund another account (sometimes referred to as account funding transactions (AFTs)). Debit card transactions do not include credit card transactions, transactions initiated at an ATM, or credit-push transactions, sometimes referred to as original credit transactions (OCTs).”
- Removing General Instructions, Glossary of Terms, “Number of merchant establishments” definition because the Payment Card Network Survey no longer collects such information.

Respondent Panel

The FR 3064 panel comprises debit card issuers and payment card networks.

Time Schedule for Information Collection

The Board plans to make the Debit Card Issuer Survey and Payment Card Network Survey available online in the first quarter of every survey year.¹³ Institutions typically have 90 days to respond to the survey. Institutions are also expected to provide clarifications, corrections, and adjustments as requested to complete their submission.

Public Availability of Data

The Board is required to disclose, as appropriate and in the public interest, aggregate or summary information concerning the costs incurred and interchange fees charged or received by issuers and payment card networks on a biennial basis. In addition, the Board previously announced that it will disclose information on payment card network interchange fees on an annual basis. The Board is targeting a publication of the Payment Card Network Survey results and the Debit Card Issuer Survey results by, respectively, the end of the third and fourth quarter of every survey year.

Legal Status

The FR 3064a and FR 3064b are authorized by section 920(a) of the Electronic Fund Transfer Act, as amended by section 1075(a) of the Dodd-Frank Act.¹⁴ This provision requires the Board, at least once every two years,¹⁵ to disclose aggregate or summary information concerning the costs incurred and interchange transaction fees charged or received by issuers or payment card networks in connection with the authorization, clearance, or settlement of electronic debit transactions as the Board considers appropriate and in the public interest.¹⁶ It also provides the Board with authority to require issuers and payment card networks to provide information to enable the Board to carry out the provisions of the subsection.¹⁷ The FR 3064a and FR 3064b are mandatory.

The Board is required to release aggregate information from responses to the FR 3064a and FR 3064b.¹⁸ The Board additionally releases, at the network level, the percentage of total number of transactions, the percentage of total value of transactions, and the average transaction value for exempt and non-exempt issuers obtained on the FR 3064b because it can be calculated based on information the Board already releases and may be useful to issuers, merchants, and policymakers in choosing payment card networks and assessing the effects of interchange regulations. The information contained in individual responses to the FR 3064a and FR 3064b is nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent. The Board therefore keeps such information confidential pursuant to exemption 4 of the Freedom of Information Act (“FOIA”).¹⁹

¹³ See <https://www.federalreserve.gov/paymentsystems/regii-data-collections.htm> to access prior versions of the surveys.

¹⁴ 12 U.S.C. § 1693o-2.

¹⁵ The subsection refers to bi-annual disclosures and the Board interprets this to mean once every two years. See 76 FR 43458.

¹⁶ 15 U.S.C. § 1693o-2(a)(3)(B).

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ 5 U.S.C. § 552(b)(4).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On July 13, 2022, the Board published an initial notice in the *Federal Register* (87 FR 41718) requesting public comment for 60 days on the extension, with revision, of the FR 3064. The comment period for this notice expires on September 12, 2022.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 3064 is 85,445 hours, and would not change with the proposed revisions. The Board estimates that there are 527 chartered institutions that, together with affiliates, have assets of \$10 billion or more and that may issue debit cards.²⁰ In addition, the Board estimates that there are 15 payment card networks that process electronic debit transactions.²¹ These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR 3064	<i>Estimated number of respondents²²</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 3064a	527	1	160	84,320
FR 3064b	15	1	75	<u>1,125</u>
<i>Total</i>				85,445

The estimated total annual cost to the public for these collections of information is \$5,054,072.²³

Sensitive Questions

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

²⁰ See <https://www.federalreserve.gov/paymentsystems/regii-interchange-fee-standards.htm> for a list of institutions that are known to be non-exempt.

²¹ This estimate is based on payment card networks known to process electronic debit transactions and responses to the payment card network data collection for calendar year 2020.

²² Of these respondents, none 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>.

²³ 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/>.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Board for collecting and processing these information collections is \$172,500.²⁴

²⁴ Total cost to the Board was estimated using the following formula: estimated staff time of 2,000 hours multiplied by average hourly rate of \$50, plus estimated information technology costs of \$72,500.