



FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice, request for comment.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) invites comment on a proposal to extend for three years, with revision, the Interchange Transaction Fees Survey (FR 3064; OMB No. 7100-0344).

DATES: Comments must be submitted on or before [INSERT 60 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

ADDRESSES: You may submit comments, identified by FR 3064, by any of the following methods:

- Agency Website: <https://www.federalreserve.gov/>. Follow the instructions for submitting comments at <https://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- E-mail: regs.comments@federalreserve.gov. Include the OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at

<https://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons or to remove personally identifiable information at the commenter's request.

Accordingly, comments will not be edited to remove any identifying or contact information.

Public comments may also be viewed electronically or in paper in Room 146, 1709 New York

Avenue, NW, Washington, DC 20006, between 9:00 a.m. and 5:00 p.m. on weekdays. For security reasons, the Board requires that visitors make an appointment to inspect comments. You may do so by calling (202) 452-3684. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

Additionally, commenters may send a copy of their comments to the Office of Management and Budget (OMB) Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW, Washington, DC 20503, or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT: A copy of the Paperwork Reduction Act (PRA) OMB submission, including the reporting form and instructions, supporting statement, and other documentation will be placed into OMB’s public docket files, if approved. These documents will also be made available on the Board’s public website at <https://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551, (202) 452-3829.

SUPPLEMENTARY INFORMATION: On June 15, 1984, OMB delegated to the Board authority under the PRA to approve and assign OMB control numbers to collections of information conducted or sponsored by the Board. In exercising this delegated authority, the Board is directed to take every reasonable step to solicit comment. In determining whether to approve a collection of information, the Board will consider all comments received from the public and other agencies.

Request for Comment on Information Collection Proposal

The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Board's functions, including whether the information has practical utility;
- b. The accuracy of the Board's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Board should modify the proposal.

Proposal under OMB Delegated Authority to Extend for Three Years, With Revision, the Following Information Collection:

Report title: Interchange Transaction Fees Survey.

Agency form number: FR 3064.

OMB control number: 7100-0344.

Frequency: Annually.

Respondents: Debit card issuers and payment card networks.

Estimated number of respondents: FR 3064a, 541 respondents; and FR 3064b, 15 respondents.

Estimated average hours per response: FR 3064a, 160 hours; and FR 3064b, 75 hours.

Estimated annual burden hours: FR 3064a, 86,560 hours; and FR 3064b, 1,125 hours.

General description of report: The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) requires the Board to disclose, at least every two years, such aggregate or summary information concerning the costs incurred for, and interchange transaction fees received by, issuers with respect to debit card transactions as the Board considers appropriate or in the public interest. The data from these surveys are used in fulfilling that disclosure requirement. 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.¹ Finally, the Board uses the data from these surveys in determining whether to propose revisions to the interchange fee standards in Debit Card Interchange Fees and Routing (Regulation II) (12 CFR Part 235). The Dodd-Frank Act provides the Board with authority to require debit card issuers and payment card networks to submit information in order to carry out provisions of the Dodd-Frank Act regarding interchange fee standards.

Proposed revisions: The Board proposes the following revisions to the FR 3064a:

Remove breakout of interchange fees reimbursed to acquirers as a result of chargebacks or returns (Section II, III, IV, and V, Question 6b.1 and 6b.2). Currently, debit card issuers are asked to break out separately the amount of interchange fees reimbursed to acquirers as a result of chargebacks and returns, as well as the total amount of interchange fees reimbursed to acquirers as a result of chargebacks or returns. Because only the total amount of interchange fees

¹ Average debit card interchange fee by payment card network
<http://www.federalreserve.gov/paymentsystems/regii-average-interchange-fee.htm>.

reimbursed to acquirers is needed to compute the net interchange fee revenue received by an issuer, the Board proposes deleting questions 6b.1 and 6b.2.

Add tokenization as an option for fraud prevention activity (Section II, III, IV, and V, Question 5c). The existing fraud prevention activities that an issuer has the option to select are transaction monitoring, merchant blocking, data security, and PIN customization. The Board views tokenization as an important emerging fraud prevention technique and proposes to add it to the current list.

Update Survey Instructions and Glossary of Terms. The Board is proposing to add language in the instructions to address the situation where a debit card issuer has become newly covered by the interchange fee standards in the year that the survey is being conducted, after not having been covered in the previous year. The new language clarifies that such an issuer does not need to file a report with information for the previous calendar year, when it was not covered by the interchange fee standards. The Board is also proposing updates to definitions in the survey glossary to provide more clarity.

The Board proposes the following revisions to the FR 3064b:

Remove question about number of merchant establishments (Section I, Question 5).

Because information about the number of locations at which merchants accept payments on the respondent's network is not used in the Board's analysis, the Board is proposing to delete the question.

Remove question about offering an interchange fee schedules that differentiates between exempt and non-exempt issuers (Section I, Question 6). This question was originally included to enable the Board to establish whether payment card networks were offering interchange fee schedules that differentiate between issuers based on their status under Regulation II. The

existence of such differential fee schedules has been established and can further be inferred from responses to subsequent questions in the survey. As a result, the Board is proposing to remove the question.

Remove questions about refunds of interchange fees to acquirers for chargebacks and returns (Section II, Question 2b, 2b.1, 2b.2, 2c, 2c.1, 2c.2, 2d, 2d.1, 2d.2, 2e, 2e.1, and 2e.2).

Currently, the survey poses a series of yes/no questions asking payment card networks if they refund to acquirers the ad valorem component, fixed per-transaction component, or the entire interchange fee for returns and chargebacks that compose an entire purchase transaction or a portion of it. These questions were originally included to address a series of issues that now have been resolved, so the Board is proposing to remove them.

Update Survey Instructions and Glossary of Terms. The Board is proposing additional language in the instructions to clarify reporting expectations for entities who own multiple networks. The Board is also proposing updates to definitions in the survey glossary to provide more clarity.

Legal authorization and confidentiality: The FR 3064 is authorized by subsection 920(a) of the Electronic Fund Transfer Act, which was amended by section 1075(a) of the Dodd-Frank Act.² This statutory provision requires the Board, at least once every two years,³ 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 transaction as the Board considers appropriate and in the public interest.⁴ It also provides the Board with authority to require issuers and payment card networks

² 15 U.S.C. 1693o-2.

³ The subsection refers to bi-annual disclosures and the Board interprets this to mean once every two years. *See* 76 FR 43458.

⁴ 15 U.S.C. 1693o-2(a)(3)(B).

to provide information to enable the Board to carry out the provisions of the subsection.⁵ The FR 3064 is mandatory. In accordance with the statutory requirement, the Board releases aggregate or summary information from the survey responses. In addition, the Board 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 not-exempt issuers obtained on the FR 3064b. The Board has determined to release this information both because it can already be determined mathematically based on the information the Board currently releases on average interchange fees and because the Board believes the release of such information may be useful to issuers and merchants in choosing payment card networks in which to participate and to policymakers in assessing the effect of Regulation II on the level of interchange fees received by issuers over time.

The remaining individual issuer and payment card information collected on these surveys is kept confidential under exemption (b)(4) of the Freedom of Information Act (FOIA) because, if released, this information would cause substantial harm to the competitive position of the survey respondents.⁶

Board of Governors of the Federal Reserve System, August 7, 2019.

Michele Taylor Fennell,

Assistant Secretary of the Board.

Billing Code 6210-01-P

⁵ *Id.*

⁶ 5 U.S.C. 552(b)(4) (exempting from disclosure “trade secrets and commercial or financial information obtained from a person and privileged or confidential”).

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