December 14, 2018

Via Electronic Submission

Ms. Ann Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Docket No. OP – 1625 Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments, Request for Comments

Dear Ms. Misback:

SAS Institute[1] ("SAS") is encouraged by the Federal Reserve's focus on bringing innovation to the United States' payments industry to ensure it remains competitive globally. We have enjoyed a long relationship with the Board of Governors and the Federal Reserve System. For many years, our software has been used by the Federal Reserve's economists, statisticians, and data scientists for analysis and reporting in support of economical and statistical research, stress testing, compliance requirements, and solving critical business challenges. Therefore, SAS appreciates the opportunity to provide comments to the Federal Reserve Board of Governors ("Federal Reserve") on its Request for Comment ("RFC") regarding the potential actions that the Federal Reserve could take to facilitate real-time interbank settlement of faster payments.

By way of introduction, SAS is the largest privately held software company in the world, operating globally in 145 countries. We empower both public and private sector customers within the financial services and financial regulatory arenas to apply advanced analytics to discover new patterns in their data and make more consistent and intelligent data-driven decisions with lower costs and reduced risks. This data-driven approach, while fully leveraging cross-disciplinary expertise, is becoming even more important as the fraud threat facing the banking and payments industries has grown significantly in recent years.

Together with private industry, the Federal Reserve plays a vital role in fostering a safe, efficient, and widely accessible payments infrastructure – one that is evolving rapidly as new products, market

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[1] Headquartered in Cary, North Carolina, SAS is the largest privately held software company in the world. Committed to providing cutting edge analytics solutions to its customers, SAS invests an unparalleled 26% of revenue back into R&D. Our mission is to deliver superior software and services that give people the power to make the right decisions. For over 40 years, SAS has established itself as one of the leaders in advanced analytics and data management, a standard that has been repeatedly recognized by independent third-party researchers, including Forrester and Gartner Research. For additional information please see:
https://www.sas.com/en_us/news/analyst-viewpoints/forrester-names-sas-leader-in-ai-based-text-analytics-platforms.html
https://www.sas.com/en_in/news/analyst-viewpoints/2015-magic-quadrant-advanced-analytics.html

participants, and technologies emerge. SAS firmly supports the Federal Reserve's efforts to update and modernize the United States' payments system to meet the growing needs of households, businesses, and banks in the digital economy. As detailed in the *Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments* issued on October 3, 2018, the Federal Reserve is evaluating whether real-time gross settlement ("RTGS") is the most appropriate strategic foundation for interbank settlements and is considering developing a liquidity management tool that would operate 24/7/365 in support of the real-time settlements environment.

As part of this new approach, the Federal Reserve's proposed 24/7/365 RTGS environment would benefit from a variety of technologies, operations, and services that banks, and other stakeholders can provide. Processors, technology firms, and other providers of payments services, for instance, will be needed to develop end-user options and auxiliary services that will be critical to supporting a more effective nationwide system. In reviewing this proposed approach, we believe SAS' strengths in fraud-monitoring tools and risk management capabilities coupled with our database and data-matching expertise will enhance and support the Federal Reserve's multi-year move to a 24/7/365 real-time environment. As such, we have limited our comments below to those auxiliary areas where SAS has unique insight to best inform the Federal Reserve's faster payments initiative.

Enhanced Fraud-Monitoring and Detection Capabilities

Fraud-monitoring and detection capabilities are a critical auxiliary service to ensure trust and confidence among participants in the new settlements environment. While digitalization of financial services presents many opportunities, it also exposes vulnerabilities in digital and mobile payment platforms, and has increased the scale, diversity, and complexity of fraud. The sophistication of fraud has increased, in part through greater collaboration among bad actors, including the exchange of stolen data, and hacking-as-a-service or other expertise easily available on the dark web.
Adding to the complexity of fraud is the exponential growth and speed in which data is generated and exchanged. Deploying advanced analytical methods and making decisions at scale and in real time requires organizations to modernize their IT systems. In the past, transactional data served as the main data source for developing fraud detection and prevention. Now, organizations are fusing transactional data with other data sources such as patterns of behavior, transactional devices, and contextual awareness information from payment activities to make better decisions about risk.

Over the years, SAS has developed extensive experience with fraud analytics and deployed technologies used by many government and commercial organizations to combat fraud. SAS offers a powerful and scalable analytical platform, which can intake, ingest, and integrate data at rest and in real time from various data systems. SAS would work with the Federal Reserve, as we do with other financial institutions, to prioritize analytical methods to deploy such as entity resolution, adversarial and social network identification, machine learning and business rules. We offer these capabilities both as reactive investigation toolkits and predictive screening solutions, each equipped with case management and audit capabilities. SAS pairs our strong solution and analytical capabilities with experienced subject matter experts and innovative leaders from the financial and intelligence communities.

Data Collection, Management and Governance

The ability to collect, manage, and govern vast amounts of data will be highly important to the Federal Reserve as it executes on its plan for a next generation settlement environment. The Federal Reserve, and other financial entities within this environment, will have a special responsibility for ensuring that all systems have timely, accurate, complete, secure and governed enterprise information. Specifically, an

appropriate data management plan within this environment will entail comprehensive data discovery, access, quality, integration, entity resolution, federation, and governance features that work consistently across all types of data environments. The Federal Reserve will be tasked with securing transactions within the constraints of a real-time settlement environment; therefore, SAS' processes for data management would ensure that the highest security and integrity is maintained.

Additionally, the new settlements environment will require a data strategy and methodology to address volume, variety, and velocity of data involved both in real time and data at rest. The Federal Reserve envisions that when routing payment information, the banks will likely use the recipients' alias, such as an e-mail or phone number, rather than traditional bank routing and account information. This will enable real-time verification with those data points to automate entity matching across diverse datasets, using advanced data standardization and fuzzy-matching techniques. SAS can also support the Federal Reserve in this important effort by providing data profiling, deduplication, address and identify verification. Our proposed data strategy and methodology will empower the Federal Reserve to better mitigate risk and improve decision making across the organization.

Again, we appreciate this opportunity to submit comments to the Federal Reserve on potential actions we recommend to facilitate real-time interbank settlement of faster payments. We would welcome the opportunity to further discuss how SAS can support the Federal Reserve on this effort. Please feel free to email or call the undersigned at Austin.Tuell@sas.com, Sergio.Rodriguera@sas.com, or (804) 357-8755 with any questions regarding these comments.

Respectfully,

Austin Tuell and Sergio Rodriguera

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