

December 14, 2018

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

Re: First Data Comments on **Docket No. OP-1625, Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments**

On behalf of First Data, we appreciate the opportunity to provide our views on Docket No. OP-1625, Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments. First Data is very supportive both of the Federal Reserve's role in creating the Faster Payments Task Force as well as its goal of a safe, efficient and ubiquitous faster payments system for the U.S. by 2020.

As background, First Data is a global provider of technology solutions and services to merchants and financial institutions with clients in 118 countries. With our services, First Data enables 6 million merchants to accept electronic payments such as credit, debit, and prepaid cards, processing 2,800 transactions per second and handling \$2.2 trillion in payments annually. We also perform a number of back-office services for over 4,000 financial institutions of all sizes and own the STAR debit network.

As a significant player in the payments industry, First Data believes that all payments stakeholders, including financial institutions, merchants and consumers, benefit from a continuously improving payments system. We applaud the Federal Reserve for undertaking a comprehensive assessment of faster payments over the last five years that has allowed for the participation of a broad swath of industry participants from the retail, processor, network and financial services communities. Since the faster payments criteria have been established and the private sector continues to develop faster payments solutions, First Data believes that it is an appropriate next step for the Federal Reserve to be looking at the limitations of its own infrastructure. While we recognize that the concept of a real-time gross settlement system is in very early stages and there are many questions that are not yet answered and important details that must still be worked out, First Data nevertheless agrees with the idea of the Federal Reserve creating a real-time gross settlement system that could serve as a foundation or platform for the private sector to use and to build out additional services for end-users.

Without end-user funds availability and/or interbank settlement occurring on a real-time basis, the value of near-real-time authorization and good funds confirmation is diminished, as the finality of the transaction may still remain in doubt. With that said, the fraud risks rise exponentially with the increased speed of the transaction, so stronger security and authentication solutions must be in place (such as minimum security thresholds) to keep fraud activity in check. Additionally, while we generally support the idea of the Federal Reserve

moving forward with plans to create the RTGSS, we are not in favor of a regulatory mandate for financial institutions to use the RTGSS, and we encourage the Federal Reserve to continue its practice of incorporating broad stakeholder inputs as various details are finalized before the system is implemented.

#### **First Data Responses to Key Questions about the Real Time Gross Settlement Service**

**Q:** Will there be sufficient demand for faster payments to support the development of this service?

*A: We believe there will be demand for a Federal Reserve RTGSS from various industry segments. However, widespread demand for this may be impacted by other real-time payment services that are either already in market or will be coming to market before RTGSS is developed and available.*

**Q:** What is the ideal time to market for this service?

*A: 2020*

**Q:** What adjustments would the industry and its customers need to make to operate in a 24x7x365 environment?

*A: There are significant changes across the industry required to support RTGSS, such as updating the banks' and service provider's systems.*

*Moreover, there are a number of legacy banking and service provider systems that are supported by older technology that will require upgrading, likely requiring a significant investment on the part of those banks and service providers, both in dollars and resources.*

**Q:** Are auxiliary services, such as a payment directory or fraud prevention services, needed for this service?

*A: While First Data supports the desire of the Federal Reserve to move faster payments forward via the Federal Reserve RTGSS, we believe that having an open and interoperable faster payments ecosystem across the U.S. should be the paramount goal. An open network is critical to allow for new and expanded services by the private sector to be created and built upon such a network. Interoperability is therefore also absolutely necessary so that the Federal Reserve's service is able to operate within the faster payments ecosystem that is already being developed in the U.S., such as The Clearing House's Real-Time Payments System.*

*Additionally, a real-time gross settlement system would create new fraud risks, because real-time payments decrease the time to detect fraud. Not only does a delay to access funds make fraud less desirable, but it allows the appropriate fraud and risk processes to run and actually detect the illicit activity. Faster settlement times may also increase non-fraud returns in some instances, since today some consumers initiate transactions knowing that they still have a*

*limited period of time during which they can make a deposit, transfer funds, wait for a direct deposit to occur, etc. A ubiquitous system that is designed to work even without the sender knowing the recipient's bank account number will undoubtedly attract fraudsters who will test the safeguards, system security and fraud detection tools.*

*We also think that some credit transactions could result in higher fraud if the real-time systems do not have "know your customer" authentication methods and practices.*

*Ultimately, the key to any real-time system will be to have great neural network intelligence tied to the payment behaviors of the payer, along with some method for pending validations. For instance, a system could be established whereby a transaction could be accepted based upon a risk score or placed into a pending category if the score is outside of the normal behavioral parameters.*

*A centralized directory containing account numbers and routing information for businesses and consumers to which service providers are linked can be an open invitation to fraudsters without the proper safeguards. Distinguishing companies and individuals with similar names, locations and addresses could produce erroneous routing of near-real-time payments. We do not believe a solution like this is necessary, given the advanced cryptography solutions in the market today that provide for cryptography key sharing.*

**Q: How critical is interoperability between RTGS services for faster payments to achieving ubiquity?**

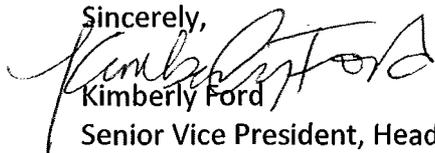
*A: As stated above, the RTGS services will need to be able to operate with other faster payment services that will be rolled out by private industry. An open and faster payments network with routing and settlement functionality must be ubiquitous to ensure that financial institutions of all sizes, merchants of all sizes and other service providers can participate in this new, emerging payments network.*

*RTGSS messages, rules, processes, etc., will also need to operate with other faster payments systems that are delivered to the marketplace, such as The Clearing House's Real-Time Payments System. Additionally the RTGSS will need to be able to operate with current settlement processes that exist in the industry, such as card-based settlement, as building off of the current systems will likely reduce the overall cost for smaller banks to participate. This can be accomplished where the funds can be made immediately available to customers.*

In conclusion, First Data supports the idea of the Federal Reserve moving forward to build a real-time gross settlement system for 24x7x365 interbank settlement, provided that the system is interoperable and works with other faster payment systems that have been, or will be, implemented by private industry. Additionally, it is important that the Federal Reserve decide and publicize as quickly as possible whether or not it intends to move forward with developing the RTGS system so that stakeholders can begin solving for implementation challenges and to allow for innovation to continue in the marketplace.

We appreciate the opportunity to express our views and reiterate our support of the measured approach that the Federal Reserve has taken as it has worked for the last five years on a plan to effectuate its vision on achieving a truly real-time faster payments system in the U.S.

Sincerely,

A handwritten signature in black ink, appearing to read "Kimberly Ford". The signature is fluid and cursive, with the first name "Kimberly" written in a larger, more prominent script than the last name "Ford".

Kimberly Ford

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