FIS Comments to Docket OP-1625
Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments

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FIS appreciates the opportunity to respond to Docket Number OP-1625, “Potential Federal Reserve Actions to Support Interbank Settlement of Faster Payments, Request for Comments.” Our comments are based on the collective roles that we serve in the financial services and payment markets. In preparation to respond, FIS attended multiple Federal Reserve Town Hall meetings, met with several payment industry groups, held discussions with clients, and conferred within FIS stakeholders. FIS views that there are three specific initiatives for the Federal Reserve (Fed) to consider.

FIS defines the three initiatives as:

1. Fed offers a liquidity management service;
2. Fed expands settlement deadlines and/or creates a new real-time gross settlement (RTGS) process for Faster Payments;
3. Fed becomes a processing operator for Faster Payments, managing transaction routing, defining governance, and expanding member settlement relationships.

FIS believes that if the Fed proceeds with plans to be an operator of Faster Payments as outlined in item #3 above, then the Fed must provide the services for the first two items (liquidity management and RTGS settlement service). Our recommendation is a phased approach for deployment of these services, which would allow FIs to adopt the new services as they become available and minimize overall financial disruption. For clarity, FIS also believes that value is warranted for Fed to consider offering the first two services listed above independently of the operator decision.

1. **Liquidity Management Service**

FIS strongly supports the Fed pursuing a liquidity management service, and recommends deployment in the next 12 months, to address current market needs. This service could subsequently be enhanced to address future 24x7x365 requirements. This approach provides near-term solutions, while reducing the overall deployment of system changes, if a broader Faster Payment strategy is adopted.

For the last 10 years, there has been considerable focus on defining and monitoring sound liquidity practices by regulatory bodies and through legislation. FIs have changed their standards and procedures to ensure individual and overall industry safety and soundness. While there has been much progress with regards to FIs updating their processes and procedures related to liquidity, the funding management tools available to FIs have not been advanced proportionally. FIs would welcome technological options to actively monitor, automate thresholds/targets, and move funds. These capabilities mirror what corporations already have available in the market for their own treasury positioning.

The liquidity management service can be implemented in the near term as an additional option to financial institutions. When RTGS is introduced, the liquidity service could then be either mandated or strongly encouraged, as it would already be readily available.
2. Expanded Settlement Services

FIS is encouraged by Fed’s consideration to expand its settlement services and believes this expansion should support an overall vision to modernize FI settlement across all payments. As a technology provider, we appreciate that prioritizing real time settlement for Faster Payments will promote adoption in the US. However, it is a missed opportunity to review the market demands across all channels. A disparate approach to addressing the needs of different payments will result in competing resources and limit overall progress.

FIS is aware that NACHA has requested changes to the National Settlement Service (NSS) to support later intraday deadlines. In addition, the corporate and FI markets have continually stressed the need for later wire deadlines. As a facilitator of choices, FIS welcomes any changes to further payments and reduce the end user confusion of multiple deadlines. FIS fears that one solution would take the focus away from solving for the entire payment landscape. While solutions do not necessarily have to be the same, nor the adoption simultaneously, an integrated approach should be considered.

FIS believes that a 24x7x365 settlement service is mandatory if Fed proceeds with being a Faster Payment operator. It matches the operational flexibility to manage the FIs’ liquidity to posting expectations. A new settlement system should be designed to migrate other payment processing into the new model.

3. Fed serves as a Processing Operator

FIS has been involved with The Clearinghouse (TCH) RTP™ initiative from its inception, as we were part of TCH’s response to the Faster Payment Task Force. Leveraging our experience powering Faster Payments globally, FIS was able to quickly develop solutions for FIs to participate in the TCH RTP network:

- FIS is live in the market with a robust software solution geared towards larger institutions, which could be deployed on premise or hosted at FIS.
- In 2019, FIS is releasing an ASP solution that provides end-to-end integration with TCH, FIS core solutions, and channels.

We have been made aware of requests amongst community FIs for an independent operator that services the markets needs of their peers and encourages additional choices for processing Faster Payments. By having options, FIs are confident that requirements, regulations, and adherence are balanced.

If the financial industry community urges the Fed to serve in an operator capacity, FIS recommends:

1. A potential Fed offering is introduced no later than mid-2021. Entry beyond this timeframe could potentially stifle community FIs from participating, while larger institutions are actively engaged and growing their market penetration via TCH RTP.

2. Community FIs join the TCH RTP network (FIS’s ASP solution is one available option) as a Receive Only member, to gain first-hand knowledge of the operational requirements and be a voice to the needs of the community FI segment. This would be a win-win scenario for community FIs, TCH, and the Fed, thus, promoting Faster Payment ubiquity in the US.

3. A potential Fed offering utilizes ISO 20022. This encourages interoperability for FIs in creating and posting payments with other networks and payment types. This also supports the Fed direction for wire mandates, and the direction of global Faster Payment implementations.

The growth in Faster Payments means financial institutions must be able to interact, use and transmit payments over multiple systems to remain competitive. As a leader armed with depth and breadth of experience to support our clients and partners, FIS is intentional about empowering every financial
institution with innovative and best-in-class solutions that meet the needs for the market of today and beyond.

To conclude, FIS supports participants and solutions that encourage ubiquity. Whether Same Day ACH, TCH RTP, Zelle, Visa Direct, MasterCard Send or the proposed Fed rails, FIS will make Faster payment capabilities available to clients of all sizes.

**About FIS:**

FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Fla., FIS employs more than 53,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index.