



Docket OP-1664 Request for Comment

FIS Global Comments to Docket OP-1664

Potential Modifications to the Federal Reserve Bank's National Settlement Service and Fedwire ® Funds Service to Support the Same-Day ACH Service Changes

FIS Global
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FIS appreciates the opportunity to respond to Docket Number OP-1664, 'Potential Modifications to the Federal Reserve Bank's National Settlement Service and Fedwire ® Funds Service to Support Enhancements to the Same-Day ACH service and Corresponding Changes to the Federal Reserve Policy on Payment System Risk'. Our comments are based on the collective roles that FIS serves in the financial services and payment markets.

FIS supports the Federal Reserve Bank settlement deadline changes, as outlined in Docket OP-1664. FIS views these changes as a mandatory predecessor to a third Same Day ACH window being added. Due to the growth in Same Day ACH transactions and need provide access to all participants, FIS agrees that these changes are required. FIS categorizes its comments in the following three statements:

1. FIS supports a third window for Same Day ACH (SDA) based on client feedback, growth, and demand.
2. FIS urges the Federal Reserve Bank to address the settlement deadlines with a holistic view, to support a more impactful change to the deadlines for National Settlement Service and Fedwire ® Funds Service.
3. FIS continues to advocate for NACHA identifier changes with SDA that leads to smoother processing and operational management of SDA activity.

1. Support for a Third Same Day ACH (SDA) Window Addition

As outlined in our original response to NACHA's Request for Comment about SDA expansion in 2017, FIS supports an additional SDA window if these associated Federal Reserve Bank settlement deadlines are extended. FIS outlined the significant operational issues that would occur if the Federal Reserve does not modify the deadlines. For example, posting and settlement dates would be out-of-sync which causes significant confusion and balancing difficulties.

The Federal Reserve changes are justified, based on the advantages gained with adding the Same Day ACH (SDA) window. In less than three years, SDA has become a critical payment option for businesses and financial institutions. NACHA reports 48% increase in SDA transactions in 2Q2019 over the previous year. Most internet banking solutions, processors, and business applications provide the ability to submit Same Day entries. The current issue is that stakeholders in the Mountain and Pacific times zones are challenged to fully participate because of the early deadlines. In many cases, businesses are required to submit ACH batches prior to 9:30 am PST to be considered for SDA. This extension allows all businesses to have similar access to SDA.

The ACH community relies heavily on SDA as well, as a critical back-up option when issues cause next-day ACH traffic to be delayed. NACHA originally named this use case, 'emergency payroll', but its application has evolved beyond payroll items. Expanding the deadlines, allows for consumers to receive their money timely and be insulated from outside factors impacting them.

2. Holistic View to Settlement Deadlines

As outlined above, FIS supports the necessary settlement changes required by the Federal Reserve to add the third SDA window. FIS is also aware that many stakeholders are requesting settlement extensions beyond the current schedule for ACH, wires, and potentially new rails.

Independent of any consideration of the Fed being an operator of a faster payment scheme, FIS is a proponent for the Federal Reserve reviewing the definition of a settlement day beyond a 5-day work week. It would therefore support all payments systems, as opposed to focusing on a single, newer payment system.

The FI market may be divided on topics of real-time and payment rails. They do appear to collectively agree in advancements with liquidity management and settlement. Changes required to support the National Settlement Service (NSS) and Fedwire ® Fed Funds Service are necessary from a tactical perspective. However, the Federal Reserve should determine how these incremental changes can be deployed in a way that supports and certainly does not hinder further expansion in the future.

3. Additional SDA NACHA Changes Can Ease Challenges

FIS continues to advocate for changes to NACHA's Rules for Same Day (SDA). While not directly impacting the Federal Reserve and their RFC changes, these recommendations alleviate operational concerns expressed by financial institutions, as their end-of-day continues to get compressed. FIS strongly advocates for a Same Day indicator beyond the Effective Entry Date field or the optional field that is not widely used today.

There is no field on a NACHA file, batch, or transaction that overtly indicates if it is Same Day ACH processed activity. The combination of the Effective Entry Date field and the actual time that the batch/transaction was processed must be known to indicate if it were SDA. This is difficult for financial institution (FI) operational staff to clearly identify the activity, especially if researching historical information. In addition, it hinders prioritization of resolving operational exceptions by FI staff before deadlines. FIS noted these recommendations in the original Same Day Request for Comment, and again with the 2017 RFC for expanding SDA.

Processors, like FIS, provide features to populate a separate flag when something has been processed with SDA; however, they require an in-house custom NACHA format that cannot be widely transferred or shared. With the importance of data integration, the lack of a required field will become more of an operational burden.

About FIS:

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