



Q&A:

THE TRANSFORMATIVE IMPACT OF PAYMENTS TECHNOLOGY

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The landscape of payments never stops changing – and advancements in technology are accelerating its evolution. In conversation with FIS money movement expert Chris Como, we explore the trends and innovations that are shaping the future of financial transactions for businesses and consumers alike.

Q: What are your payments clients' priorities now and how are you meeting them?

A: A top priority for FIS and its banking clients is to simplify payments technology and make everything uniform and easy. That means stripping away all the complexities of interacting with payments networks and simplifying the way our platforms work.

For example, we've unified the user interface for back-office employees and have created a set of real-time monitoring tools that work across different back-end platforms. We've also focused on delivering a standard API suite. Developments of this nature make technology a whole lot easier for financial institutions to use.

Of course, banks are also keen to embrace new payment methods and technologies. Credit clients, for instance, are especially interested in buy now, pay later (BNPL), which continues to be a focus for us.

More broadly, we need to help our clients strike a balance between retaining their older customers and attracting a new generation of account holders and cardholders. For continued growth, it's increasingly critical for banks to meet the expectations of Generation Z by offering more innovative new ways to pay.

Q: What about payments fraud? How are fraud solutions evolving in the digital world?

A: In the payments space, fraud is one of the top five issues that clients are always thinking about. And the more motivated and creative the fraudsters become, the more challenges there are for financial institutions.

In the card space the industry did a phenomenal job by shifting to the EMV standard, which really secured card-present transactions. But as fraud rates drop drastically in the physical world, the rise of card-not-present e-commerce has seen fraudsters get more advanced and sophisticated in the digital world.

The key now is to look at every digital transaction and decide if it looks odd or peculiar. If it does, you block – or give a customer the chance to – block that transaction. So, financial institutions need to be much more advanced in their ability to take in broader swaths of data and make the best decisions to protect cardholders and account holders. And that's not easy: as well as access to data, you need deep expertise.

For security, we are now using neural network models for decisioning, as artificial intelligence (AI) starts to play a major role in fraud prevention. We are actively testing opportunities to use AI in our solutions – because we know for sure that our fraud adversaries are already using it aggressively.

One key differentiator of our payments solutions is their incredible flexibility, in the sense that we provide a range of fraud management capabilities and options. We can stand in and manage fraud completely on our clients' behalf if they prefer. But clients can also run our solutions themselves in line with their own fraud prevention strategies.

It all depends on the sophistication of the client. For example, a fintech entering the market may already be laser-focused on fraud prevention. So, we can simply create the back-end infrastructure that allows them to do all the work themselves. We're happy to do as much or as little as our clients need us to.

Q: With the emergence of embedded finance, how can card payments technology continue to compete?

A: For fintechs, most use cases for embedded finance rely on using a card. Customers want to embed the ability to open accounts, make transactions and so forth – and debit and credit cards are pretty core to that. Similarly, FIS Payments One, our card payments solution, is central to our own embedded finance capabilities – and will provide the back-end infrastructure that powers new partnerships with banks and fintechs.

For clients that want to play in the embedded finance space, it's supercritical to partner with a provider like FIS who can enable the underlying technology. But if you don't want to play in that space, you still need technology that can help you create the best experiences for your customers. So, essentially, you need to choose a technology partner that either enables embedded finance or empowers you to compete effectively with it.

Q: What motivates banks to embrace new technologies – and how do they stand to benefit?

A: Typically, clients first think about switching to a new solution because they want to improve efficiency and reduce costs. They feel like the price of their current product is too high or its design makes it really challenging for their back office.

But there's also a hunger for innovation and new development. Clients and prospects often ask about our roadmap – what innovative solutions we have on the horizon. And that's usually because their current processor didn't build a system for them within the timeframe they needed it.

Another motivation is the need to modernize, especially for debit business which is usually tightly integrated with core banking. Core modernization is a major trend in the market, both to improve efficiency and access a more sophisticated set of features.

We design Payments One to help realize efficiencies in both credit and debit. As a single platform globally, it gives banks the benefit of constant innovation and undiluted investment on our part.

By contrast, our competitors can run as many as three different credit platforms in the U.S. alone – and they have to split their spend across them all to stay current. So, if a client wants to offer, say, BNPL on one platform, there's a risk it could only be possible on one of the others.

With FIS, all the advanced functionality goes into the singular Payments One platform.

Q: What other trends in the card space should we look out for for 2024?

A: Thanks to continually high interest rates, I think there will be a change in the credit cycle. And that could make credit losses a much bigger issue for card providers.

Together, increased losses and higher funding costs will see clients focus more than ever on how to become as efficient and effective as possible – which is where FIS comes into its own as a technology partner.

When you think about the credit cycle and where we are from a macroeconomic standpoint, it's going to be really important for financial institutions to make sure they are in tight control and are monitoring their credit losses. At FIS, we provide the tools you need to succeed on both fronts.

ARE YOU READY TO TRANSFORM YOUR CARD PAYMENTS OPERATIONS WITH THE LATEST TECHNOLOGY?

Contact FIS to find out how.

About FIS

FIS is a leading provider of technology solutions for financial institutions and businesses of all sizes and across any industry globally. We enable the movement of commerce by unlocking the financial technology that powers the world's economy. Our employees are dedicated to advancing the way the world pays, banks and invests through our trusted innovation, absolute performance and flexible architecture. We help our clients use technology in innovative ways to solve business-critical challenges and deliver superior experiences for their customers. Headquartered in Jacksonville, Florida, FIS ranks #241 on the 2021 Fortune 500 and is a member of Standard & Poor's 500® Index.

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