Good afternoon, Chairman McHenry, Ranking Member Waters, and members of the House Financial Services Committee. My name is Frederick Reynolds, and I am Deputy General Counsel and Chief Compliance Officer at FIS. Thank you for the opportunity to appear before you today to discuss the evolving capabilities of Artificial Intelligence ("AI") in the financial services sector. During my time as a federal prosecutor for the Department of Justice, as the Deputy Director for the Financial Crimes Enforcement Network, and now in the private sector, I have had the opportunity to see firsthand how new and emerging technologies impact the financial sector and national security — the two of which are inextricably linked. Artificial Intelligence, if responsibly utilized and regulated, can have a significant and positive impact in modernizing products and services, increasing financial access and inclusion, and enhancing ethical standards and customer outcomes. In addition to the opportunities it presents, AI and in particular Generative AI ("GenAI") also pose potential risks. Sophisticated algorithms and data analysis techniques have the potential to undermine our current identity system by exploiting the very elements we use to validate a customer’s identity.

FIS is a financial technology leader that delivers technology solutions to major financial institutions around the globe. Our operations power the global economy - managing money at rest, money in motion, and money at work. Given the vital role we play in financial services, we are acutely conscious of our significant responsibility to ensure that our products and services are both safe and leading edge. FIS is a business built on trust and as such is committed to advancing the responsible use of technology to enhance our ability to offer innovative financial products to our clients and their customers, while maintaining our commitment to security.
AI in Financial Services

AI and machine learning technologies have transformed financial services by catalyzing digital transformation, but AI is not new. It is not new to FIS, and it is not new to the broader financial sector. Financial institutions have leveraged advanced technology, such as AI and machine learning for some time — fraud, workflow technology, and voice assistants are notable examples of AI use in financial services. These technologies empower FIS to improve services for our clients and their customers and play a crucial role in helping us deliver tailored financial solutions, detect and prevent fraudulent activity, enhance decision-making, and identify trends and preferences to better meet consumers' needs. GenAI, while a subset of AI, is far more complex and presents transformative possibilities and novel risks. While prior technologies primarily relied upon mathematical models and task automation within limited datasets, GenAI is much more powerful; it not only has the ability to create new artifacts but, more importantly, does so in a way that increasingly mimics how knowledgeable workers would respond. To help enable these positive transformations, and guard against the inherent risk of GenAI, it is imperative to proactively develop and implement robust governance programs that are rooted in human ethics and values.

AI Governance is Foundational

As we embrace AI’s potential and use these tools to learn, create, and innovate, it is essential to balance opportunities and risks. Our position as an industry-leading provider means we put our clients’ needs at the forefront of everything we do. Above all else, this means guaranteeing client trust and ensuring our AI experimentation and innovation are done within FIS’s established AI principles and risk appetite.

Regardless of the industry, we are entering a global phase of unprecedented growth and potential. Establishing robust infrastructure and foundational AI governance programs is paramount because these AI systems are evolving at an accelerated pace. Consistency in the implementation of risk guardrails and rigorous testing is not just a matter of compliance but essential for optimizing business operations worldwide.
Our aims are similar in nature – harness the power and capabilities of AI to enhance productivity, sharpen human-driven decision-making processes, and deliver competitive products and services that set industry and regulatory standards. However, alongside these advancements, we must prioritize security and ethical considerations. Building AI models with a foundation of strong security measures is imperative. Understanding the data used for training and its implications in our AI models is critical to safeguarding consumer privacy and ensuring fairness. Equally important is ensuring the integrity and security of these models, as they reflect our commitment to ethical business practices.

**Impact of AI on Existing Regulatory Requirements**

One area that FIS is focused on is the impact of technologies like GenAI and Web3 on fraud prevention, identify verification and existing customer due diligence procedures (“CDD”). As these technologies become widely adopted, our traditional means of assessing trust (i.e. identity) are less effective through anonymous or pseudo-anonymous online identities and deep fakes. This, coupled with an increased ability to avoid the formal financial system puts the overall CDD and anti-money laundering (“AML”) programs at risk. Recognizing that the current AML controls, which require full knowledge of a user’s legal identity as a proxy for trust, may be at risk of becoming ineffective—it is imperative that industry look to next generation CDD/identity controls that take advantage of GenAI and Web3, but also protect against their misuse. This requires us to rethink how to define identity and create solutions—such as digital identity or “zero knowledge identity proofs” –that focus on behavior and trust within the financial eco system rather than easily faked data elements.

**FIS’s approach**

As Chief Compliance Officer, I have a responsibility to safeguard FIS and its customers by ensuring adherence to laws, regulations, and ethical standards – this commitment extends to FIS’s advancement with AI. Our priority is clear: to deliver products that our clients can trust, avoiding high-risk and uncertain solutions that do not meet legal, regulatory, and ethical standards. FIS is continuously exploring ways to enhance what we can offer to our clients; we deeply understand the unique challenges our clients face and the opportunities that AI can bring to their businesses. Our clients look to us for guidance regarding business transformation endeavors, and AI is no different. We are embracing
innovation but are taking measured steps towards it to deliver real value to those we serve. We pride ourselves on our robust risk management programs to ensure we are effectively managing risk while, at the same time, allowing us to be agile with innovation.

As we further integrate AI and GenAI into our operations, our approach remains grounded in six core principles, which reflect common themes across existing and developing global frameworks: Transparency, Explainability and Auditability, Accuracy and Accountability, Privacy and Data Protection, Security, all Rooted in Fairness and Human Values. Here is an overview of these core principles:

- **Transparency**: All parties interacting with an AI system should be aware that an algorithm is being used and will be provided with information about how the tool works and how the output will be used, fostering a culture of trust with our clients, their customers, partners, regulators and society.

- **Explainability & Auditability**: We need to be able to explain and communicate how and why an AI system produces certain outcomes and that we have sufficient auditability, meaning the model development, deployment, and maintenance are clearly documented.

- **Accuracy & Accountability**: AI systems should meet regulatory requirements and ethical standards. This accountability should extend to the data used to train AI models, ensuring it is accurate, unbiased, and representative.

- **Privacy and Data Protection** are foundational to our AI strategy. We prioritize safeguarding customer data and respecting privacy rights.

- **Security**: Preventing harm by ensuring AI systems are designed and deployed safely and securely and these models are resilient against cyber-attacks.

- **Rooted in Fairness and Human Values**: These guide our AI practices. We are committed to developing AI systems that are fair and minimize the risk of bias or algorithmic disgorgement. We integrate human oversight into AI processes to validate outcomes, interpret complex situations, and intervene when necessary to uphold ethical standards and regulatory compliance.
Approach to AI Regulation

We believe current regulations governing financial services are robust enough to support the responsible adoption of AI technologies. Consumer protection, anti-discrimination, and financial market regulations provide a solid foundation for using AI in financial services. These regulations ensure that AI technologies are used ethically and responsibly. Still, considering we are so early in the innovation curve of GenAI, it is imperative that we continually reassess regulations to ensure they allow for innovation in a risk-thoughtful manner. The one area, however, where we do believe that congressional action is critical is the updating of our customer identification program (“CIP”) and CDD regime and development of a digital identity system.

Despite the robustness of the current financial services regulatory regime, the AI regulatory landscape more broadly is not as stable or as defined as it could be. Globally, the regulatory environment for AI is uncertain, with each country adopting a unique approach based on varying risk considerations. While consistent global standards are ideal, it is imperative to our ability to innovate that we have at a minimum a consistent federal approach to AI regulation.

With that, we are advocating for a unified federal approach to AI regulation. Fragmented regulations across states will introduce complexity, burden innovation, and impede the positive impact that can come with AI technology adoption. We urge policymakers to adopt a cohesive regulatory framework that not only promotes innovation but also ensures robust compliance with regulatory requirements. A unified approach will provide clarity and consistency, facilitating the responsible deployment of AI technologies in financial services. We must ensure that we strike the right balance because regulation that is either too restrictive or too broad can stifle innovation and progress. The relationship between advancing this technology and regulating it is a complex one, but it is an opportunity that we must collectively embrace.

Thank you once again for the opportunity to discuss this critical topic, and I look forward to continued conversations.