

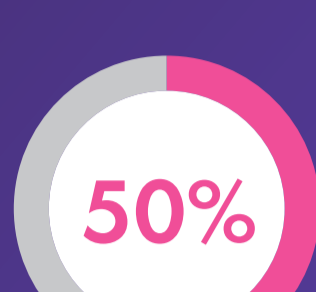
Payments modernization Priorities, Challenges and Opportunities

Payments modernization is critical to the success of financial institutions of all sizes around the globe. No financial institutions are immune to the changes happening in the industry and the pressure to adapt is only going to continue to increase.

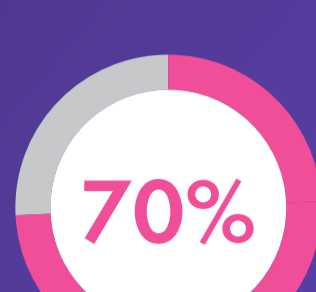
New survey conducted by Aite-Novarica Group* shows that financial institutions are struggling on several fronts



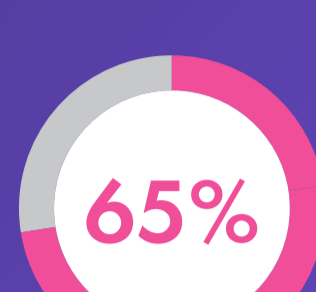
of banks report that they have already lost 10% or more of their payments volume to fintech providers



of banks believe that their lack of robust services is preventing acquisition of new clients



of banks report technical challenges of integrating with legacy systems to be an obstacle in introducing new products and services



of banks expect an increase in payments volume

And failure to find a way through this has a direct impact on a financial institution's customers.

50% or more of financial institutions indicate these issues are problematic for their commercial clients:



Cost of making payments



Connectivity to the bank



Exception items/rejected/returned payments



Visibility and insights into payment transactions



Friction points of cross-border payments



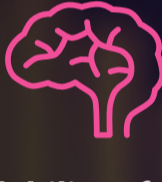
Reconciling receivables



Access to real-time or intraday liquidity management



Having a single, consolidated view of all payments being processed



Availability of value-added services such as intelligent payables



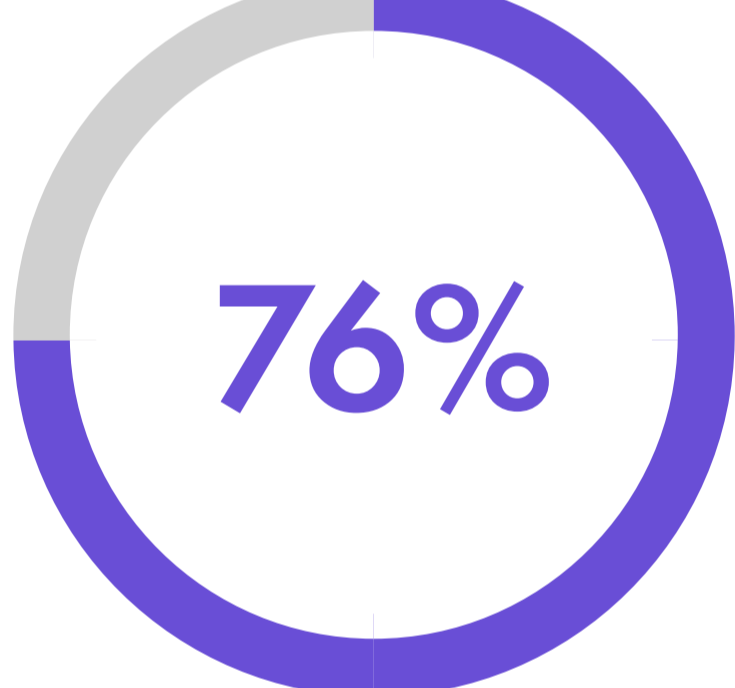
The cost of payment processing services



Integration with bank systems via APIs



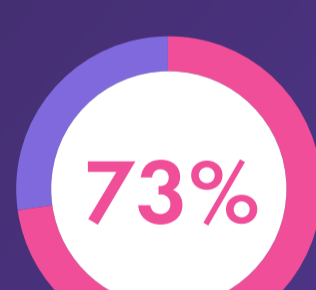
Information and reporting



To meet these challenges substantial investment growth is expected by financial institutions across a wide range of asset sizes and geographies

of banks expect their investment in payments technology will grow or remain the same

Banks indicated the following critical and very important priorities for their modernization plans:



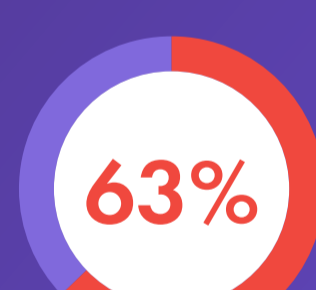
Simplifying the complexity of new payment rails



Reducing maintenance cost and operational complexity



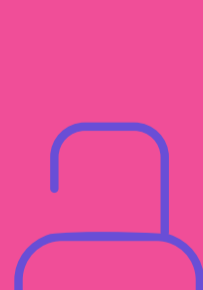
improving their ability to meet customer demands for value-added services



improving time to market for new products and services

The data clearly identifies the necessity to modernize; to adapt to changes that are already here such as Instant Payments, Open Banking, and ISO 20022 adoption – or those to come such as broader support for crypto, CBDCs and stablecoins – or indeed the “unknown unknowns”, agility is key which means modernization is a must for financial institutions to thrive.

Considering the challenges to modernization many financial institutions face, the need to move away from their legacy solutions features strongly, for example:



Lack of robustness can come from traditional on-premise, disparate and fragmented payment ecosystems which aren't inherently high-availability and the cost of achieving the required non-functional service levels leads to expensive duplication of infrastructure



Managing the complexity of new payments rails can result in costly and risky customization projects rather than rules-based configuration changes typical of modern solutions



Integration challenges often lead to point-to-point tactical solutions as opposed to the use of layered architectures with flexible message transformation capabilities

Payment Hub solutions are increasingly becoming the solution of choice for modernization projects.

A Payment Hub consolidates the processing of multiple payment types (real time, ACH, RTGS, and cross-border) onto a single central, standardized solution. A centralized hub solution not only helps improve processing efficiency and reduce operating costs, but it can also be a foundation for competitive differentiation as it enables financial institutions to deliver faster time to market for new products and value-added services.

Furthermore, as cloud adoption becomes mainstream, many financial institutions are moving to a Payments as a Service (PaaS) solution which provides the above benefits in a SaaS delivery model.

Finastra's solutions enable financial institutions of all sizes to modernize and transform their payments business.

Finastra Global PAYplus has been named Best in Class in Aite-Novarica Group's Payment Hub Matrix!

*Aite-Novarica Group Payments Modernization and Technology survey report

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